

**CITY OF SPRING HILL, TENNESSEE**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2022**

**Prepared By:**  
**Finance Department**

## INTRODUCTORY SECTION

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**CITY OF SPRING HILL, TENNESSEE**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**CITY OF SPRING HILL, TENNESSEE  
ROSTER OF OFFICIALS  
JUNE 30, 2022**

**Board of Mayor and Aldermen**

Mayor	Jim Hagaman
Vice Mayor and Alderman	William Pomeroy
Alderman	John Canepari
Alderman	Jason Cox
Alderman	Matt Fitterer
Alderman	Brent Murray
Alderman	Kevin Gavigan
Alderman	Vincent Fuqua
Alderman	Trent Linville

**City Officials**

City Administrator	Pam Caskie
Assistant City Administrator	Dan Allen/Tony Tolstedt
Finance Director	Debra Dutcher
Chief of Police	Don Brite
City Planner	Austin Brass
City Recorder	April Goad
Codes Director	Chris Brooks
Communications Specialist	Lucas Wright
Fire Chief	Graig Temple
GIS/IT	David Kerr
Human Resources Director	Richard Stokes
Library Director	Dana Juriew
Parks & Recreation Director	Kayce Williams
Public Works Director	Tyler Scroggins
Utility Director	Jessica Weaver
Wastewater Collections Superintendent	James Vrdoljak
Water Distribution Manager	T.C. Norman
Water Treatment Plant Director	Jeremy Vanderford

**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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**To the Honorable Mayor and Members  
of the Board of Aldermen  
City of Spring Hill, Tennessee**

### **Report on the Financial Statements**

#### ***Opinions***

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 fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund, American Rescue Plan Act (ARPA) Fund, and Adequate Facilities/Development Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained on *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management 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; and 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 5 through 16), the Schedule of Changes in the City's Net Pension Liability and Related Ratios (page 58), and the Schedule of City Contributions (on page 59) 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, and the schedule of expenditures of federal and state awards as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and the other supplementary information, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 the City's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Chattanooga, Tennessee  
July 26, 2023

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

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, 2022. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

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 \$217,652,645 (total net position).
- The government's total net position increased by \$35,525,612.
- As of the close of the current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$129,693,840, which is an increase of \$54,127,117 in comparison with the prior year. Most of this increase, \$39,550,731, is related to the 18-75 Capital Projects Fund and represents issued but unexpended debt proceeds from debt issued during the year. In addition, an increase, \$10,789,999, in the General Fund is primarily due to increase in sales tax revenue and growth in property values.
- At the end of the current fiscal year, the unassigned fund balance in the general fund was 153% of total general fund expenditures for the year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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 like a private-sector business.

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

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

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 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 17-18 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 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 twelve 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, 18-75 Capital Project Fund, and American Rescue Plan Act (ARPA) Fund which are all classified as major funds. Data for the other non-major governmental funds is provided in the form of combining statements starting on page 60 of this report.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

The City of Spring Hill adopts an annual appropriated budget for its General Fund and Major Special Revenue Funds, and Capital Projects Funds. 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 19-27 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 28-30 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 31-57 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 60-72 of this report.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

**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 \$217,652,645.

**Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Assets:</b>						
Current assets	\$ 155,112,355	\$ 92,656,691	\$ 50,238,145	\$ 41,425,843	\$ 205,350,500	\$ 134,082,534
Capital assets - net	39,860,257	32,385,006	84,540,725	80,466,224	124,400,982	112,851,230
Total assets	\$ 194,972,612	\$ 125,041,697	\$ 134,778,870	\$ 121,892,067	\$ 329,751,482	\$ 246,933,764
Deferred outflows of resources	3,498,023	1,714,410	1,071,010	542,767	4,569,033	2,257,177
<b>Liabilities</b>						
Current liabilities	\$ 10,351,518	\$ 2,673,374	\$ 2,146,989	\$ 669,556	\$ 12,498,507	\$ 3,342,930
Long-term liabilities (net)	75,620,692	37,043,517	10,777,596	12,132,742	86,398,288	49,176,259
Total liabilities	\$ 85,972,210	\$ 39,716,891	\$ 12,924,585	\$ 12,802,298	\$ 98,896,795	\$ 52,519,189
Deferred inflows of resources	17,068,283	14,499,671	702,792	76,440	17,771,075	14,576,111
<b>Net Position</b>						
Net investment in capital assets	\$ 14,311,315	\$ 22,517,114	\$ 73,913,696	\$ 68,758,817	\$ 88,225,011	\$ 91,275,931
Restricted	30,971,925	13,865,115	4,455,859	3,029,704	35,427,784	16,894,819
Unrestricted	50,146,902	36,157,316	43,852,948	37,767,575	93,999,850	73,924,891
Total net position	\$ 95,430,142	\$ 72,539,545	\$ 122,222,503	\$ 109,556,096	\$ 217,652,645	\$ 182,095,641

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. The City continued to track and update asset inventories throughout fiscal year 2022 and enter the acquisitions and disposals into the fixed asset module. An additional portion of the City's net position represents resources that are subject to restrictions as to how they are used. These restrictions include use for capital projects or other items as required by State law.

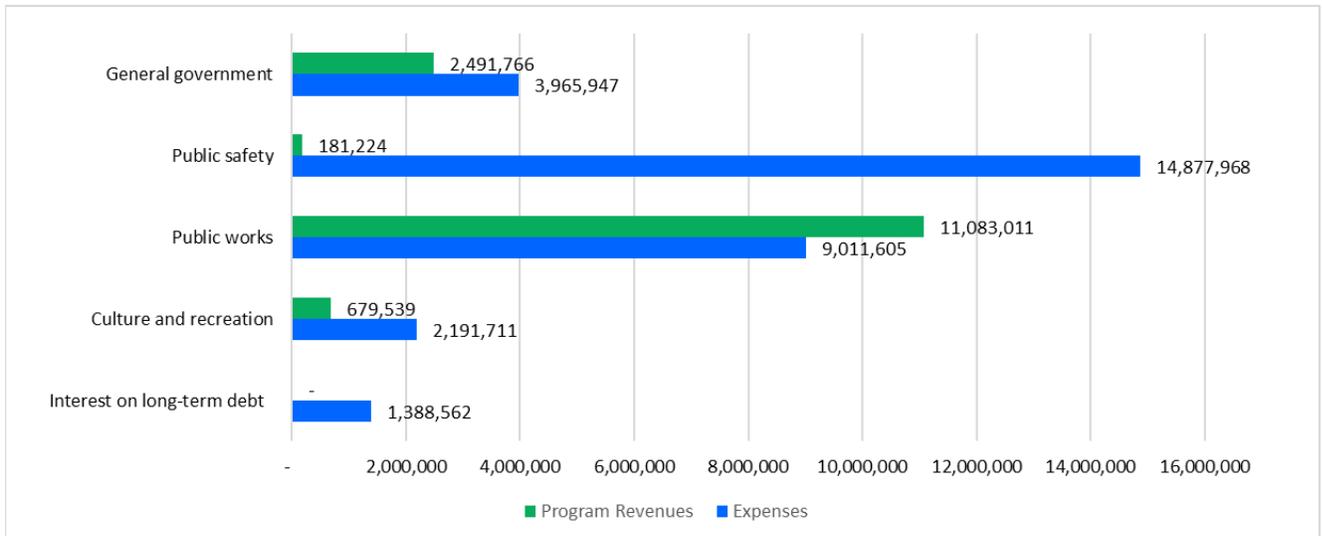
CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

**Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 9,980,040	\$ 10,061,126	\$ 16,738,174	\$ 15,794,012	\$ 26,718,214	\$ 25,855,138
Operating Grants & Contributions	1,367,602	917,484	-	-	1,367,602	917,484
Capital Grants & Contributions	3,087,898	3,009,358	9,327,901	9,429,919	12,415,799	12,439,277
General Revenues:						
Taxes	39,169,661	32,896,027	-	-	39,169,661	32,896,027
Intergovernmental revenues	543,214	1,501,922	-	-	543,214	1,501,922
Unrestricted Interest	(209,183)	70,145	18,065	107,951	(191,118)	178,096
Sales of materials	-	459,504	-	-	-	459,504
Miscellaneous	387,218	1,274,634	-	-	387,218	1,274,634
<b>Total Revenues</b>	<b>\$ 54,326,450</b>	<b>\$ 50,190,200</b>	<b>\$ 26,084,140</b>	<b>\$ 25,331,882</b>	<b>\$ 80,410,590</b>	<b>\$ 75,522,082</b>
<b>Expenses:</b>						
General Government	\$ 3,965,947	\$ 4,260,977	\$ -	\$ -	\$ 3,965,947	\$ 4,260,977
Public Safety	14,877,968	13,117,824	-	-	14,877,968	13,117,824
Public Works	9,011,605	7,073,003	-	-	9,011,605	7,073,003
Culture and Recreation	2,191,711	1,999,051	-	-	2,191,711	1,999,051
Interest on Long-Term Debt	1,388,562	1,322,811	-	-	1,388,562	1,322,811
Water and Sewer	-	-	12,443,587	11,463,358	12,443,587	11,463,358
Storm Water	-	-	974,206	943,341	974,206	943,341
<b>Total Expenses:</b>	<b>\$ 31,435,793</b>	<b>\$ 27,773,666</b>	<b>\$ 13,417,793</b>	<b>\$ 12,406,699</b>	<b>\$ 44,853,586</b>	<b>\$ 40,180,365</b>
Increase in net position before transfers	\$ 22,890,657	\$ 22,416,534	\$ 12,666,347	\$ 12,925,183	\$ 35,557,004	\$ 35,341,717
Transfers	(60)	-	60	-	-	-
Increase in net position	22,890,597	22,416,534	12,666,407	12,925,183	35,557,004	35,341,717
Net Position - beginning	72,539,545	50,123,011	109,556,096	96,630,913	182,095,641	146,753,924
Net Position - ending	\$ 95,430,142	\$ 72,539,545	\$ 122,222,503	\$ 109,556,096	\$ 217,652,645	\$ 182,095,641

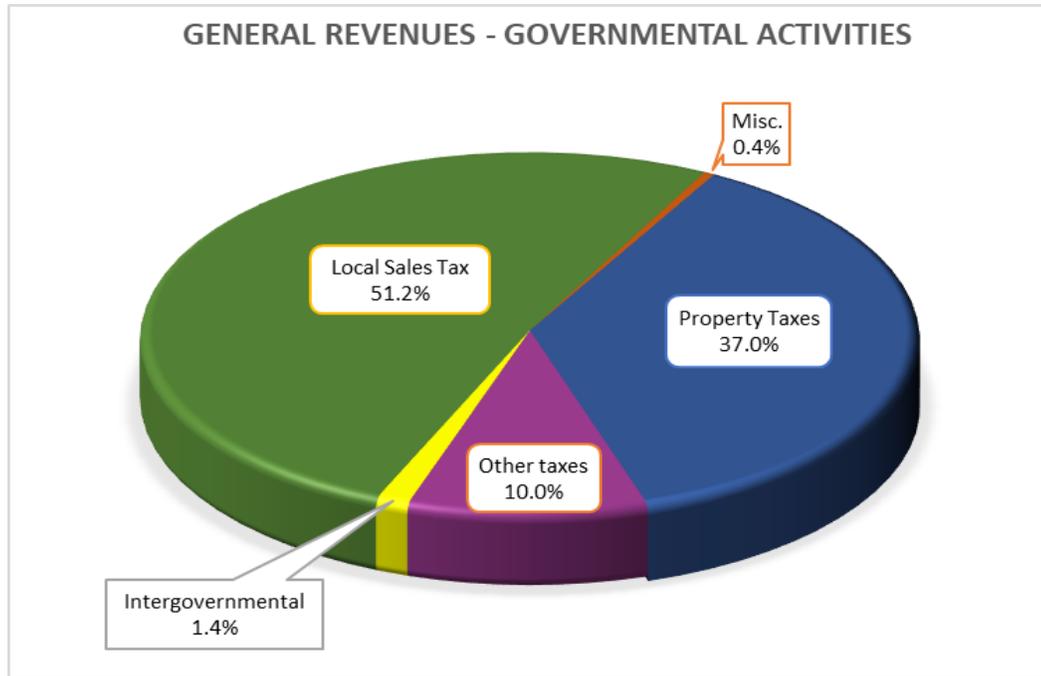
**Expenses and Program Revenues - Governmental Activities**

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.



CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

General Revenues - Governmental Activities



As shown above, 81.2% of governmental revenues were provided by property taxes and local sales taxes. Intergovernmental revenues totaling 1.4% were federal grants including Cares Act Funding, with other taxes providing 10.0%. Miscellaneous revenues totaled .4%.

**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. 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.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

**Balance Sheet**  
**Total Governmental Funds**

	2022	2021
<b>Total assets</b>	<b><u>\$ 155,227,227</u></b>	<b><u>\$ 95,340,309</u></b>
Total liabilities	<u>10,570,727</u>	<u>5,356,992</u>
Deferred inflows of resources	<u>14,962,660</u>	<u>14,416,594</u>
Fund balances:		
Nonspendable	7,349	2,780
Restricted	80,378,287	39,459,060
Committed	330,245	212,514
Assigned	8,675,453	6,393,540
Unassigned	<u>40,302,506</u>	<u>29,498,829</u>
Total fund balances	<u>129,693,840</u>	<u>75,566,723</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 155,227,227</u></b>	<b><u>\$ 95,340,309</u></b>

As of the end of the current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$129,693,840, a substantial increase of \$54,127,117 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, the unassigned fund balance of the general fund was \$40,302,506 an increase of \$10,803,677 from prior year. Restricted governmental fund balances were \$80,378,287, an increase of \$40,919,227 from the prior year. Much of this increase is associated with funds assigned for capital projects from the 2022 Bond Proceeds. The assigned fund balance was \$8,675,453, an increase of \$2,284,913 from the previous year.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

**Changes in Fund Balance  
Total Governmental Funds**

	2022	2021
<b>Revenues:</b>		
Taxes	\$ 33,562,351	\$ 28,533,993
License, permits and fees	1,657,825	1,570,935
Intergovernmental	9,279,427	8,760,582
Impact fees	4,846,413	5,264,368
Charges for services	3,063,305	2,833,305
Contributions	541,808	26,444
Fines and forfeitures	412,497	392,518
Interest revenue	(209,183)	70,145
Miscellaneous	387,218	1,274,634
Total revenues	53,541,661	48,726,924
<b>Expenditures:</b>		
General government	3,921,484	3,980,384
Public safety	14,182,338	12,208,309
Public works	7,862,970	6,387,880
Culture and recreation	1,987,681	1,757,773
Capital outlay	9,559,115	3,334,315
Debt service	3,625,735	10,863,626
Total expenditures	41,139,323	38,532,287
Excess of revenues over expenditures	12,402,338	10,194,637
<b>Other Financing Sources (Uses)</b>		
Proceeds from sale of property	17,099	9,229,326
Issuance of long-term debt	40,000,000	23,880,000
Premium	1,707,740	3,562,730
Payments to escrow agent	-	(1,398,833)
Transfers in	5,633,511	8,205,071
Transfers out	(5,633,571)	(8,205,071)
Total other financing sources (uses)	41,724,779	35,273,223
Net change in fund balance	54,127,117	45,467,860
<b>Fund Balance, beginning</b>	75,566,723	30,098,863
<b>Fund Balance, end</b>	\$ 129,693,840	\$ 75,566,723

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

The fund balances of the City's governmental funds increased by more than \$54.1 million during the current fiscal year.

- The 18-75 Capital Projects Fund's fund balance made up \$39.5 million of the increase, predominantly the result of the issuance of \$41 million in debt that was unexpended at the end of the fiscal year was offset by a \$2.5 million decrease in transfers from the General Fund vs. previous year.
- Increased revenues included:
  - Higher sales tax collections and property tax collections (approximately \$5 million over the previous year) within the General Fund,
- A summary of governmental fund balances reflecting increases include General Fund of \$10.8 million and increases in the other funds of \$3.8 million including Impact Fees of \$2.8 million, State Street Aid of \$363,000, Sanitation of \$302,000, and Capital Projects Fund of \$144,000.
- Adequate Facilities / Development Funds saw a decrease in fund balance of \$20,531 in fiscal year 2022 which includes a \$335,000 reduction in impact fees. As interest rates increase, we expect this trend to continue with construction permits declining.

*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 \$43,852,948. Restricted net position in these funds at the end of the year was \$4,455,859. Net investment in capital assets at the end of year totaled \$73,913,696 and the total increase in net position for proprietary funds compared to the previous year was \$12,666,407.

Drivers of this increase are higher water and sewer revenues (\$600,000 and \$632,000, respectively), the result of an increase in customer numbers from new residents and increased consumption. Additional factors were \$3.6 million in capital contributions (donated infrastructure from accepted new development) and \$5.7 million in tap and development fees.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

Revenues in the adopted fiscal year 2022 General Fund budget of \$33,500,515 represented a 4.4% increase over the final fiscal year 2021 budget. Budgeted revenues were subsequently increased by \$2,482,952 during the year through budget amendments. Primary components were increases in budgeted Local Sales Tax (\$946,409) and State Sales Tax (\$1,166,278).

Total assessed valuation for property taxes increased approximately 27% by \$379.5 million from the previous year, however the budget for property tax revenues only increased \$1.2 million (9%) due to property tax rates being decreased from fiscal year 2021 by \$0.22 for Williamson County residents (21.8%) and \$.05 for Maury County residents (5.2%).

Budgeted expenditures were revised upward during the year by 6.7% from \$29.9 million to \$31.9 million, an increase of \$2 million. Some of the increases were \$941,040 within the Police Department for nine police vehicles, \$267,988 within the Fire Department for a Utility Terrain Vehicle as well as \$780,591 within Parks & Recreation for a small backhoe, and improvements to Parks and the development of greenways.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

***Final Budgeted and Actual Amounts***

Actual revenues exceeded final budget amounts by over \$6.6 million, driven by Local Sales Tax (\$5.3 million), State Sales Tax (\$239,000), Building Permits (\$628,000), and other taxes (\$428,000).

Actual expenditures were \$5.5 million lower than budgeted amounts. Nearly \$1 million was associated with salary/benefit savings from staff transitions and unfilled positions during the year throughout all General Fund departments (primarily from the Police Department, Public Works, IT, and Administration).

Unexpended funds at the end of the fiscal year included: \$6,493,426 in American Rescue Funds, \$1,634,218 for the Arbor Valley Tank, \$875,000 for an Enforcer Rescue Fire truck due to a 2-year timeframe to build the truck, \$1,253,340 for the oxidation ditch repair, and \$400,000 for Buckner Lane. Funds for these projects and several other items/projects were reappropriated into the fiscal year 2022-23.

**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, 2022, was \$124,400,982 (net of accumulated depreciation), an increase of \$11,549,752. Depreciation charges for the fiscal year totaled \$5,211,250. 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:

- A Pierce Enforcer Pumper truck (\$709,334) was placed into service at Fire Station 2, a new audio/video system was installed in the City Hall chamber (\$17,210). Portable office buildings were purchased for Police (\$75,804), Fire (\$109,763) and Public Works (\$154,990).
- Other active CIP projects include road improvements projects (Buckner Lane East and West widening, Buckner Road Transition in preparation for the I65 interchange as well as other roadway improvements and work on Harvey Park Greenway).
- In addition to the CIP items detailed above, increases to general capital assets included equipment and vehicles for Police (\$1.06 million), Fire (\$200,945). Public Works (\$298,141), and Codes/Planning (\$26,359). Parks & Recreation also purchased equipment which included a rope bridge at Derryberry Park, bleachers, mowing and excavating equipment (\$94,215).
- Infrastructure additions within governmental funds totaled \$753,396 for accepted streets and sidewalks during the fiscal year.

Within business-type activities, plant and equipment increased because of:

- \$82,300 in donated water lines, \$1.43 million in donated sewer lines and \$1.3 million in stormwater improvements.
- Machinery/equipment purchases for Water (\$203,968) and Sewer (\$83,338), and improvements to the headworks screens at the Wastewater Plant (\$400,967).
- Additions to CIP projects during the year, including development of a new Wastewater Plant oxidation ditch (\$1.13 million), a Highway 31 water booster station (\$1.05 million), and as well as SCADA upgrades in Water (\$2339,391) and Sewer (\$145,708).

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

**Capital Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Construction in Progress	\$ 9,293,400	\$ 2,943,806	\$ 3,776,490	\$ 1,216,694	\$ 13,069,890	\$ 4,160,500
Land and easements	2,943,806	3,532,824	985,798	985,798	3,929,604	4,518,622
Buildings and Improvements	13,601,752	13,255,269	64,403,503	63,962,781	78,005,255	77,218,050
Plant and Equipment	15,892,287	13,640,973	2,055,837	1,768,481	17,948,124	15,409,454
Infrastructure	18,469,592	17,106,745	59,357,831	55,787,044	77,827,423	72,893,789
Less accumulated depreciation	(20,340,580)	(18,094,611)	(46,038,734)	(43,254,574)	(66,379,314)	(61,349,185)
<b>Total</b>	<b>\$ 39,860,257</b>	<b>\$ 32,385,006</b>	<b>\$ 84,540,725</b>	<b>\$ 80,466,224</b>	<b>\$ 124,400,982</b>	<b>\$ 112,851,230</b>

Additional information on the City of Spring Hill's capital assets can be found in Note 6 of this report.

***Long-term Debt***

At the end of the fiscal year, the City of Spring Hill's governmental activities had total long-term debt outstanding of \$70,320,000. The business-type activities had total long-term debt of \$10,052,825.

**Outstanding Debt, General Obligation and Revenue Bonds**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2022</b>
Notes payable	\$ 2,275,000	\$ 2,815,000	\$ 1,843,000	\$ 2,161,000	\$ 4,118,000	\$ 4,976,000
Financed purchases	-	-	69,825	86,532	69,825	86,532
Bonds payable	68,045,000	29,385,000	8,140,000	8,775,000	76,185,000	38,160,000
<b>Total</b>	<b>\$ 70,320,000</b>	<b>\$ 32,200,000</b>	<b>\$ 10,052,825</b>	<b>\$ 11,022,532</b>	<b>\$ 80,372,825</b>	<b>\$ 43,222,532</b>

The City of Spring Hill's total long-term debt increased by \$37,150,293 during the fiscal year (a \$38,120,000 increase in governmental activities and \$969,707 decrease in business-type activities). Routine principal payments during the year totaled approximately \$1.7 million.

There were additions of new debt during fiscal year 2022 as follows:

- The City of Spring Hill issued a \$40,000,000 GO bond at a \$1,707,740 premium after Standard & Poor's increased our bond rating from AA to an AA+ which was a significant accomplishment for a city our size which allowed our bond to attract additional bidders to achieve interest rates of 3.125% to 5.00% with a bond maturity of June 1, 2042. The upgrade in our rating was based on our city's continued economic growth, strengthening reserves, and increased financial forecasting. The proceeds of this bond will be used to finance capital projects including, but not limited to the I65 interchange, Buckner Lane widening north and south segments, improvements to the intersection at Buckner Lane/Port Royal Road and redesign of Countess Roundabout as well as design and construction of a new Police Department Headquarters, Fire Station #4, and a Community Services Annex.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

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

- The City of Spring Hill continues to see rapid growth. Calendar year 2022 continued to reflect strong numbers for new residential permits. This growth serves to build the property tax base and increase the sales tax collections, building permits and impact fees, although it increases strain on infrastructure and the need for police, fire, sanitation and water and sewer services.
- Property tax rates and water/sewer/stormwater rates were maintained for the 2022-23 budget year.
- Several major road projects are in progress throughout the City, including a new I-65 interchange and related East and West approaches.
- Infrastructure improvements for water and sewer facilities are in beginning phases, as well as plans to create new or improved City facilities for Police, Fire, the Library and Public Works.

These factors were considered in preparing the 2022 fiscal year budget for the City of Spring Hill.

**REQUESTS 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: Debra Dutcher, Finance Director  
P.O. Box 789  
Spring Hill, Tennessee 37174

# CITY OF SPRING HILL, TENNESSEE

## STATEMENT OF NET POSITION JUNE 30, 2022

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 63,915,077	\$ 34,072,293	\$ 97,987,370
Investments	6,225,896	10,376,587	16,602,483
Receivables, net	626,981	1,393,998	2,020,979
Due from other governments	2,821,243	-	2,821,243
Taxes receivable, net	14,975,070	-	14,975,070
Internal balances	301,628	(301,628)	-
Inventories	-	153,512	153,512
Prepaid items	7,349	1,500	8,849
Restricted cash	25,187,536	4,455,859	29,643,395
Restricted investments	40,770,610	-	40,770,610
Net pension asset	280,965	86,024	366,989
Capital assets, nondepreciable	12,237,206	4,762,288	16,999,494
Capital assets, depreciable, net of accumulated depreciation	27,623,051	79,778,437	107,401,488
Total assets	194,972,612	134,778,870	329,751,482
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	3,498,023	1,071,010	4,569,033
Total deferred outflows of resources	3,498,023	1,071,010	4,569,033
<b>LIABILITIES</b>			
Accounts payable	2,346,233	1,037,422	3,383,655
Accrued liabilities	895,931	1,091,183	1,987,114
Accrued interest	176,628	18,384	195,012
Unearned revenue	6,932,726	-	6,932,726
Noncurrent liabilities due within one year			
Compensated absences payable	403,339	150,567	553,906
Note payable	565,000	334,000	899,000
Bonds payable	2,655,000	655,000	3,310,000
Financed purchases	-	17,790	17,790
Noncurrent liabilities due in more than one year			
Compensated absences payable	275,002	-	275,002
Note payable	1,710,000	1,509,000	3,219,000
Bonds payable	70,012,351	8,059,204	78,071,555
Financed purchases	-	52,035	52,035
Total liabilities	85,972,210	12,924,585	98,896,795
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	2,295,383	702,792	2,998,175
Deferred revenues - property taxes	14,772,900	-	14,772,900
Total deferred inflows of resources	17,068,283	702,792	17,771,075
<b>NET POSITION</b>			
Net investment in capital assets	14,311,315	73,913,696	88,225,011
Restricted for:			
Roads and streets	1,328,950	-	1,328,950
Drug enforcement	186,235	-	186,235
Capital projects	29,456,740	4,455,859	33,912,599
Unrestricted	50,146,902	43,852,948	93,999,850
Total net position	\$ 95,430,142	\$ 122,222,503	\$ 217,652,645

The accompanying notes are an integral part of this financial statement.

**CITY OF SPRING HILL, TENNESSEE**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 3,965,947	\$ 2,006,396	\$ 485,370	\$ -	\$ (1,474,181)	\$ -	\$ (1,474,181)
Public safety	14,877,968	64,380	116,844	-	(14,696,744)	-	(14,696,744)
Public works	9,011,605	7,909,264	85,849	3,087,898	2,071,406	-	2,071,406
Culture and recreation	2,191,711	-	679,539	-	(1,512,172)	-	(1,512,172)
Interest and charges on long-term debt	1,388,562	-	-	-	(1,388,562)	-	(1,388,562)
Total governmental activities	<u>31,435,793</u>	<u>9,980,040</u>	<u>1,367,602</u>	<u>3,087,898</u>	<u>(17,000,253)</u>	<u>-</u>	<u>(17,000,253)</u>
Business-type activities:							
Water and sewer	12,443,587	15,623,769	-	8,009,763	-	11,189,945	11,189,945
Storm Water	974,206	1,114,405	-	1,318,138	-	1,458,337	1,458,337
Total business-type activities	<u>13,417,793</u>	<u>16,738,174</u>	<u>-</u>	<u>9,327,901</u>	<u>-</u>	<u>12,648,282</u>	<u>12,648,282</u>
Total primary government	<u>\$ 44,853,586</u>	<u>\$ 26,718,214</u>	<u>\$ 1,367,602</u>	<u>\$ 12,415,799</u>	<u>(17,000,253)</u>	<u>12,648,282</u>	<u>(4,351,971)</u>
General revenues:							
Property tax					14,766,698	-	14,766,698
Sales tax					20,393,975	-	20,393,975
Wholesale beer and liquor tax					1,243,051	-	1,243,051
Business tax					958,245	-	958,245
Franchise tax					579,582	-	579,582
Room occupancy tax					275,871	-	275,871
Other taxes					920,847	-	920,847
Intergovernmental					543,214	-	543,214
Unrestricted investment earnings (losses)					(209,183)	18,065	(191,118)
Miscellaneous					387,218	-	387,218
Transfers					(60)	60	-
Total general revenues					<u>39,859,458</u>	<u>18,125</u>	<u>39,877,583</u>
Change in net position					<u>22,859,205</u>	<u>12,666,407</u>	<u>35,525,612</u>
Net position, beginning of year					<u>72,570,937</u>	<u>109,556,096</u>	<u>182,127,033</u>
Net position, end of year					<u>\$ 95,430,142</u>	<u>\$ 122,222,503</u>	<u>\$ 217,652,645</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF SPRING HILL, TENNESSEE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2022**

<b>ASSETS</b>	<b>General Fund</b>	<b>Adequate Facilities/ Development Fund</b>	<b>American Rescue Plan Fund</b>	<b>18-75 Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Cash and cash equivalents	\$ 36,614,682	\$ 2,832,229	\$ 6,506,379	\$ 8,052,398	\$ 9,909,389	\$ 63,915,077
Investments	3,112,948	3,112,948	-	-	-	6,225,896
Taxes receivable, net	14,975,070	-	-	-	-	14,975,070
Accounts receivable, net	379,273	-	-	-	247,708	626,981
Due from other governments	2,154,865	-	-	502,229	164,149	2,821,243
Due from other funds	410,684	35,231	-	64,819	186,731	697,465
Prepays	7,349	-	-	-	-	7,349
Restricted cash	613,185	-	-	21,604,752	2,969,599	25,187,536
Restricted investment	-	-	-	40,770,610	-	40,770,610
<b>Total assets</b>	<b>\$ 58,268,056</b>	<b>\$ 5,980,408</b>	<b>\$ 6,506,379</b>	<b>\$ 70,994,808</b>	<b>\$ 13,477,576</b>	<b>\$ 155,227,227</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 1,275,310	\$ 93,724	\$ -	\$ 46,274	\$ 930,925	\$ 2,346,233
Accrued liabilities	753,680	-	-	-	142,251	895,931
Unearned revenue	-	439,300	6,493,426	-	-	6,932,726
Due to other funds	353,366	-	-	41,750	721	395,837
<b>Total liabilities</b>	<b>2,382,356</b>	<b>533,024</b>	<b>6,493,426</b>	<b>88,024</b>	<b>1,073,897</b>	<b>10,570,727</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenue - property taxes	14,772,900	-	-	-	-	14,772,900
Unavailable revenue - property taxes	189,760	-	-	-	-	189,760
<b>Total deferred inflows of resources</b>	<b>14,962,660</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,962,660</b>
<b>FUND BALANCES</b>						
Fund balances:						
Nonspendable - prepaid items	7,349	-	-	-	-	7,349
Restricted						
Roads and streets	-	-	-	-	1,328,950	1,328,950
Drug enforcement	-	-	-	-	186,235	186,235
Capital projects	613,185	5,447,384	-	62,375,362	10,414,218	78,850,149
ARPA Funds	-	-	12,953	-	-	12,953
Committed						
Library operations	-	-	-	-	95,236	95,236
Tourism	-	-	-	-	223,100	223,100
Public safety	-	-	-	-	11,909	11,909
Assigned for capital projects	-	-	-	8,531,422	144,031	8,675,453
Unassigned	40,302,506	-	-	-	-	40,302,506
<b>Total fund balances</b>	<b>40,923,040</b>	<b>5,447,384</b>	<b>12,953</b>	<b>70,906,784</b>	<b>12,403,679</b>	<b>129,693,840</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 58,268,056</b>	<b>\$ 5,980,408</b>	<b>\$ 6,506,379</b>	<b>\$ 70,994,808</b>	<b>\$ 13,477,576</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.						39,860,257
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows in the governmental funds.						189,760
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.						(75,797,320)
The deferred outflows of resources, deferred inflows of resources, and the net pension asset related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds.						1,483,605
<b>Net position of governmental activities</b>						<b>\$ 95,430,142</b>

The accompanying notes are an integral part of this financial statement.

**CITY OF SPRING HILL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund	Adequate Facilities/ Development Fund	American Rescue Plan Fund	18-75 Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>Revenues:</b>						
Taxes	\$ 33,286,480	\$ -	\$ -	\$ -	\$ 275,871	\$ 33,562,351
Licenses, permits, fees	1,657,825	-	-	-	-	1,657,825
Intergovernmental	6,944,926	536,404	-	-	1,798,097	9,279,427
Impact fees	-	1,664,428	-	-	3,181,985	4,846,413
Charges for services	22,876	-	-	-	3,040,429	3,063,305
Contributions	-	-	-	502,229	39,579	541,808
Fines and forfeitures	332,125	-	-	-	80,372	412,497
Interest revenue (losses)	11,650	3,514	12,953	(239,805)	2,505	(209,183)
Other	375,375	11,500	-	-	343	387,218
Total revenues	<u>42,631,257</u>	<u>2,215,846</u>	<u>12,953</u>	<u>262,424</u>	<u>8,419,181</u>	<u>53,541,661</u>
<b>Expenditures:</b>						
General government	3,921,484	-	-	-	-	3,921,484
Public safety	14,154,283	-	-	-	28,055	14,182,338
Public works	3,972,134	43,268	-	-	3,847,568	7,862,970
Culture and recreation	1,788,785	-	-	-	198,896	1,987,681
Capital outlay	2,155,047	1,457,056	-	5,755,961	191,051	9,559,115
Debt Service:						
Principal	305,129	541,937	-	740,000	292,934	1,880,000
Interest	127,984	194,116	-	775,850	66,652	1,164,602
Issuance costs	-	-	-	581,133	-	581,133
Total expenditures	<u>26,424,846</u>	<u>2,236,377</u>	<u>-</u>	<u>7,852,944</u>	<u>4,625,156</u>	<u>41,139,323</u>
Excess (deficiency) of revenues over expenditures	16,206,411	(20,531)	12,953	(7,590,520)	3,794,025	12,402,338
<b>Other financing sources (uses):</b>						
Proceeds from sale of capital assets	17,099	-	-	-	-	17,099
Transfers in	-	-	-	5,433,511	200,000	5,633,511
Transfers out	(5,433,511)	-	-	-	(200,060)	(5,633,571)
Issuance of long-term liabilities	-	-	-	40,000,000	-	40,000,000
Premiums on long-term liabilities	-	-	-	1,707,740	-	1,707,740
Total other financing sources (uses):	<u>(5,416,412)</u>	<u>-</u>	<u>-</u>	<u>47,141,251</u>	<u>(60)</u>	<u>41,724,779</u>
Net change in fund balances	10,789,999	(20,531)	12,953	39,550,731	3,793,965	54,127,117
<b>Fund balances, beginning of year</b>	<u>30,133,041</u>	<u>5,467,915</u>	<u>-</u>	<u>31,356,053</u>	<u>8,609,714</u>	<u>75,566,723</u>
<b>Fund balances, end of year</b>	<u>\$ 40,923,040</u>	<u>\$ 5,447,384</u>	<u>\$ 12,953</u>	<u>\$ 70,906,784</u>	<u>\$ 12,403,679</u>	<u>\$ 129,693,840</u>

The accompanying notes are an integral part of this financial 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 FISCAL YEAR ENDED JUNE 30, 2022**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	54,127,117
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. This is the amount by which capital outlays exceeded depreciation in the current period.		6,938,177
The net effect of various miscellaneous transactions involving capital assets (i.e. donations and disposals) is to decrease net position.		537,074
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(39,827,740)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>1,084,577</u>
Change in net position - governmental activities	\$	<u><u>22,859,205</u></u>

**The accompanying notes are an integral part of this financial statement.**

**CITY OF SPRING HILL, TENNESSEE  
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes:				
Real and personal property	\$ 15,044,100	\$ 15,044,100	\$ 14,766,698	\$ (277,402)
Interest and penalty on taxes	9,500	9,500	28,093	18,593
Payments in lieu of taxes	622,042	622,042	618,536	(3,506)
Local sales tax	8,600,000	9,546,409	14,864,588	5,318,179
Wholesale beer tax	600,000	600,000	672,782	72,782
Wholesale liquor tax	450,000	450,000	570,269	120,269
Business tax	650,000	650,000	958,245	308,245
Franchise tax	530,000	530,000	579,582	49,582
Mixed drink taxes	95,000	95,000	181,202	86,202
Sports betting tax	40,436	40,436	46,485	6,049
Total Taxes	<u>26,641,078</u>	<u>27,587,487</u>	<u>33,286,480</u>	<u>5,698,993</u>
Licenses and Permits:				
Beer permit applications	14,000	14,000	10,552	(3,448)
Alarm registrations	10,000	10,000	6,143	(3,857)
Building permits	1,000,000	1,000,000	1,628,740	628,740
Solicitation permits	550	550	620	70
Sign permits	10,500	10,500	11,770	1,270
Total Licenses and Permits	<u>1,035,050</u>	<u>1,035,050</u>	<u>1,657,825</u>	<u>622,775</u>
Intergovernmental:				
Grants	545,370	643,934	673,870	29,936
TVA payments in lieu of taxes	477,140	477,140	519,188	42,048
Fire department incentive pay	42,400	42,400	45,600	3,200
State sales tax	4,124,472	5,290,750	5,529,387	238,637
State income tax	25,000	25,000	-	(25,000)
State beer tax	18,940	18,940	22,841	3,901
Corporate excise tax	20,000	20,000	46,531	26,531
Other state revenue allocations	46,400	46,400	51,344	4,944
Library revenue	56,165	56,165	56,165	-
Total Intergovernmental	<u>5,355,887</u>	<u>6,620,729</u>	<u>6,944,926</u>	<u>324,197</u>
Charges for Services:				
Other charges for services	9,200	9,200	22,876	13,676
Total Charges for Services	<u>9,200</u>	<u>9,200</u>	<u>22,876</u>	<u>13,676</u>
Fines and forfeitures:				
City court fines and costs	150,000	150,000	288,578	138,578
County court fines and costs	45,000	45,000	43,547	(1,453)
Total Fines and Forfeitures	<u>195,000</u>	<u>195,000</u>	<u>332,125</u>	<u>137,125</u>
Interest Revenue:				
General	33,800	33,800	11,650	(22,150)
Total Interest Revenue	<u>33,800</u>	<u>33,800</u>	<u>11,650</u>	<u>(22,150)</u>
Other Revenues:				
Contributions	-	271,701	50,000	(221,701)
Insurance recoveries	10,000	10,000	23,736	13,736
Miscellaneous revenues	220,500	220,500	301,639	81,139
Total Other Revenues	<u>230,500</u>	<u>502,201</u>	<u>375,375</u>	<u>(126,826)</u>
Total revenues	<u>33,500,515</u>	<u>35,983,467</u>	<u>42,631,257</u>	<u>6,647,790</u>

(continued)

**CITY OF SPRING HILL, TENNESSEE  
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures:</b>				
General Government:				
Board of Mayor - Alderman				
Personal services	\$ 158,065	\$ 158,065	\$ 113,206	\$ 44,859
Services	357,050	346,550	299,032	47,518
Supplies	7,100	7,100	1,370	5,730
Other charges	66,000	76,005	76,003	2
Grants, contributions, indemnities, and other	832,502	585,985	80,294	505,691
Total Board of Mayor - Alderman	<u>1,420,717</u>	<u>1,173,705</u>	<u>569,905</u>	<u>603,800</u>
City Court:				
Personal services	30,690	30,690	30,414	276
Services	8,900	8,560	8,250	310
Supplies	300	550	547	3
Other charges	200	290	288	2
Total Judicial	<u>40,090</u>	<u>40,090</u>	<u>39,499</u>	<u>591</u>
Administration:				
Personal services	361,785	487,153	355,676	131,477
Services	47,650	84,250	82,167	2,083
Supplies	14,600	24,100	19,923	4,177
Other charges	5,000	5,000	616	4,384
Grants, contributions, indemnities, and other	1,700	1,700	935	765
Total Financial Administration	<u>430,735</u>	<u>602,203</u>	<u>459,317</u>	<u>142,886</u>
Financial Administration:				
Personal services	384,893	412,797	361,944	50,853
Services	187,500	226,931	128,440	98,491
Supplies	54,000	54,710	38,170	16,540
Other charges	2,400	2,400	918	1,482
Grants, contributions, indemnities, and other	-	1,500	1,515	(15)
Total Financial Administration	<u>628,793</u>	<u>698,338</u>	<u>530,987</u>	<u>167,351</u>
Information Management System:				
Personal services	354,975	364,367	203,242	161,125
Services	389,984	382,484	357,935	24,549
Supplies	104,300	110,300	102,383	7,917
Other charges	2,700	4,200	3,737	463
Total Information Management System	<u>851,959</u>	<u>861,351</u>	<u>667,297</u>	<u>194,054</u>
Buildings and Codes:				
Personal services	627,841	636,996	599,541	37,455
Services	110,158	129,823	117,968	11,855
Supplies	18,500	22,500	22,161	339
Other charges	99,000	100,535	99,579	956
Grants, contributions, indemnities, and other	-	100	96	4
Total Buildings and Codes	<u>855,499</u>	<u>889,954</u>	<u>839,345</u>	<u>50,609</u>
Planning and Zoning				
Personal services	300,009	309,704	317,190	(7,486)
Services	217,400	213,300	16,979	196,321
Supplies	20,900	22,400	22,167	233
Other charges	12,000	12,000	2,159	9,841
Total Planning and Zoning	<u>550,309</u>	<u>557,404</u>	<u>358,495</u>	<u>198,909</u>

(continued)

**CITY OF SPRING HILL, TENNESSEE  
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>General Government Building - City Hall Building:</b>				
Personal services	\$ 186,762	\$ 178,594	\$ 135,308	\$ 43,286
Services	101,200	193,550	101,255	92,295
Supplies	11,000	11,000	9,187	1,813
Other charges	7,000	12,000	11,848	152
Grants, contributions, indemnities, and other	-	250	214	36
Total General Government Building	<u>305,962</u>	<u>395,394</u>	<u>257,812</u>	<u>137,582</u>
<b>Human Resources</b>				
Personal services	232,509	223,734	165,020	58,714
Services	15,000	27,250	23,820	3,430
Supplies	3,500	11,500	9,927	1,573
Other charges	2,500	2,500	60	2,440
Total Human Resources	<u>253,509</u>	<u>264,984</u>	<u>198,827</u>	<u>66,157</u>
Total General Government	<u>5,337,573</u>	<u>5,483,423</u>	<u>3,921,484</u>	<u>1,561,939</u>
<b>Public Safety:</b>				
<b>Dispatch:</b>				
Services	394,730	394,730	378,436	16,294
Other charges	1,000	1,000	719	281
Total Dispatch	<u>395,730</u>	<u>395,730</u>	<u>379,155</u>	<u>16,575</u>
<b>Police Department:</b>				
Personal services	5,913,291	6,021,167	5,716,268	304,899
Services	625,815	589,015	452,340	136,675
Supplies	706,066	685,076	540,757	144,319
Other charges	287,700	329,800	329,208	592
Grants, contributions, indemnities, and other	7,500	7,500	6,594	906
Total Police Department	<u>7,540,372</u>	<u>7,632,558</u>	<u>7,045,167</u>	<u>587,391</u>
<b>Highway Safety:</b>				
Personal services	-	12,500	-	12,500
Supplies	-	12,500	-	12,500
Total Highway Safety Department	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
<b>Fire:</b>				
Personal Services	5,603,773	5,951,587	5,954,474	(2,887)
Services	407,981	443,722	388,837	54,885
Supplies	333,524	332,396	259,882	72,514
Other charges	115,000	126,110	126,745	(635)
Grants, contributions, indemnities, and other	2,500	2,500	23	2,477
Total Fire	<u>6,462,778</u>	<u>6,856,315</u>	<u>6,729,961</u>	<u>126,354</u>
Total Public Safety	<u>14,398,880</u>	<u>14,909,603</u>	<u>14,154,283</u>	<u>755,320</u>
<b>Public Works:</b>				
<b>Streets and Highways:</b>				
Personal Services	1,921,644	1,999,582	1,829,535	170,047
Services	2,468,848	2,378,288	1,715,066	663,222
Supplies	189,400	221,200	170,805	50,395
Other charges	167,000	244,310	205,463	38,847
Grants, contributions, indemnities, and other	-	194,009	51,265	142,744
Total highway and streets	<u>4,746,892</u>	<u>5,037,389</u>	<u>3,972,134</u>	<u>1,065,255</u>
Total Public Works	<u>4,746,892</u>	<u>5,037,389</u>	<u>3,972,134</u>	<u>1,065,255</u>

*(continued)*

**CITY OF SPRING HILL, TENNESSEE  
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Culture and Recreation:				
Parks and Recreation:				
Personal services	\$ 493,049	\$ 499,752	\$ 459,757	\$ 39,995
Services	181,750	190,619	170,051	20,568
Supplies	58,800	129,280	124,672	4,608
Other charges	17,500	21,000	20,815	185
Grants, contributions, indemnities, and other	121,720	106,720	5,434	101,286
Total Parks and Recreation	<u>872,819</u>	<u>947,371</u>	<u>780,729</u>	<u>166,642</u>
Library:				
Personal services	760,913	762,172	762,463	(291)
Services	96,800	105,873	106,404	(531)
Supplies	123,200	139,832	131,728	8,104
Other charges	5,000	5,491	5,491	-
Grants, contributions, indemnities, and other	1,000	1,970	1,970	-
Total Library	<u>986,913</u>	<u>1,015,338</u>	<u>1,008,056</u>	<u>7,282</u>
Total Culture and Recreation	<u>1,859,732</u>	<u>1,962,709</u>	<u>1,788,785</u>	<u>173,924</u>
Capital outlay:	3,136,137	4,077,542	2,155,047	1,922,495
Total Capital outlay	<u>3,136,137</u>	<u>4,077,542</u>	<u>2,155,047</u>	<u>1,922,495</u>
Debt Services:				
Principal	306,000	306,000	305,129	871
Interest and issuance costs	141,978	141,978	127,984	13,994
Total Debt Service	<u>447,978</u>	<u>447,978</u>	<u>433,113</u>	<u>14,865</u>
Total Expenditures	<u>29,927,192</u>	<u>31,918,644</u>	<u>26,424,846</u>	<u>5,493,798</u>
Excess of revenues over expenditures	3,573,323	4,064,823	16,206,411	12,141,588
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	5,000	5,000	17,099	12,099
Transfers out	(5,163,465)	(7,575,465)	(5,433,511)	2,141,954
Total other financing sources (uses)	<u>(5,158,465)</u>	<u>(7,570,465)</u>	<u>(5,416,412)</u>	<u>2,154,053</u>
Net change in fund balances	(1,585,142)	(3,505,642)	10,789,999	14,295,641
<b>Fund balance, beginning</b>	30,133,041	30,133,041	30,133,041	-
<b>Fund balance, ending</b>	<u>\$ 28,547,899</u>	<u>\$ 26,627,399</u>	<u>\$ 40,923,040</u>	<u>\$ 14,295,641</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF SPRING HILL, TENNESSEE  
ADEQUATE FACILITIES/DEVELOPMENT FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental:				
Capital improvements	\$ 510,000	\$ 510,000	\$ 536,404	\$ 26,404
Total intergovernmental	<u>510,000</u>	<u>510,000</u>	<u>536,404</u>	<u>26,404</u>
Impact fees:				
Roads	300,000	300,000	415,500	115,500
Other	700,000	700,000	1,248,928	548,928
Total impact fees	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,664,428</u>	<u>664,428</u>
Other	-	-	11,500	11,500
Interest	7,500	7,500	3,514	(3,986)
Total revenues	<u>1,517,500</u>	<u>1,517,500</u>	<u>2,215,846</u>	<u>698,346</u>
<b>Expenditures:</b>				
Public works:				
Repairs and maintenance	1,500	21,350	43,268	(21,918)
Capital outlay	3,006,514	3,861,664	1,457,056	2,404,608
Debt service				
Principal	542,000	542,000	541,937	63
Interest	194,850	194,850	194,116	734
Total expenditures	<u>3,744,864</u>	<u>4,619,864</u>	<u>2,236,377</u>	<u>2,383,487</u>
Deficiency of revenues over expenditures	(2,227,364)	(3,102,364)	(20,531)	3,081,833
<b>Other financing uses:</b>				
Transfers out	(40,000)	(40,000)	-	40,000
Total other financing uses	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>	<u>40,000</u>
Net change in fund balances	(2,267,364)	(3,142,364)	(20,531)	3,121,833
<b>Fund balance, beginning of year</b>	5,467,915	5,467,915	5,467,915	-
<b>Fund balance, ending of year</b>	<u>\$ 3,200,551</u>	<u>\$ 2,325,551</u>	<u>\$ 5,447,384</u>	<u>\$ 3,121,833</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF SPRING HILL, TENNESSEE  
ARPA FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 11,733,424	\$ -	\$ -	\$ -
Interest	2,000	1,000	12,953	11,953
Total revenues	<u>11,735,424</u>	<u>1,000</u>	<u>12,953</u>	<u>11,953</u>
<b>Expenditures:</b>				
Capital outlay	9,675,424	-	-	-
Total expenditures	<u>9,675,424</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	2,060,000	1,000	12,953	11,953
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 2,060,000</u>	<u>\$ 1,000</u>	<u>\$ 12,953</u>	<u>\$ 11,953</u>

The accompanying notes are an integral part of this financial statement.

# CITY OF SPRING HILL, TENNESSEE

## STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2022

	Water and Sewer	Nonmajor Storm Water	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 32,503,513	\$ 1,568,780	\$ 34,072,293
Investments	10,376,587	-	10,376,587
Receivables, net	1,303,308	90,690	1,393,998
Due from other funds	74,522	2,774	77,296
Prepaid items	-	1,500	1,500
Inventory	153,512	-	153,512
Restricted cash	4,455,859	-	4,455,859
Total current assets	48,867,301	1,663,744	50,531,045
Noncurrent assets:			
Capital assets:			
Capital assets, not being depreciated	4,762,288	-	4,762,288
Capital assets, being depreciated	117,686,874	8,130,297	125,817,171
Less accumulated depreciation	(45,269,209)	(769,525)	(46,038,734)
Total capital assets	77,179,953	7,360,772	84,540,725
Net pension asset	78,017	8,007	86,024
Total noncurrent assets	77,257,970	7,368,779	84,626,749
Total assets	126,125,271	9,032,523	135,157,794
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	971,318	99,692	1,071,010
Total deferred outflows of resources	971,318	99,692	1,071,010
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,032,422	5,000	1,037,422
Accrued liabilities	1,071,846	19,337	1,091,183
Accrued interest payable	18,384	-	18,384
Due to other funds	375,488	3,436	378,924
Compensated absences	136,582	13,985	150,567
Notes payable, due within one year	334,000	-	334,000
Bonds payable, due within one year	655,000	-	655,000
Financed purchase, due within one year	-	17,790	17,790
Total current liabilities	3,623,722	59,548	3,683,270
Long-term liabilities:			
Notes payable, long term	1,509,000	-	1,509,000
Bonds payable	8,059,204	-	8,059,204
Financed purchase, long term	-	52,035	52,035
Total long-term liabilities	9,568,204	52,035	9,620,239
Total liabilities	13,191,926	111,583	13,303,509
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	637,374	65,418	702,792
Total deferred inflows of resources	637,374	65,418	702,792
<b>NET POSITION</b>			
Net investment in capital assets	66,622,749	7,290,947	73,913,696
Restricted for capital development	4,455,859	-	4,455,859
Unrestricted	42,188,681	1,664,267	43,852,948
Total net position	\$ 113,267,289	\$ 8,955,214	\$ 122,222,503

The accompanying notes are an integral part of this financial statement.

**CITY OF SPRING HILL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Water and Sewer</u>	<u>Nonmajor</u>	
		<u>Storm Water</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Water sales for service	\$ 7,465,405	\$ -	\$ 7,465,405
Sewer charges	7,744,056	-	7,744,056
Stormwater fees	-	1,112,969	1,112,969
Penalties and service charges	254,495	-	254,495
Other fees	159,813	1,436	161,249
Total operating revenues	<u>15,623,769</u>	<u>1,114,405</u>	<u>16,738,174</u>
<b>OPERATING EXPENSES</b>			
Salaries and administration	4,258,986	445,990	4,704,976
Supplies	2,205,214	68,791	2,274,005
Repairs and maintenance	988,318	67,099	1,055,417
Utility Services	919,525	-	919,525
Professional fees	718,258	162,747	881,005
Other operating expenses	651,327	23,650	674,977
Depreciation	2,581,524	202,636	2,784,160
Total operating expenses	<u>12,323,152</u>	<u>970,913</u>	<u>13,294,065</u>
Operating income	3,300,617	143,492	3,444,109
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental	68,915	8,500	77,415
Investment earnings	17,777	288	18,065
Interest expense	(120,435)	(3,293)	(123,728)
Total nonoperating revenues (expenses)	<u>(33,743)</u>	<u>5,495</u>	<u>(28,248)</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>			
	3,266,874	148,987	3,415,861
Capital contributions	2,261,148	1,309,638	3,570,786
Tap and development fees	5,679,700	-	5,679,700
Transfers in	-	60	60
Change in net position	11,207,722	1,458,685	12,666,407
<b>NET POSITION, beginning of year</b>	<u>102,059,567</u>	<u>7,496,529</u>	<u>109,556,096</u>
<b>NET POSITION, end of year</b>	<u>\$ 113,267,289</u>	<u>\$ 8,955,214</u>	<u>\$ 122,222,503</u>

The accompanying notes are an integral part of this financial statement.

# CITY OF SPRING HILL, TENNESSEE

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Water and Sewer	Storm Water	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 15,607,555	\$ 1,109,842	\$ 16,717,397
Payments to suppliers and service providers	(3,469,995)	(317,379)	(3,787,374)
Payments to employees	(4,505,459)	(462,200)	(4,967,659)
Net cash provided by operating activities	<u>7,632,101</u>	<u>330,263</u>	<u>7,962,364</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(6,227)	-	(6,227)
Investment earnings	17,777	288	18,065
Net cash provided by investing activities	<u>11,550</u>	<u>288</u>	<u>11,838</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Transfers in	-	60	60
Net cash provided by non-capital and related financing activities	<u>-</u>	<u>60</u>	<u>60</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(3,287,875)	-	(3,287,875)
Tap and development fees received	5,679,700	-	5,679,700
Intergovernmental receipts	128,397	8,500	136,897
Payments on long-term liabilities	(953,000)	(16,707)	(969,707)
Interest and fiscal charges paid	(231,106)	(5,352)	(236,458)
Net cash provided by (used in) capital and related financing activities	<u>1,336,116</u>	<u>(13,559)</u>	<u>1,322,557</u>
Increase in cash	8,979,767	317,052	9,296,819
<b>Cash:</b>			
Beginning of year	27,979,605	1,251,728	29,231,333
End of year	<u>\$ 36,959,372</u>	<u>\$ 1,568,780</u>	<u>\$ 38,528,152</u>
<b>Cash per Statement of Net Position:</b>			
Cash and cash equivalents	\$ 32,503,513	\$ 1,568,780	\$ 34,072,293
Restricted cash	4,455,859	-	4,455,859
Total cash and cash equivalents	<u>\$ 36,959,372</u>	<u>\$ 1,568,780</u>	<u>\$ 38,528,152</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 3,300,617	\$ 143,492	\$ 3,444,109
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,581,524	202,636	2,784,160
(Increase) decrease in:			
Accounts receivable	(16,214)	(4,563)	(20,777)
Due from other funds	39,881	39,558	79,439
Prepays	2,216	(1,500)	716
Inventory	83,957	-	83,957
Pension related deferred outflows of resources	(494,178)	(34,065)	(528,243)
Increase (decrease) in:			
Accounts payable	644,684	(11,192)	633,492
Accrued expenses	871,394	(25,394)	846,000
Due to other funds	370,515	3,436	373,951
Pension related deferred inflows of resources	570,177	56,175	626,352
Compensated absences	(61,877)	(5,200)	(67,077)
Net pension asset/liability	(260,595)	(33,120)	(293,715)
Net cash provided by operating activities	<u>\$ 7,632,101</u>	<u>\$ 330,263</u>	<u>\$ 7,962,364</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	\$ 2,261,148	\$ 1,309,638	\$ 3,570,786
Total noncash capital and related financing activities	<u>\$ 2,261,148</u>	<u>\$ 1,309,638</u>	<u>\$ 3,570,786</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of City of Spring Hill, Tennessee (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. Reporting Entity**

The City of Spring Hill operates under a Mayor - Alderman form of government and provides the following services to its citizens: public safety, public works, culture and recreation, general administrative, development services, sanitation, water, sewer, and storm water services.

**Related Organizations**

The City of Spring Hill officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability of the organizations do not extend beyond making appointments. The Mayor and Aldermen appoint the board members for the Planning Commission and Board of Zoning Appeals.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. However, any interfund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of net position will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting, and Basis of Presentation

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes to be available if they are collected within 60 days of the end of the current fiscal period for which they are levied. Other revenues susceptible to accrual are considered available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, charges for services, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

In accordance with GASB Statement No. 34, major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Adequate Facilities/Development Fund** accounts for the financial resources to be used for the acquisition or construction of major capital facilities and equipment.

The **American Rescue Plan Fund** accounts for financial resources for and the payment of non-recurring expenditures necessary to maintain vital public services amid uncertain times caused by the COVID-19 public health emergency.

The **18-75 Capital Projects Fund** accounts for financial resources to be used for the acquisition and construction of major capital projects which are financed through borrowings and grant funding.

The City reports the following major proprietary fund:

The **Water and Sewer Fund** accounts for the activities of the City's water system, which renders those services to the residents and businesses located within the City.

Additionally, the City reports the following fund types:

The **Special Revenue Funds** account for revenue sources that are restricted or committed to expenditure for specific purposes.

The **Stormwater Fund** accounts for the operations of the City's stormwater program to the residents and businesses located within the City.

The **Capital Projects Fund** accounts for financial resources to be used for the acquisition and construction of major capital projects.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used have not been eliminated in this process.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 revenue of the enterprise funds are charges to customers for sales and services provided. Operating expenses for the 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 non-operating revenues and expenses.

#### D. Budget

Annual appropriated budgets are adopted for all funds. The governmental fund budgets are adopted on the Generally Accepted Accounting Principles (GAAP) basis. Department heads may make transfers of appropriations within their department; however, transfers between departments require approval of the Board. All appropriations lapse at year-end. Encumbered appropriations lapse at the end of the year and require appropriation in the subsequent year by the Board of Aldermen. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is not employed by the City.

#### E. Deposits and Investments

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.

The City's nonparticipating interest-earning investment contracts are recorded at cost. The remaining investments are recorded at fair value. Increases or decreases in fair value during the year are recognized as a component of interest income.

#### F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### G. Inventories

All inventories are valued at the lower of cost or market value using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an asset at the time the individual item is purchased. The cost is recorded as an expenditure in the governmental funds when consumed. Inventories reported in the governmental funds are equally offset by fund balance, which indicates that they do not constitute "available, spendable resources" even though they are a component of net current assets.

#### H. Prepaid Items

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

#### I. Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, 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 (\$50,000 for infrastructure projects) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

Capital assets of the primary government are depreciated or amortized using the straight line method over the following useful lives:

<u>Asset Category</u>	<u>Years</u>
Buildings	5-50
Water and sewer lines and storage	10-50
Equipment	5-30
Infrastructure	15-75

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Deferred Outflows / Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes as these amounts are deferred and will be recognized as inflow of resources in the period in which the amounts become available. Additionally, the governmental funds balance sheet and government-wide statement of net position will report unearned property tax revenues as a deferred inflow of resources as the amount represents resources associated with an imposed, non-exchange revenue transaction received or reported as a receivable before the period for which the property taxes were levied. These revenues will be recognized as an inflow of resources in the period for which they were levied.

The City also has deferred inflows of resources and deferred outflows of resources related to the recording of changes in its net pension liability (asset). Certain changes in the net pension liability (asset) are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability (asset) for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability (asset) are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability (asset) are reported as deferred outflows of resources.

#### K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements as these amounts will be paid to employees upon termination or retirement. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are accrued and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are expensed in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### M. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

**Fund Balance** – Generally, fund balance represents the difference between the assets, liabilities, and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

*Nonspendable* – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

*Restricted* – Fund balances are reported as restricted when they include amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

*Committed* – Fund balances are reported as committed when they include amounts that can be used only for the specific purposes determined by a formal action (i.e. resolution) of the Board of Aldermen. Further the limitation that has been placed on the resources can only be removed by the Mayor and Members of the Board with reversal of the action which committed the resources in the fund balance.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### M. Fund Equity (Continued)

*Assigned* – Fund balances are reported as assigned when they include amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

*Unassigned* – Fund balances are reported as unassigned as the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all governmental funds.

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

**Net Position** – Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used or restricted fund balance as described in the section above. All other net position is reported as unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### N. Pensions

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### O. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

#### A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.” The details of this \$75,797,320 difference are as follows:

Notes payable	\$ (2,275,000)
Bonds payable	(68,045,000)
Premium on issuance of bonds	(4,622,351)
Accrued interest	(176,628)
Compensated absences	(678,341)
	(75,797,320)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ (75,797,320)

Another element of that reconciliation states that “deferred outflows of resources, deferred inflows of resources, and the net pension asset are not expected to be liquidated with expendable available resources and therefore are not reported in the governmental funds.” The details of this \$1,483,605 difference are as follows:

Net pension asset	\$ 280,965
Deferred outflows of resources - pension items	3,498,023
Deferred inflows of resources - pension items	(2,295,383)
Net adjustment to increase <i>fund balance- total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ 1,483,605

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL (CONTINUED)

#### B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$6,938,177 difference are as follows:

Capital outlay	\$ 9,365,267
Depreciation expense	<u>(2,427,090)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ 6,938,177</u>

An element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e. donations and disposals) is to increase net position.” The details of this \$537,074 difference are as follows:

Donated roads	\$ 753,397
Disposal of assets	<u>(216,323)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ 537,074</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$1,084,577 difference are as follows:

Compensated absences	\$ 60,739
Accrued interest	9,947
Amortization of bond premium	347,226
Pension expense	<u>666,665</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ 1,084,577</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL (CONTINUED)

#### B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states that “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. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$39,827,740 difference are as follows:

Issuance of bonds	\$ (40,000,000)
Premium on bonds issued	(1,707,740)
Principal payment on bonds	1,340,000
Principal payment on notes payable	<u>540,000</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u><u>\$ (39,827,740)</u></u>

### NOTE 3. LEGAL COMPLIANCE – BUDGETS

#### Budgets and Budgetary Accounting

1. Prior to July 1, the City Administrator submits the proposed budget to the Mayor and Board of Aldermen. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments, giving notice thereof at least seven days in advance by publication in the official organ of the City.
3. The budget is then legally enacted through passage of an ordinance by the Board at a public meeting.
4. Budget amounts can be transferred between line items within any department; however, any revisions of the department budget must be amended by formal action of the Board in a regular meeting via ordinance.

Budgeted amounts are as originally adopted, or as amended by the Board of Aldermen. The supplementary budgetary appropriations made are reflected in the final budget amounts.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. DEPOSITS AND INVESTMENTS

**Credit risk.** State statutes authorize the City to invest in obligations of the State of Tennessee or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Tennessee.

**Custodial credit risk.** The City's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. At June 30, 2022, all deposits were covered by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

At June 30, 2022, the City's only investments are held in U.S. treasuries.

**Interest rate risk.** Interest rate risk is the risk that a government may face should changes in interest rates affect the fair value of its investments. To reduce interest rate risk, the City limits the maturity of any investment to five years. An investment held to maturity will be paid at par value. The City intends to hold all investments to maturity.

At June 30, 2022, information on the credit risk and interest rate risk related to the City's investments is disclosed as follows:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Rating</u>	<u>Fair Value</u>
Federated Hermes Government Obligations Fund	N/A	AAA	\$ 44,772
United States Treasuries Notes	0.11	AAA	35,310,342
United States Treasuries Bonds	0.41	AAA	22,017,979
			<u>\$ 57,373,093</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. DEPOSITS AND INVESTMENTS

**Fair Value Measurements.** The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2022:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Federated Hermes Government Obligations Fund	\$ 44,772	\$ -	\$ -	\$ 44,772
United States Treasuries Notes	35,310,342	-	-	35,310,342
United States Treasuries Bonds	22,017,979	-	-	22,017,979
	<u>\$ 57,373,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,373,093</u>

The United States Treasuries and Federated Hermes Government Obligations Funds are classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

### NOTE 5. RECEIVABLES

Receivables at June 30, 2022, for the City's individual major funds and nonmajor funds in the aggregate are as follows:

	<u>General Fund</u>	<u>18-75 Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water Fund</u>	<u>Stormwater Fund</u>
Receivables:					
Taxes	\$ 15,431,964	\$ -	\$ -	\$ -	\$ -
Other governments	2,154,865	502,229	164,149	-	-
Accounts	379,273	-	253,227	1,329,012	92,305
Gross receivables	17,966,102	502,229	417,376	1,329,012	92,305
Less allowance for uncollectibles	(456,894)	-	(5,519)	(25,704)	(1,615)
Net receivables	<u>\$ 17,509,208</u>	<u>\$ 502,229</u>	<u>\$ 411,857</u>	<u>\$ 1,303,308</u>	<u>\$ 90,690</u>

Property taxes are recognized as of the date when an enforceable legal claim to the taxable property arises. This is January 1 in the State of Tennessee and is referred to as the lien date. Revenues are recognized in the period for which the taxes are levied. Property taxes for the 2022 fiscal year were levied in January 2021, with property values assessed as of January 1, 2021. Bills were payable on or before February 2022, after which the applicable property is subject to penalties and interest being assessed. Unpaid property taxes become delinquent the following March 1<sup>st</sup> and on the first day of each succeeding month, interest and penalty of 1.5% shall be added to the tax amount due and payable. Taxes shall remain in the hands of the City for collection until the first day of April of the following year, at which time suit shall be filed with Hamblen County.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,943,806	\$ -	\$ -	\$ -	\$ 2,943,806
Construction in progress	3,532,824	6,828,826	(216,323)	(851,927)	9,293,400
Total capital assets, not being depreciated	<u>6,476,630</u>	<u>6,828,826</u>	<u>(216,323)</u>	<u>(851,927)</u>	<u>12,237,206</u>
Capital assets, being depreciated:					
Buildings and improvements	13,255,269	346,483	-	-	13,601,752
Equipment	13,640,973	1,723,101	(181,121)	709,334	15,892,287
Infrastructure	17,106,745	1,220,254	-	142,593	18,469,592
Total capital assets, being depreciated	<u>44,002,987</u>	<u>3,289,838</u>	<u>(181,121)</u>	<u>851,927</u>	<u>47,963,631</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,301,229)	(380,771)	-	-	(6,682,000)
Equipment	(7,501,595)	(1,321,539)	181,121	-	(8,642,013)
Infrastructure	(4,291,787)	(724,780)	-	-	(5,016,567)
Total accumulated depreciation	<u>(18,094,611)</u>	<u>(2,427,090)</u>	<u>181,121</u>	<u>-</u>	<u>(20,340,580)</u>
Total capital assets, being depreciated, net	<u>25,908,376</u>	<u>862,748</u>	<u>-</u>	<u>851,927</u>	<u>27,623,051</u>
Governmental activities capital assets, net	<u>\$ 32,385,006</u>	<u>\$ 7,691,574</u>	<u>\$ (216,323)</u>	<u>\$ -</u>	<u>\$ 39,860,257</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>					
Capital assets, not being depreciated:					
Land and easements	\$ 985,798	\$ -	\$ -	\$ -	\$ 985,798
Construction in progress	1,216,694	2,993,553	-	(433,757)	3,776,490
Total capital assets, not being depreciated	<u>2,202,492</u>	<u>2,993,553</u>	<u>-</u>	<u>(433,757)</u>	<u>4,762,288</u>
Capital assets, being depreciated:					
Buildings	63,962,781	6,965	-	433,757	64,403,503
Infrastructure	55,787,044	3,570,787	-	-	59,357,831
Equipment	1,768,481	287,356	-	-	2,055,837
Total capital assets, being depreciated	<u>121,518,306</u>	<u>3,865,108</u>	<u>-</u>	<u>433,757</u>	<u>125,817,171</u>
Less accumulated depreciation for:					
Buildings	(31,505,564)	(1,360,798)	-	-	(32,866,362)
Infrastructure	(10,720,174)	(1,280,838)	-	-	(12,001,012)
Equipment	(1,028,836)	(142,524)	-	-	(1,171,360)
Total accumulated depreciation	<u>(43,254,574)</u>	<u>(2,784,160)</u>	<u>-</u>	<u>-</u>	<u>(46,038,734)</u>
Total capital assets, being depreciated, net	<u>78,263,732</u>	<u>1,080,948</u>	<u>-</u>	<u>433,757</u>	<u>79,778,437</u>
Business-type activities capital assets, net	<u>\$ 80,466,224</u>	<u>\$ 4,074,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,540,725</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 108,661
Public safety	1,043,308
Public works	1,034,171
Health, welfare, culture, and recreation	240,950
Total depreciation expense - governmental activities	<u>\$ 2,427,090</u>
Business-type activities:	
Water and Sewer Fund	\$ 2,581,524
Stormwater Fund	202,636
Total depreciation expense - business-type activities	<u>\$ 2,784,160</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables for the year ended June 30, 2022 were as follows:

<b>Receivable fund</b>	<b>Payable fund</b>	<b>Amount</b>
General Fund	Water and Sewer Fund	\$ 364,808
General Fund	Storm Water Fund	3,436
General Fund	18-75 Capital Projects Fund	41,750
General Fund	Nonmajor Governmental Funds	690
		\$ 410,684
Nonmajor Governmental Funds	General Fund	\$ 178,794
Nonmajor Governmental Funds	Nonmajor Governmental Funds	31
Nonmajor Governmental Funds	Water and Sewer Fund	7,906
		\$ 186,731
Stormwater Fund	Water and Sewer Fund	\$ 2,774
Adequate Facilities Fund	General Fund	\$ 35,231
18-75 Capital Projects Fund	General Fund	\$ 64,819
Water and Sewer Fund	General Fund	\$ 74,522

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers for the year ended June 30, 2022 were as follows:

<b>Transfers In</b>	<b>Transfers Out</b>	<b>Amount</b>
18-75 Capital Projects Fund	General Fund	\$ 5,433,511
Nonmajor Governmental Funds	Nonmajor Governmental Funds	\$ 200,000
Nonmajor Proprietary Funds	Nonmajor Governmental Funds	\$ 60

Transfers are used to move revenues between the General Fund and the Adequate Facilities/Development Fund and 18-75 Capital Projects Fund for capital outlays and between the Impact Fees Fund to the 18-75 Capital Projects Fund for capital outlays.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended June 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Notes payable from					
direct borrowing	\$ 2,815,000	\$ -	\$ (540,000)	\$ 2,275,000	\$ 565,000
Bonds payable	29,385,000	40,000,000	(1,340,000)	68,045,000	2,655,000
Premium on bonds payable	3,261,837	1,707,740	(347,226)	4,622,351	-
Compensated absences	<u>739,080</u>	<u>934,168</u>	<u>(994,907)</u>	<u>678,341</u>	<u>403,339</u>
Governmental activities					
long-term liabilities	<u>\$ 36,200,917</u>	<u>\$ 42,641,908</u>	<u>\$ (3,222,133)</u>	<u>\$ 75,620,692</u>	<u>\$ 3,623,339</u>
<b>Business-type Activities:</b>					
Notes payable from					
direct borrowing	\$ 2,161,000	\$ -	\$ (318,000)	\$ 1,843,000	\$ 334,000
Bonds payable	8,775,000	-	(635,000)	8,140,000	655,000
Premium on bonds payable	684,875	-	(110,671)	574,204	-
Financed purchases	86,532	-	(16,707)	69,825	17,790
Compensated absences	<u>217,644</u>	<u>159,862</u>	<u>(226,939)</u>	<u>150,567</u>	<u>150,567</u>
Business-type activities					
long-term liabilities	<u>\$ 11,925,051</u>	<u>\$ 159,862</u>	<u>\$ (1,307,317)</u>	<u>\$ 10,777,596</u>	<u>\$ 1,157,357</u>

For governmental and business activities, compensated absences are liquidated in the funds from which the employees' salaries are paid, which include the General Fund, Nonmajor Governmental Funds, Water & Sewer Fund, and Stormwater Fund, as applicable.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. LONG-TERM DEBT (CONTINUED)

#### Governmental Activities

**General Obligation Bonds.** In 2022, the City issued \$40,000,000 of General Obligation Bonds for the purpose of funding capital projects including, but not limited to, the I-65 Interchange, Buckner Lane widening north and south segments, improvements to the intersection at Buckner Lane/Port Royal Road, and to redesign of Countess Roundabout as well as design and construction of a new Police Department Headquarters, Fire Station #4, and a Community Services Annex. The funding will also be used for the acquisition, of all other property connected to the projects listed above as well as for the payment of contracted services such as legal, administrative, architectural, and engineering. The 2022 Series bonds were issued with interest rates of 3.125% to 5.00% and a maturity of June 1, 2042. The remaining amounts payable on the 2022 Series bonds at June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,250,000	\$ 1,649,376	\$ 2,899,376
2024	1,340,000	1,559,838	2,899,838
2025	1,405,000	1,492,838	2,897,838
2026	1,475,000	1,422,588	2,897,588
2027	1,550,000	1,348,838	2,898,838
2028-2032	8,975,000	5,520,288	14,495,288
2033-2037	10,980,000	3,513,438	14,493,438
2038-2042	13,025,000	1,471,638	14,496,638
Total	<u>\$ 40,000,000</u>	<u>\$ 17,978,842</u>	<u>\$ 57,978,842</u>

In 2020, the City issued \$23,880,000 of General Obligation Bonds for the purpose of the acquisition, construction and equipping of various road and street work and improvements throughout the City and the acquisition, construction and equipping of various public buildings and facilities. The 2020A Series bonds were issued with interest rates of 3.00% to 5.00% and a maturity of June 1, 2040. The remaining amounts payable on the 2020A Series bonds at June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,005,000	\$ 811,600	\$ 1,816,600
2024	1,055,000	761,350	1,816,350
2025	1,105,000	708,600	1,813,600
2026	1,160,000	653,350	1,813,350
2027	1,215,000	595,350	1,810,350
2028-2032	5,675,000	2,194,500	7,869,500
2033-2037	6,365,000	1,228,350	7,593,350
2038-2040	4,295,000	260,250	4,555,250
Total	<u>\$ 21,875,000</u>	<u>\$ 7,213,350</u>	<u>\$ 29,088,350</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. LONG-TERM DEBT (CONTINUED)

#### Governmental Activities (Continued)

In 2014, the City issued \$8,650,000 of General Obligation Bonds for the purpose of improvements, expansions, extensions, renovations, and the acquisition of equipment for City roads, streets, bridges, and sidewalks and with respect to the construction, acquisition, and development of a new park and fire hall and acquisition of the right of way in connections therewith. The 2014 Series were issued with interest rates of 2.50% to 3.30% and a maturity of September 1, 2030. The bonds are payable on September 1, until 2030, with the remainder of the outstanding balance due in a balloon payment on September 1, 2034. The remaining amounts payable on the 2014 Series bonds at June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 400,000	\$ 184,250	\$ 584,250
2024	410,000	172,250	582,250
2025	425,000	159,950	584,950
2026	435,000	147,200	582,200
2027	445,000	136,325	581,325
2028-2032	2,415,000	495,275	2,910,275
2033-2035	1,640,000	109,395	1,749,395
Total	<u>\$ 6,170,000</u>	<u>\$ 1,404,645</u>	<u>\$ 7,574,645</u>

**Total Bonds Payable.** The remaining amounts payable on all bonds payable detailed on the prior pages, at June 30, 2022, are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 2,655,000	\$ 2,645,226	\$ 5,300,226
2024	2,805,000	2,493,438	5,298,438
2025	2,935,000	2,361,388	5,296,388
2026	3,070,000	2,223,138	5,293,138
2027	3,210,000	2,080,513	5,290,513
2028-2032	17,065,000	8,210,063	25,275,063
2033-2037	18,985,000	4,851,183	23,836,183
2038-2042	17,320,000	1,731,888	19,051,888
Total	<u>\$ 68,045,000</u>	<u>\$ 26,596,837</u>	<u>\$ 94,641,837</u>

**Notes Payable from Direct Borrowing.** In 2006, the City entered into a note payable through an intergovernmental agreement with Williamson County, Tennessee for \$5,385,000 for the purpose of funding half of the Community Recreation Center. The note bears interest rates of 4.125% to 5.00%. The note requires principal payments on April 1 and interest payments semi-annually until its maturity its maturity in April 2027. As of June 30, 2022, the total amount of the note outstanding is \$1,700,000.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. LONG-TERM DEBT (CONTINUED)

#### Governmental Activities (Continued)

In 2016, the City entered into a note payable for \$3,000,000, with \$1,645,000 used for the purpose of general transportation outlays, and the remainder to be used for the construction of Hardin's Landing Tank and stormwater projects. The note bears a fixed interest rate of 1.76%. The note requires monthly payments of principal and interest until its maturity in April 2025. As of June 30, 2022, the total amount of the note outstanding is \$575,000, and is only payable from the governmental activities funds.

The City's debt service requirements to maturity on the governmental activities notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 565,000	\$ 94,220	\$ 659,220
2024	580,000	72,126	652,126
2025	610,000	49,282	659,282
2026	430,000	25,100	455,100
2027	90,000	3,600	93,600
Total	<u>\$ 2,275,000</u>	<u>\$ 244,328</u>	<u>\$ 2,519,328</u>

#### Business-type Activities

**Notes Payable from Direct Borrowing.** The City has a draw loan line of credit from the Tennessee Municipal Bond Fund Loan Program. Proceeds are drawn as needed, with a cap of \$6,000,000. The note was procured for the purpose of constructing a water treatment plant. The note bears a fixed interest rate of 1.51%. The note requires monthly payments of principal and interest until its maturity in May 2037. As of June 30, 2022, the total amount of the note outstanding is \$1,843,000 and is completely drawn down.

The City's debt service requirements to maturity on the business-type notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 334,000	\$ 73,720	\$ 407,720
2024	350,000	60,360	410,360
2025	368,000	46,360	414,360
2026	386,000	31,640	417,640
2027	405,000	16,200	421,200
Total	<u>\$ 1,843,000</u>	<u>\$ 228,280</u>	<u>\$ 2,071,280</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. LONG-TERM DEBT (CONTINUED)

#### Business-type Activities (Continued)

**General Obligation Bonds.** In 2020, the City issued \$9,395,000 of General Obligation Bonds for the purpose of providing sufficient funds to refund the City's obligations under the Revolving Fund Loan Agreement plus any accrued interest and costs on those obligations. The 2020B Series bonds were issued with interest rates of 2.00% to 3.00% and a maturity of June 1, 2036. The remaining amounts payable on the 2020B Series bonds at June 30, 2022 are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 655,000	\$ 205,200	\$ 860,200
2024	675,000	185,550	860,550
2025	700,000	165,300	865,300
2026	715,000	144,300	859,300
2027	735,000	122,850	857,850
2028-2032	3,915,000	317,900	4,232,900
2033-2034	745,000	22,400	767,400
Total	<u>\$ 8,140,000</u>	<u>\$ 1,163,500</u>	<u>\$ 9,303,500</u>

**Financed Purchases.** In 2020, the City entered into a purchase agreement as the lessee to finance the acquisition of a Caterpillar Mini Excavator. The purchase arrangement is for a period of five years and bears interest at a rate of 3.189%. As of June 30, 2022, the City had \$103,240 of equipment with accumulated depreciation of \$12,618 financed under the purchase arrangement.

At June 30, 2022, future lease payments are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 17,790	\$ 2,210	\$ 20,000
2024	18,357	1,643	20,000
2025	18,943	1,057	20,000
2026	14,735	453	15,188
Total	<u>\$ 69,825</u>	<u>\$ 5,363</u>	<u>\$ 75,188</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. 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 publicly available financial report that can be obtained at [https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment - Policies](https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies).

**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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	256
Active employees	240
Total	<u>532</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLAN (CONTINUED)

#### Plan Description (Continued)

**Contributions.** Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, the Actuarially Determined Contribution (ADC) for the City was \$918,674, with actual contributions being \$1,115,518 based on a rate of 7.25 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

#### Net Pension Asset of the City

The City's net pension asset was measured as of June 30, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

**Actuarial assumptions.** The total pension asset as of the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%	
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation	
Cost of living adjustment		2.125%

Mortality rates were based on actual experience including projection of mortality improvement using Scale MP-2020 (generational projection).

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the review of plan experience in conjunction with an experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

*Changes in assumptions.* In 2021, the following assumptions were changed: (1) decreased inflation rate from 2.5% to 2.25%; (2) decreased the investment rate of return from 7.25% to 6.75%; (3) decreased the cost-of-living adjustment from 2.25% to 2.125%; and (4) modified mortality assumptions.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLAN (CONTINUED)

#### Net Pension Asset of the City (Continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 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 2.25 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:

Asset class	Target allocation	Long-term expected real rate of return
U.S. equity	31%	4.88%
Developed market international equity	14%	5.37%
Emerging market international equity	4%	6.09%
Private equity and strategic lending	20%	6.57%
U.S. fixed income	20%	1.20%
Real estate	10%	4.38%
Short-term securities	1%	—
Total	100%	

The long-term rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent, based on a blending of the factors described above.

**Discount rate.** The discount rate used to measure the total pension asset was 6.75 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 asset.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLAN (CONTINUED)

#### Net Pension Asset of the City (Continued)

*Changes in the Net Pension Asset of the City.* The changes in the components of the net pension asset of the City for the fiscal year ended June 30, 2022 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<b>Balances at 6/30/2020</b>	\$ 20,021,359	\$ 19,157,643	\$ 863,716
<b>Changes for the year:</b>			
Service cost	1,029,836	-	1,029,836
Interest	1,513,537	-	1,513,537
Differences between expected and actual experience	245,758	-	245,758
Changes of assumptions	2,614,236	-	2,614,236
Contributions—employer	-	918,674	(918,674)
Contributions—employee	-	641,294	(641,294)
Net investment income	-	5,095,437	(5,095,437)
Benefit payments, including refunds of employee contributions	(349,655)	(349,655)	-
Administrative expense	-	(21,333)	21,333
<b>Net changes</b>	<u>5,053,712</u>	<u>6,284,417</u>	<u>(1,230,705)</u>
<b>Balances at 6/30/2021</b>	<u>\$ 25,075,071</u>	<u>\$ 25,442,060</u>	<u>\$ (366,989)</u>

The required schedule of changes in the City's net pension asset and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension asset.

**Sensitivity of the net pension asset to changes in the discount rate.** The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
City's net pension liability (asset)	\$ 4,308,199	\$ (366,989)	\$ (4,127,039)

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

**Pension expense.** For the year ended June 30, 2022, the City recognized pension expense of \$253,247.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLAN (CONTINUED)

#### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

**Deferred outflows of resources and deferred inflows of resources.** For the year ended June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,015,435	\$ 27,163
Change in assumptions	2,438,080	-
Net difference between projected and actual earnings of pension plan investments	-	2,727,012
Contributions	1,115,518	-
	<b>\$ 4,569,033</b>	<b>\$ 2,754,175</b>

City contributions subsequent to the measurement date of \$1,115,518 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension asset in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2023	\$ (140,686)
2024	(112,724)
2025	(104,365)
2026	(273,705)
2027	416,265
Thereafter	670,555
Total	<b>\$ 455,340</b>

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 10. 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 Public Entity Partners, which is a nonprofit, risk sharing pool of Tennessee municipalities and local public agencies established by the Public Entity Partners, an association of cities and towns in Tennessee. Participating members contribute premiums to the Public Entity Partners based on that member's exposure and underwriting standards.

Reinsurance is purchased by the Public Entity Partners to cover losses that exceed the Public Entity Partners' loss fund. Members can be assessed to cover losses exceeding the reinsurance. The City contributes an annual premium to the Public Entity Partners 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.

### **NOTE 11. COMMITMENTS AND CONTINGENCIES**

#### **Litigation**

The City is a defendant in certain legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions rising in the course of City operations. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

#### **Grant Contingencies**

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, City management believes such disallowances, if any, will not be significant.

#### **Outstanding Construction Commitments**

As of June 30, 2022, the City had \$13,283,239 of outstanding construction commitments.

### **NOTE 12. SUBSEQUENT EVENTS**

On November 7, 2022, the City entered into a note payable for \$4,000,000 to provide funds to finance stormwater related projects. The note bears a fixed interest rate of 2.0%. The note requires monthly payments of principal and interest until its maturity in June 2034.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF SPRING HILL, TENNESSEE**

**REQUIRED SUPPLEMENTARY INFORMATION  
RETIREMENT PLAN  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY  
AND RELATED RATIOS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>								
Service cost	\$ 1,029,836	\$ 967,431	\$ 919,725	\$ 837,507	\$ 750,217	\$ 649,533	\$ 581,698	\$ 575,095
Interest on total pension liability	1,513,537	1,389,743	1,231,831	1,061,413	955,426	819,689	715,535	643,726
Differences between expected and actual experience	245,758	(355,434)	279,623	614,173	45,493	529,298	292,587	(22,931)
Assumption changes	2,614,236	-	-	-	338,904	-	-	-
Benefit payments, including refunds of employee contributions	<u>(349,655)</u>	<u>(363,644)</u>	<u>(237,926)</u>	<u>(251,521)</u>	<u>(300,807)</u>	<u>(277,934)</u>	<u>(259,939)</u>	<u>(230,149)</u>
<b>Net change in total pension liability</b>	5,053,712	1,638,096	2,193,253	2,261,572	1,789,233	1,720,586	1,329,881	965,741
<b>Total pension liability - beginning</b>	<u>20,021,359</u>	<u>18,383,263</u>	<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>	<u>8,122,997</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 25,075,071</u>	<u>\$ 20,021,359</u>	<u>\$ 18,383,263</u>	<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	\$ 918,674	\$ 857,154	\$ 842,881	\$ 687,667	\$ 606,207	\$ 479,007	\$ 431,925	\$ 385,342
Contributions - employee	641,294	591,476	581,298	549,256	484,192	438,652	395,537	356,139
Net investment income	5,095,437	880,180	1,152,456	1,104,634	1,266,416	270,749	287,276	1,253,177
Benefit payments, including refunds of member contributions	(349,655)	(363,644)	(237,926)	(251,521)	(300,807)	(277,934)	(259,939)	(230,149)
Administrative expenses	<u>(21,333)</u>	<u>(20,526)</u>	<u>(20,332)</u>	<u>(21,260)</u>	<u>(18,722)</u>	<u>(15,505)</u>	<u>(9,765)</u>	<u>(6,509)</u>
<b>Net change in plan fiduciary net position</b>	6,284,417	1,944,640	2,318,377	2,068,776	2,037,286	894,969	845,034	1,758,000
<b>Plan fiduciary net position - beginning</b>	<u>19,157,643</u>	<u>17,213,003</u>	<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>	<u>7,290,561</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 25,442,060</u>	<u>\$ 19,157,643</u>	<u>\$ 17,213,003</u>	<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>
<b>City's net pension (asset) liability - ending (a) - (b)</b>	<u>\$ (366,989)</u>	<u>\$ 863,716</u>	<u>\$ 1,170,260</u>	<u>\$ 1,295,384</u>	<u>\$ 1,102,588</u>	<u>\$ 1,350,641</u>	<u>\$ 525,024</u>	<u>\$ 40,177</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	101.46%	95.69%	93.63%	92.00%	92.08%	88.87%	94.96%	99.56%
<b>Covered payroll</b>	\$ 11,837,860	\$ 11,625,940	\$ 10,985,100	\$ 9,683,823	\$ 8,773,028	\$ 7,909,506	\$ 7,122,761	\$ -
<b>City's net pension (asset) liability as a percentage of covered payroll</b>	-3.10%	7.43%	10.65%	13.38%	12.57%	17.08%	7.37%	0.00%

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.

Changes in assumption - In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent, decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

**CITY OF SPRING HILL, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**RETIREMENT PLAN**  
**SCHEDULE OF CITY CONTRIBUTIONS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 918,674	\$ 857,154	\$ 757,826	\$ 727,784	\$ 687,667	\$ 528,737	\$ 479,022	\$ 431,925	\$ 385,342
Contributions in relation to the actuarially determined contribution	<u>1,115,518</u>	<u>906,900</u>	<u>857,135</u>	<u>842,881</u>	<u>687,667</u>	<u>606,207</u>	<u>479,022</u>	<u>431,925</u>	<u>385,342</u>
Contribution deficiency (excess)	<u>\$ (196,844)</u>	<u>\$ (49,746)</u>	<u>\$ (99,309)</u>	<u>\$ (115,097)</u>	<u>\$ -</u>	<u>\$ (77,470)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,386,455	\$ 12,508,966	\$ 11,837,860	\$ 11,625,940	\$ 10,985,100	\$ 9,683,823	\$ 8,773,028	\$ 7,909,506	\$ 7,122,761
Contributions as a percentage of covered payroll	7.25%	7.25%	7.24%	7.25%	6.26%	6.26%	5.46%	5.46%	5.41%

**Notes to the Schedule:**

(1) Actuarial Assumptions:

Valuation Date	June 30, 2020
Cost Method	Entry age normal
Actuarial Asset Valuation Method	10-year smoothed within a 20 percent corridor to market value
Assumed Rate of Return on Investments	7.25%
Projected Salary Increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation
Inflation	2.50%
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	Various
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including projection of mortality improvement using Scale MP-2019 (Static projection to 6 years beyond the valuation date)
Cost-of-living Adjustments	2.25%, if provided

(2) The schedule will present 10 years of information once it is accumulated.

**SUPPLEMENTARY INFORMATION**

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## **NONMAJOR GOVERNMENTAL FUNDS**

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### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted or committed to expenditures for particular purposes.

**Library Fund** – This fund is used to account for the activities and operation of the City's library system, including the private donations made to support operations.

**Drug Fund** – This fund is used to account for the City's fines and forfeitures related to drug related seizures. The funds are restricted to use in law enforcement activity specifically targeting drug trafficking and prevention.

**Impact Fees Fund** - Established to account for fees assessed upon development activity, these fees are collected to pay for system improvements (recreation/parks, streets, and public safety) as detailed within the City's impact fee ordinance, as required by state law.

**State Street Aid Fund** – This fund is used to account for monies received from the state to be used for city streets and transportation projects. The funds are restricted by state and federal requirements.

**Tourism Fund** – This fund is used to account for the 3% occupancy tax collected by the City from area hotels and motels, and restricted for the development and tourism within Spring Hill.

**E-Citations Fund** – This fund is used to account for the electronic tickets issued throughout the City and the operation of the system.

**Sanitation Fund** – This fund is used to account for the activities of the City's sanitation collection system, which renders those services to the residents and businesses located within the City.

### **Capital Project Funds**

Capital project funds are used to account for the accumulation and expenditures of funds set aside for large capital projects.

**Capital Projects Fund** – This fund is used to account for financial resources to be used for the acquisition and construction of the City's locally funded capital projects.

**CITY OF SPRING HILL, TENNESSEE**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2022**

	<b>Special Revenue Funds</b>			
	<b>Library Fund</b>	<b>Drug Fund</b>	<b>Impact Fees Fund</b>	<b>State Street Aid Fund</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 95,512	\$ -	\$ 8,199,815	\$ -
Accounts receivable, net	-	-	-	-
Due from other funds	-	30	-	173,296
Due from other governments	-	-	-	161,161
Restricted cash	-	258,763	-	2,710,836
<b>Total assets</b>	<b>\$ 95,512</b>	<b>\$ 258,793</b>	<b>\$ 8,199,815</b>	<b>\$ 3,045,293</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 3	\$ 71,850	\$ 26,134	\$ 804,756
Accrued liabilities	273	-	-	-
Due to other funds	-	708	-	-
<b>Total liabilities</b>	<b>276</b>	<b>72,558</b>	<b>26,134</b>	<b>804,756</b>
<b>FUND BALANCES (DEFICITS)</b>				
Restricted				
Roads and streets	-	-	-	-
Drug enforcement	-	186,235	-	-
Capital projects	-	-	8,173,681	2,240,537
Committed				
Library operations	95,236	-	-	-
Tourism	-	-	-	-
Public safety	-	-	-	-
Assigned for capital projects	-	-	-	-
<b>Total fund balances</b>	<b>95,236</b>	<b>186,235</b>	<b>8,173,681</b>	<b>2,240,537</b>
<b>Total liabilities and fund balances</b>	<b>\$ 95,512</b>	<b>\$ 258,793</b>	<b>\$ 8,199,815</b>	<b>\$ 3,045,293</b>

Special Revenue Funds			Capital Project Funds	Total Nonmajor Governmental Funds
Tourism Fund	E-Citations Fund	Sanitation Fund	Capital Project Fund	
\$ 214,675	\$ 11,847	\$ 1,235,839	\$ 151,701	\$ 9,909,389
-	-	247,708	-	247,708
5,437	62	7,906	-	186,731
2,988	-	-	-	164,149
-	-	-	-	2,969,599
<u>\$ 223,100</u>	<u>\$ 11,909</u>	<u>\$ 1,491,453</u>	<u>\$ 151,701</u>	<u>\$ 13,477,576</u>
\$ -	\$ -	\$ 20,512	\$ 7,670	\$ 930,925
-	-	141,978	-	142,251
-	-	13	-	721
<u>-</u>	<u>-</u>	<u>162,503</u>	<u>7,670</u>	<u>1,073,897</u>
-	-	1,328,950	-	1,328,950
-	-	-	-	186,235
-	-	-	-	10,414,218
-	-	-	-	95,236
223,100	-	-	-	223,100
-	11,909	-	-	11,909
-	-	-	144,031	144,031
<u>223,100</u>	<u>11,909</u>	<u>1,328,950</u>	<u>144,031</u>	<u>12,403,679</u>
<u>\$ 223,100</u>	<u>\$ 11,909</u>	<u>\$ 1,491,453</u>	<u>\$ 151,701</u>	<u>\$ 13,477,576</u>

**CITY OF SPRING HILL, TENNESSEE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Special Revenue Funds</b>			
	<b>Library Fund</b>	<b>Drug Fund</b>	<b>Impact Fees Fund</b>	<b>State Street Aid Fund</b>
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	1,798,097
Charges for services	-	-	-	-
Impact fees	-	-	3,181,985	-
Contributions	38,829	750	-	-
Fines and forfeitures	-	56,366	-	-
Interest revenue	12	32	1,744	486
Other	-	-	-	-
<b>Total revenues</b>	<b>38,841</b>	<b>57,148</b>	<b>3,183,729</b>	<b>1,798,583</b>
<b>Expenditures</b>				
Current:				
Public safety	-	28,055	-	-
Public works	-	-	11,106	1,075,794
Culture and recreation	33,202	-	-	-
Capital outlay	-	5,370	129,712	-
Debt service:				
Principal	-	-	-	292,934
Interest	-	-	-	66,652
<b>Total expenditures</b>	<b>33,202</b>	<b>33,425</b>	<b>140,818</b>	<b>1,435,380</b>
Excess (deficiency) of revenues over expenditures	5,639	23,723	3,042,911	363,203
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	(200,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(200,000)</b>	<b>-</b>
Net change in fund balances	5,639	23,723	2,842,911	363,203
<b>Fund balances, beginning of year</b>	<b>89,597</b>	<b>162,512</b>	<b>5,330,770</b>	<b>1,877,334</b>
<b>Fund balances, end of year</b>	<b>\$ 95,236</b>	<b>\$ 186,235</b>	<b>\$ 8,173,681</b>	<b>\$ 2,240,537</b>

Special Revenue Funds			Capital Project Funds	Total Nonmajor Governmental Funds
Tourism Fund	E-Citations Fund	Sanitation Fund	New Capital Project Fund	
\$ 275,871	\$ -	\$ -	\$ -	\$ 275,871
-	-	-	-	1,798,097
-	-	3,040,429	-	3,040,429
-	-	-	-	3,181,985
-	-	-	-	39,579
-	1,584	22,422	-	80,372
19	2	210	-	2,505
310	-	33	-	343
<u>276,200</u>	<u>1,586</u>	<u>3,063,094</u>	<u>-</u>	<u>8,419,181</u>
-	-	-	-	28,055
-	-	2,760,668	-	3,847,568
165,694	-	-	-	198,896
-	-	-	55,969	191,051
-	-	-	-	292,934
-	-	-	-	66,652
<u>165,694</u>	<u>-</u>	<u>2,760,668</u>	<u>55,969</u>	<u>4,625,156</u>
110,506	1,586	302,426	(55,969)	3,794,025
-	-	-	200,000	200,000
-	-	(60)	-	(200,060)
-	-	(60)	200,000	(60)
110,506	1,586	302,366	144,031	3,793,965
112,594	10,323	1,026,584	-	8,609,714
<u>\$ 223,100</u>	<u>\$ 11,909</u>	<u>\$ 1,328,950</u>	<u>\$ 144,031</u>	<u>\$ 12,403,679</u>

**CITY OF SPRING HILL, TENNESSEE**  
**18-75 CAPITAL PROJECTS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Contributions	\$ -	\$ 502,229	\$ 502,229	\$ -
Interest revenue	600	600	(239,805)	(240,405)
Total revenues	<u>600</u>	<u>502,829</u>	<u>262,424</u>	<u>(240,405)</u>
<b>Expenditures:</b>				
Capital outlay	23,996,043	27,868,908	5,755,961	22,112,947
Debt service				
Principal	740,000	740,000	740,000	-
Interest	775,850	775,850	775,850	-
Issuance costs	-	-	581,133	(581,133)
Total expenditures	<u>25,511,893</u>	<u>29,384,758</u>	<u>7,852,944</u>	<u>21,531,814</u>
Deficiency of revenues over expenditures	(25,511,293)	(28,881,929)	(7,590,520)	21,291,409
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term liabilities	-	-	40,000,000	40,000,000
Premium on long-term liabilities	-	-	1,707,740	1,707,740
Transfers out	-	(2,041,364)	-	2,041,364
Transfers in	5,163,465	7,575,465	5,433,511	(2,141,954)
Total other financing sources (uses)	<u>5,163,465</u>	<u>5,534,101</u>	<u>47,141,251</u>	<u>41,607,150</u>
Net change in fund balance	(20,347,828)	(23,347,828)	39,550,731	62,898,559
<b>Fund balance, beginning of year</b>	<u>31,356,053</u>	<u>31,356,053</u>	<u>31,356,053</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 11,008,225</u>	<u>\$ 8,008,225</u>	<u>\$ 70,906,784</u>	<u>\$ 62,898,559</u>

**CITY OF SPRING HILL, TENNESSEE  
LIBRARY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Contributions	\$ 60,000	\$ 60,000	\$ 38,829	\$ (21,171)
Interest revenue	70	70	12	(58)
Total revenues	<u>60,070</u>	<u>60,070</u>	<u>38,841</u>	<u>(21,229)</u>
<b>Expenditures:</b>				
Culture and recreation	40,000	33,309	33,202	107
Total expenditures	<u>40,000</u>	<u>33,309</u>	<u>33,202</u>	<u>107</u>
Net change in fund balances	20,070	26,761	5,639	(21,122)
<b>Fund balance, beginning of year</b>	<u>89,597</u>	<u>89,597</u>	<u>89,597</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 109,667</u>	<u>\$ 116,358</u>	<u>\$ 95,236</u>	<u>\$ (21,122)</u>

**CITY OF SPRING HILL, TENNESSEE  
DRUG FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Fines and forfeitures	\$ 30,000	\$ 30,000	\$ 56,366	\$ 26,366
Contributions	-	-	750	750
Interest revenue	50	50	32	(18)
Total revenues	<u>30,050</u>	<u>30,050</u>	<u>57,148</u>	<u>27,098</u>
<b>Expenditures:</b>				
Public safety	26,300	20,800	28,055	(7,255)
Capital outlay	50,000	55,500	5,370	50,130
Total expenditures	<u>76,300</u>	<u>76,300</u>	<u>33,425</u>	<u>42,875</u>
Net change in fund balance	(46,250)	(46,250)	23,723	69,973
<b>Fund balance, beginning of year</b>	<u>162,512</u>	<u>162,512</u>	<u>162,512</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 116,262</u>	<u>\$ 116,262</u>	<u>\$ 186,235</u>	<u>\$ 69,973</u>

**CITY OF SPRING HILL, TENNESSEE  
IMPACT FEES FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Impact fees	\$ 1,200,000	\$ 1,200,000	\$ 3,181,985	\$ 1,981,985
Interest revenue	2,000	2,000	1,744	(256)
Total revenues	<u>1,202,000</u>	<u>1,202,000</u>	<u>3,183,729</u>	<u>1,981,729</u>
<b>Expenditures:</b>				
Public works	-	-	11,106	(11,106)
Capital outlay	3,255,000	3,684,224	129,712	3,554,512
Total expenditures	<u>3,255,000</u>	<u>3,684,224</u>	<u>140,818</u>	<u>3,543,406</u>
Excess (deficiency) of revenues over expenditures	(2,053,000)	(2,482,224)	3,042,911	5,525,135
<b>Other Financing Sources (Uses)</b>				
Transfer out	-	(209,000)	(200,000)	9,000
Total other financing sources (uses)	<u>-</u>	<u>(209,000)</u>	<u>(200,000)</u>	<u>9,000</u>
Net change in fund balance	(2,053,000)	(2,691,224)	2,842,911	5,534,135
<b>Fund balance, beginning of year</b>	<u>5,330,770</u>	<u>5,330,770</u>	<u>5,330,770</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 3,277,770</u>	<u>\$ 2,639,546</u>	<u>\$ 8,173,681</u>	<u>\$ 5,534,135</u>

**CITY OF SPRING HILL, TENNESSEE  
STATE STREET AID FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 1,556,592	\$ 1,556,592	\$ 1,798,097	\$ 241,505
Interest revenue	-	-	486	486
<b>Total revenues</b>	<u>1,556,592</u>	<u>1,556,592</u>	<u>1,798,583</u>	<u>241,991</u>
<b>Expenditures:</b>				
Public works - Street Improvements	1,338,601	1,378,601	1,075,794	302,807
Debt service				
Principal	294,000	294,000	292,934	1,066
Interest	66,876	66,876	66,652	224
<b>Total expenditures</b>	<u>1,699,477</u>	<u>1,739,477</u>	<u>1,435,380</u>	<u>304,097</u>
Net change in fund balance	(142,885)	(182,885)	363,203	546,088
<b>Fund balance, beginning of year</b>	<u>1,877,334</u>	<u>1,877,334</u>	<u>1,877,334</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,734,449</u>	<u>\$ 1,694,449</u>	<u>\$ 2,240,537</u>	<u>\$ 546,088</u>

**CITY OF SPRING HILL, TENNESSEE  
TOURISM FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 150,000	\$ 150,000	\$ 275,871	\$ 125,871
Interest revenue	-	-	19	19
Other	-	-	310	310
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>276,200</u>	<u>126,200</u>
<b>Expenditures:</b>				
Culture and recreation	120,000	167,413	165,694	1,719
Total expenditures	<u>120,000</u>	<u>167,413</u>	<u>165,694</u>	<u>1,719</u>
Net change in fund balance	30,000	(17,413)	110,506	127,919
<b>Fund balance, beginning of year</b>	<u>112,594</u>	<u>112,594</u>	<u>112,594</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 142,594</u>	<u>\$ 95,181</u>	<u>\$ 223,100</u>	<u>\$ 127,919</u>

**CITY OF SPRING HILL, TENNESSEE  
E-CITATIONS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Fines and forfeitures	\$ 835	\$ 835	\$ 1,584	\$ 749
Interest revenue	-	-	2	2
Total revenues	<u>835</u>	<u>835</u>	<u>1,586</u>	<u>751</u>
<b>Expenditures:</b>				
Public safety	9,637	9,637	-	9,637
Total expenditures	<u>9,637</u>	<u>9,637</u>	<u>-</u>	<u>9,637</u>
Net change in fund balance	(8,802)	(8,802)	1,586	10,388
<b>Fund balance, beginning of year</b>	<u>10,323</u>	<u>10,323</u>	<u>10,323</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,521</u>	<u>\$ 1,521</u>	<u>\$ 11,909</u>	<u>\$ 10,388</u>

**CITY OF SPRING HILL, TENNESSEE  
SANITATION FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 2,800,000	\$ 2,800,000	\$ 3,040,429	\$ 240,429
Fines and forfeitures	21,000	21,000	22,422	1,422
Interest revenue	500	500	210	(290)
Other	-	-	33	33
Total revenues	<u>2,821,500</u>	<u>2,821,500</u>	<u>3,063,094</u>	<u>241,594</u>
<b>Expenditures:</b>				
Public works:				
Refuse collection and disposal service	2,406,000	2,510,230	2,760,668	(250,438)
Total expenditures	<u>2,406,000</u>	<u>2,510,230</u>	<u>2,760,668</u>	<u>(250,438)</u>
Excess of revenues over expenditures	415,500	311,270	302,426	(8,844)
<b>Other Financing Uses</b>				
Transfers out	-	-	(60)	(60)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(60)</u>	<u>(60)</u>
Net change in fund balances	415,500	311,270	302,486	(8,784)
<b>Fund balance, beginning of year</b>	<u>1,026,584</u>	<u>1,026,584</u>	<u>1,026,584</u>	<u>-</u>
<b>Fund balance, ending of year</b>	<u>\$ 1,442,084</u>	<u>\$ 1,337,854</u>	<u>\$ 1,329,070</u>	<u>\$ (8,784)</u>

**CITY OF SPRING HILL, TENNESSEE  
CAPITAL PROJECTS FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures:</b>				
Capital outlay	\$ 209,000	\$ 209,000	\$ 55,969	\$ 153,031
Total expenditures	<u>209,000</u>	<u>209,000</u>	<u>55,969</u>	<u>153,031</u>
 Deficiency of revenues over expenditures	(209,000)	(209,000)	(55,969)	(153,031)
 <b>Other Financing Sources</b>				
Transfers in	209,000	209,000	200,000	9,000
Total other financing sources	<u>209,000</u>	<u>209,000</u>	<u>200,000</u>	<u>9,000</u>
 Net change in fund balances	-	-	144,031	(144,031)
 <b>Fund balance, beginning of year</b>	-	-	-	-
<b>Fund balance, ending of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,031</u>	<u>\$ (144,031)</u>

**OTHER SUPPLEMENTARY INFORMATION**

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**CITY OF SPRING HILL, TENNESSEE**

**COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE  
Year Ended June 30, 2022**

<u>Tax Year</u>	<u>Balance July 1, 2021</u>	<u>Levy and Changes in Assessment</u>	<u>Collections and Adjustments</u>	<u>Property Taxes Receivable Balance June 30, 2022</u>
2021	\$ -	\$ 14,416,594	\$ 14,290,880	\$ 125,714
2020	150,670	-	123,100	27,570
2019	33,430	-	6,318	27,112
2018	5,579	-	622	4,957
2017 and prior	12,041	-	(4,776)	16,817
<b>Totals</b>	<u>\$ 201,720</u>	<u>\$ 14,416,594</u>	<u>\$ 14,416,144</u>	202,170
Estimated 2022 tax levy				15,229,794
Less allowance for estimated uncollectible				<u>(456,894)</u>
Total taxes receivable, net				<u>\$ 14,975,070</u>

**CITY OF SPRING HILL, TENNESSEE**

**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE  
AS OF JUNE 30, 2022**

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 7/1/2021</u>	<u>Adjustments</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Outstanding 6/30/2022</u>
<b>GOVERNMENTAL ACTIVITIES:</b>									
<u>Bonds Payable:</u>									
Public Improvement Bonds, 2014	\$ 8,650,000	2.50% - 3.30%	8/21/2014	9/1/2034	\$ 6,555,000	\$ -	\$ -	\$ 385,000	\$ 6,170,000
Series 2020A General Obligation Bonds	23,880,000	3.00% - 5.00%	7/15/2020	6/1/2040	22,830,000	-	-	955,000	21,875,000
Series 2022 General Obligation Bonds	40,000,000	3.125% - 5.00%	5/25/2022	6/1/2042	-	-	40,000,000	-	40,000,000
Total Bonds Payable					<u>\$ 29,385,000</u>	<u>\$ -</u>	<u>\$ 40,000,000</u>	<u>\$ 1,340,000</u>	<u>\$ 68,045,000</u>
<u>Notes Payable:</u>									
Williamson County Notes	\$ 5,385,000	2.500%-5.000%	3/15/2006	4/1/2027	\$ 2,055,000	\$ -	\$ -	\$ 355,000	\$ 1,700,000
2016 Capital Outlay Note	3,000,000	1.760%	6/29/2016	4/1/2025	760,000	-	-	185,000	575,000
Total Notes Payable					<u>\$ 2,815,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 540,000</u>	<u>\$ 2,275,000</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>									
<u>Bonds Payable:</u>									
Series 2020B General Obligation Refunding Bonds	\$ 9,395,000	2.00% - 3.00%	7/15/2020	6/1/2034	\$ 8,775,000	\$ -	\$ -	\$ 635,000	\$ 8,140,000
					<u>\$ 8,775,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 635,000</u>	<u>\$ 8,140,000</u>
<u>Notes Payable:</u>									
Public Improvement Bonds	\$ 6,000,000	1.510%	4/25/2003	5/25/2027	\$ 2,161,000	\$ -	\$ -	\$ 318,000	\$ 1,843,000
					<u>\$ 2,161,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,000</u>	<u>\$ 1,843,000</u>
<u>Financed Purchases Payable:</u>									
Caterpillar Mini Ex Lease	\$ 103,940	3.189%	9/22/2020	10/1/2025	\$ 86,532	\$ -	\$ -	\$ 16,707	\$ 69,825
					<u>\$ 86,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,707</u>	<u>\$ 69,825</u>

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**June 30, 2022**

<b>Governmental Activities</b>												
<b>For the Year Ended June 30,</b>	<b>Series 2020A</b>				<b>Series 2022</b>				<b>Total Government Activities</b>			
	<b>General Obligation Bonds</b>		<b>Williamson County Notes</b>		<b>2016 Capital Outlay Notes</b>		<b>Public Improvements Bonds, 2014</b>		<b>General Obligation Bonds</b>		<b>Principal</b>	<b>Interest</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>		
2023	\$ 1,005,000	\$ 811,600	\$ 375,000	\$ 84,100	\$ 190,000	\$ 35,214	\$ 400,000	\$ 184,250	\$ 1,250,000	\$ 1,649,376	\$ 3,220,000	\$ 2,764,540
2024	1,055,000	761,350	390,000	65,350	190,000	35,214	410,000	172,250	1,340,000	1,559,837	3,385,000	2,594,001
2025	1,105,000	708,600	415,000	45,850	195,000	26,549	425,000	159,950	1,405,000	1,492,838	3,545,000	2,433,787
2026	1,160,000	653,350	430,000	25,100	-	-	435,000	147,200	1,475,000	1,422,587	3,500,000	2,248,237
2027	1,215,000	595,350	90,000	3,600	-	-	445,000	136,325	1,550,000	1,348,838	3,300,000	2,084,113
2028	1,075,000	534,600	-	-	-	-	460,000	125,200	1,625,000	1,271,337	3,160,000	1,931,137
2029	1,130,000	480,850	-	-	-	-	470,000	113,125	1,710,000	1,190,088	3,310,000	1,784,063
2030	1,175,000	435,650	-	-	-	-	480,000	100,200	1,795,000	1,104,587	3,450,000	1,640,437
2031	1,130,000	388,650	-	-	-	-	495,000	85,800	1,885,000	1,014,838	3,510,000	1,489,288
2032	1,165,000	354,750	-	-	-	-	510,000	70,950	1,960,000	939,437	3,635,000	1,365,137
2033	1,200,000	319,800	-	-	-	-	530,000	54,120	2,035,000	861,038	3,765,000	1,234,958
2034	1,235,000	283,800	-	-	-	-	545,000	36,630	2,120,000	779,637	3,900,000	1,100,067
2035	1,270,000	246,750	-	-	-	-	565,000	18,645	2,205,000	694,838	4,040,000	960,233
2036	1,310,000	208,650	-	-	-	-	-	-	2,275,000	625,931	3,585,000	834,581
2037	1,350,000	169,350	-	-	-	-	-	-	2,345,000	551,994	3,695,000	721,344
2038	1,390,000	128,850	-	-	-	-	-	-	2,425,000	472,850	3,815,000	601,700
2039	1,430,000	87,150	-	-	-	-	-	-	2,510,000	387,975	3,940,000	475,125
2040	1,475,000	44,250	-	-	-	-	-	-	2,600,000	300,125	4,075,000	344,375
2041	-	-	-	-	-	-	-	-	2,695,000	205,875	2,695,000	205,875
2042	-	-	-	-	-	-	-	-	2,795,000	104,813	2,795,000	104,813
	<u>\$ 21,875,000</u>	<u>\$ 7,213,350</u>	<u>\$ 1,700,000</u>	<u>\$ 224,000</u>	<u>\$ 575,000</u>	<u>\$ 96,977</u>	<u>\$ 6,170,000</u>	<u>\$ 1,404,645</u>	<u>\$ 40,000,000</u>	<u>\$ 17,978,839</u>	<u>\$ 70,320,000</u>	<u>\$ 26,917,811</u>

<b>Business-Type Activities</b>								
<b>For the Year Ended June 30,</b>	<b>Series 2020B</b>		<b>Public Improvement Bonds</b>		<b>Financed Purchase</b>		<b>Total Business-type Activities</b>	
	<b>General Obligation Bonds</b>		<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
	<b>Principal</b>	<b>Interest</b>						
2023	\$ 655,000	\$ 205,200	\$ 334,000	\$ 73,720	\$ 17,790	\$ 2,211	\$ 1,006,790	\$ 281,131
2024	675,000	185,550	350,000	60,360	18,357	1,643	1,043,357	247,553
2025	700,000	165,300	368,000	46,360	18,943	1,057	1,086,943	212,717
2026	715,000	144,300	386,000	31,640	14,735	453	1,115,735	176,393
2027	735,000	122,850	405,000	16,200	-	-	1,140,000	139,050
2028	760,000	100,800	-	-	-	-	760,000	100,800
2029	780,000	78,000	-	-	-	-	780,000	78,000
2030	795,000	62,400	-	-	-	-	795,000	62,400
2031	815,000	46,500	-	-	-	-	815,000	46,500
2032	765,000	30,200	-	-	-	-	765,000	30,200
2033	370,000	14,900	-	-	-	-	370,000	14,900
2034	375,000	7,500	-	-	-	-	375,000	7,500
2035	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-
	<u>\$ 8,140,000</u>	<u>\$ 1,163,500</u>	<u>\$ 1,843,000</u>	<u>\$ 228,280</u>	<u>\$ 69,825</u>	<u>\$ 5,364</u>	<u>\$ 10,052,825</u>	<u>\$ 1,397,144</u>

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF INSURANCE COVERAGE**  
**Year Ended June 30, 2022**  
**(UNAUDITED)**

<b>Type of Coverage</b>	<b>Limits of Liability</b>
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	
Commercial property	\$155,458,235
Building and equipment	\$81,699,437
Water/waste water treatment facility	\$71,594,373
Public Employees Blanket Bond	\$150,000
Employee Bonds	
City recorder	\$400,000

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS**

**Year Ended June 30, 2022**  
**(UNAUDITED)**

Fiscal Year	Tax Year	County	Tax Rate	Assessed Valuation
2022	2021	Maury	0.9100	\$ 644,180,808
		Williamson	0.7900	1,119,904,736
2021	2020	Maury	0.9600	558,117,254
		Williamson	1.0100	826,439,360
2020	2019	Maury	0.8600	496,720,823
		Williamson	0.9169	806,833,053
2019	2018	Maury	0.5927	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	0.5900	261,565,296
		Williamson	0.5900	538,817,296
2014	2013	Maury	0.5900	242,932,640
		Williamson	0.5900	511,464,115
2013	2012	Maury	0.5900	228,823,286
		Williamson	0.5900	487,062,781

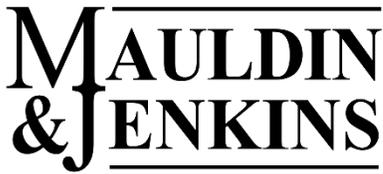
**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF UTILITY RATES**  
**June 30, 2022**  
**(UNAUDITED)**

<u>Rates Effective July 1, 2021</u>	<u>WATER RATES</u>	<u>Rates Per 1,000 Gallons</u>
Inside City	<u>Gallons Per Month</u> Minimum Per 1,000	<u>\$9.80</u> 3.69
Outside City Limits	Minimum Per 1,000	\$18.47 3.69
Number of customers at June 30, 2022 - 18,706		

<u>Rates Effective July 1, 2021</u>	<u>SEWER RATES</u>	<u>Rates Per 1,000 Gallons</u>
Inside City	<u>Gallons Per Month</u> Minimum Per 1,000	<u>\$12.07</u> 4.52
Number of customers at June 30, 2022 - 18,706		

## COMPLIANCE SECTION

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CPAs & ADVISORS

**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**

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**To the Honorable Mayor and Members  
of the Board of Aldermen  
City of Spring Hill, Tennessee**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spring Hill, Tennessee (the "City"), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 26, 2023.

**Report on 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") as a basis for designing 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-001 and 2022-02 that we consider to be material weaknesses.

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## Report On Compliance and Other Matters

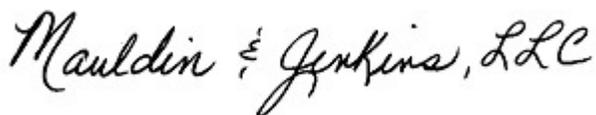
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## City of Spring Hill's Responses to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of Spring Hill's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## 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.



Chattanooga, Tennessee  
July 26, 2023

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Agency or pass- through Grantor Number	Expenditures	
			Federal	State
<b>FEDERAL AWARDS</b>				
<b>U.S. Department of Justice</b>				
Bulletproof Vest Partnership Program Grant	16.607	N/A	\$ 3,380	\$ -
<b>Total U.S. Department of Justice</b>			<u>3,380</u>	<u>-</u>
<b>U.S. Department of Transportation</b>				
Passed through the State Department of Safety and Homeland Security				
State and Community Highway Safety - GHSO Grant	20.600	Z22THS268	528	-
State and Community Highway Safety - GHSO Grant	20.600	Z21THS281	4,496	-
<b>Total U.S. Department of Transportation</b>			<u>5,024</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>				
Passed through the Tennessee Department of Finance & Administration				
Disaster Grants - TEMA - May 2020 Flooding	97.036	PA-04-TN-4450-RPA-0024	2,833	-
Disaster Grants - TEMA - March Storms and Tornadoes	97.036	PA 04-TN-4601, FEMA 4601-DR-TN	95,186	-
Mutual Aid Waverly Floods - TEMA	97.036	DR 4609	9,439	-
COVID-19 Disaster Grants - TEMA	97.036	PA-119-70580-00, FEMA 4514-DR-RN	1,246	-
<b>Total U.S. Department of Homeland Security</b>			<u>108,704</u>	<u>-</u>
<b>National Endowment for the Humanities</b>				
Passed through the Tennessee State Library				
Grants to States	45.310	N/A	32,087	-
<b>Total National Endowment for the Humanities</b>			<u>32,087</u>	<u>-</u>
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 149,195</b>	<b>\$ -</b>
<b>STATE AWARDS</b>				
<b>Tennessee Department of Transportation</b>				
Harvey Park Greenway (121850.02)	N/A	190380	\$ -	\$ 58,692
<b>Total Tennessee Department of Transportation</b>			<u>-</u>	<u>58,692</u>
<b>Tennessee Department of Finance and Administration</b>				
Passed through the Metropolitan Government of Nashville and Davidson County				
Internet Crimes Against Children FY 2020-21	N/A	N/A	-	14,856
<b>Total Tennessee Department of Finance and Administration</b>			<u>-</u>	<u>14,856</u>
<b>TOTAL STATE AWARDS</b>			<b>\$ -</b>	<b>\$ 73,548</b>
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<b>\$ 149,195</b>	<b>\$ 73,548</b>

**NOTES:**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the related Fund liability is incurred.

Federal grant programs which are administered through State agencies (pass-through awards) have been included in this report, including any funds expended for the State funded portion of those same programs.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act, therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

The City elected not to utilize the 10% de minimis indirect cost rate.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**SECTION I**  
**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?  yes  no

Significant deficiencies identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

There was not an audit of major federal award programs for the year ended June 30, 2022 due to the City not expending federal expenditures in excess of \$750,000.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**2022-001 Expense Recognition**

**Criteria:** Generally, expenditures/expenses should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows in accordance with generally accepted accounting principles (GAAP).

**Condition:** A misstatement was detected in the reporting of the City's expenses and the related Statement of Net Position/Balance Sheet accounts.

**Context/Cause:** An audit adjustment was required to properly report the City's expenses and related liability account for the Water and Sewer Fund in the amount of \$953,000 to remove the debt service expenses from the Water and Sewer Fund's full accrual statements. As the Water and Sewer Fund reports on the full accrual basis, the disbursements should be reported as reduction of the long-term liability (a balance sheet account) and not a component of the fund's expenses.

**Effects:** An audit adjustment totaling \$953,000 was required to correctly report the City's expenses and related liabilities in accordance with GAAP.

**Recommendation:** We recommend the City carefully review all expenditures/expenses and related liability accounts to ensure they are reported in accordance with generally accepted accounting principles.

**Auditee's Response:** We concur with the finding. We will take necessary steps in the future to ensure that expenditures/expenses and their related liabilities are properly recorded.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2022-002 Investments**

**Criteria:** Per Governmental Accounting Standards Board (GASB) Statement 72 held-to-maturity category is not appropriate in the government environment and thus investments should be recorded at fair market value and not at their historical cost.

**Condition:** The City was recording their investment of the 18-75 Capital Projects Fund at historical cost. This resulted in the unrealized losses not being recorded in the Fund.

**Context/Cause:** An audit adjustment was required to properly report the City's expenditures and related asset accounts for the 18-75 Capital Project Fund in the amount of \$285,107 to record the related loss on investments and decrease the total investment balance. As discussed above GASB has deemed maintaining an investment at historical cost is not appropriate and thus this adjustment was required to properly reflect the financial position of the Capital Project Fund.

**Effects:** An audit adjustment totaling \$285,107 was required to correctly report the City's assets in accordance with GASB standards.

**Recommendation:** We recommend the City carefully review all investment accounts and ensure that they are reported in accordance with the standards set forth by the Governmental Accounting Standards Board.

**Auditee's Response:** We concur with the finding. We will take necessary steps in the future to ensure that investments and their related gains and losses are properly recorded.

## CITY OF SPRING HILL, TENNESSEE

### SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2022

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#### 2021-001 Expenditure Recognition

**Condition:** A misstatement was detected in the reporting of the City's expenditures and the related Statement of Net Position/Balance Sheet accounts.

**Context/Cause:** An audit adjustment was required to properly report the City's expenditures and related liability account for the Adequate Facilities/Development Fund in the amount of \$195,497 to accrue expenditures incurred prior to June 30, 2021. The expenditures were incorrectly reported in fiscal year June 30, 2022 as this was the disbursement period.

**Status:** The City continues to work implementing controls and processes to correct the recognition of expenses/expenditures in 2022; however, this is a repeat finding 2022-001.

#### 2021-002 Operating Under a Balanced Budget

**Condition:** During the fiscal year ended June 30, 2021, the Board approved amendments to increase revenues and expenditures and balanced with the utilization of fund balance in the amount of \$428,101; however, only \$317,784 was available in fund balance.

**Context/Cause:** Budget amendments were made to utilize fund balance in excess of what was available.

**Status:** The City has since implemented controls to prevent budget amendments that would utilize fund balance in excess of what was available. This was resolved in the fiscal year ended June 30, 2022 budgeting process.

#### 2021-003 Misappropriation of Cash Assets

**Condition:** All electronic communication providing changes to banking information should be verified with a phone call to the individual or business requesting changes.

**Context/Cause:** During the fiscal year ended June 30, 2021, direct deposit information was changed via a spam email without verification of the change and resulted in theft of \$4,305.

**Status:** These funds have since been recovered in 2022. The City has also implemented controls to prevent changes without proper verification. This finding was resolved.



**MANAGEMENT'S CORRECTIVE ACTION PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**2022-001 Expenses and Related Liability Accounts**

**Contact Person Responsible for the Corrective Action Plan:** Debra Dutcher, Finance Director

**Signature:** \_\_\_\_\_

**Corrective Action Plan:** The City is planning to make the necessary changes to properly record payments of long-term debt and expenses reported throughout the year.

**Anticipated Completion Date:** June 30, 2023

**2022-002 Investments**

**Contact Person Responsible for the Corrective Action Plan:** Debra Dutcher, Finance Director

**Signature:** \_\_\_\_\_

**Corrective Action Plan:** The City's management will ensure all investments are recorded at fair market value in the future.

**Anticipated Completion Date:** June 30, 2023



**THE CITY OF SPRING HILL**

199 Town Center Parkway - Spring Hill, Tennessee 37174

931-486-2252

[www.springhilltn.org](http://www.springhilltn.org)

