

**RESOLUTION 11-132**

**A RESOLUTION TO ACCEPT THE AUDIT REPORT FOR CITY OF  
SPRING HILL FINANCIAL RECORDS FOR FISCAL YEAR 2010-2011  
PREPARED AND PRESENTED BY BELLENFANT AND MILES PC,  
CPA'S**

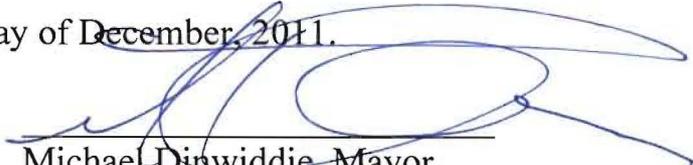
**WHEREAS**, pursuant to T.C.A. § 6-56-105, the governing body of each municipality shall cause an annual audit to be made of the accounts and records of all departments, boards, and agencies under its jurisdiction that receive and disburse funds at the close of each fiscal year; and

**WHEREAS**, the Board of Mayor and Aldermen of the City of Spring Hill has contracted with Bellenfant and Miles PC, CPA's to perform this Audit Report for Fiscal Year 2010-2011; and

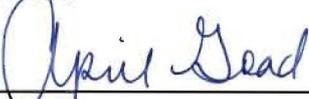
**WHEREAS**, the Board of Mayor and Aldermen of the City of Spring Hill has been presented the Audit Report for Fiscal Year 2010-2011 by Accountants with the firm of Bellenfant and Miles PC, CPA's on December 12, 2011; and

**NOW, THEREFORE BE IT RESOLVED**, by the Board of Mayor and Aldermen of the City of Spring Hill, the Spring Hill Board of Mayor and Aldermen do hereby accept the Audit Report of the financial records of the City of Spring Hill for the fiscal year 2010-2011.

Passed and adopted the 19th day of December, 2011.

  
Michael Dinwiddie, Mayor

WITNESS:

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

LEGAL FORM APPROVED:

  
\_\_\_\_\_  
Timothy P. Underwood  
City Attorney

**CITY OF SPRING HILL, TENNESSEE**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2011**

**CITY OF SPRING HILL, TENNESSEE  
ANNUAL FINANCIAL REPORT  
FOR YEAR ENDED JUNE 30, 2011**

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**CITY OF SPRING HILL, TENNESSEE  
ANNUAL FINANCIAL REPORT  
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**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

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

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, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Spring Hill's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spring Hill, Tennessee as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Adequate Facilities/Development Fund and the Sanitation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2011, on our consideration of the City of Spring Hill, Tennessee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing, of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Spring Hill, Tennessee's financial statements taken as a whole. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and the schedule of insurance coverage, schedule of property tax rates, assessments, and levies – last ten tax years, schedule of utility rates and schedule of unaccounted for water have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them or provide any assurance on them.

December 12, 2011

## **Management's Discussion and Analysis**

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, 2011. We encourage readers to consider the information presented here in conjunction with the City's financial statements (beginning on page 16).

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

### **Financial Highlights**

- ◆ The assets of City of Spring Hill exceeded its liabilities at the close of the most recent fiscal year by \$40,998,731 (total net assets).
- ◆ The government's total net assets increased by \$4,842,584.
- ◆ As of the close of the current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$1,003,093 and increase of \$1,875,661 in comparison with the prior year.

## Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the City of Spring Hill's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Spring Hill is improving or deteriorating.

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

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

**The government-wide financial statements can be found on pages 16-17 of this report.**

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

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

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

The City of Spring Hill maintains two individual governmental funds. Information is presented separately in the governmental balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data for the other governmental fund is provided in the form of *combining statement* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 18-30 of this report.

**Proprietary funds.** There are three different types of proprietary funds. *Enterprise funds* are 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 Storm Water Fund. The basic proprietary fund financial statements can be found on pages 31-33 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resource 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 34-50 of this report.

**Other information.** In addition to the basic financial statements and accompany notes, this reports also presents certain *required supplementary information*. The City of Spring Hill adopts and annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. In addition, 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 nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements can be found on pages 52-56 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Spring Hill, assets exceeded liabilities by \$40,998,731.

### City of Spring Hill, Tennessee Net Assets - Primary Government June 30, 2011

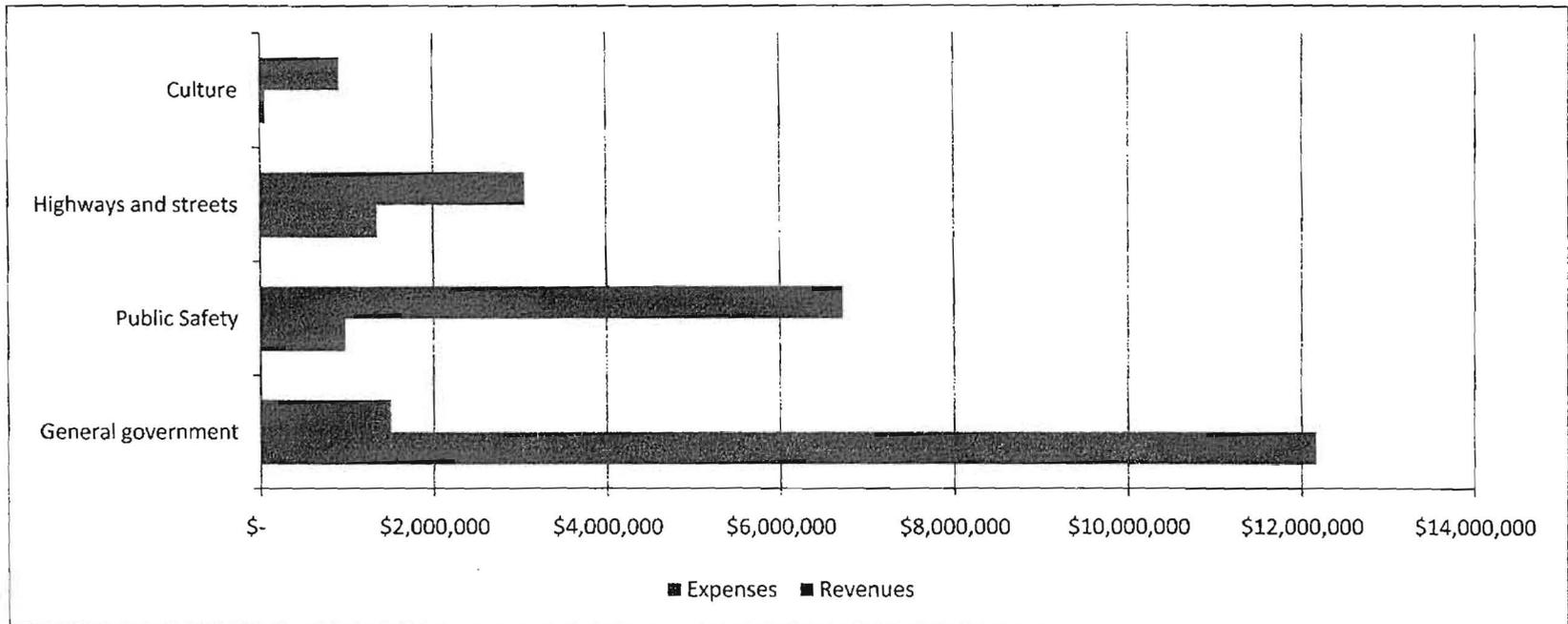
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 5,651,518	\$ 3,612,686	\$ 9,606,062	\$ 7,070,290	\$ 15,257,580	\$ 10,682,976
Capital Assets	9,406,733	8,698,246	35,778,392	36,375,276	45,185,125	45,073,522
<b>TOTAL ASSETS</b>	<b>15,058,251</b>	<b>12,310,932</b>	<b>45,384,454</b>	<b>43,445,566</b>	<b>60,442,705</b>	<b>55,756,498</b>
Other Liabilities	4,648,427	4,485,254	164,840	194,124	4,813,267	4,679,378
Long-term Liabilities Outstanding	7,534,762	7,397,600	7,095,945	7,523,373	14,630,707	14,920,973
<b>TOTAL LIABILITIES</b>	<b>12,183,189</b>	<b>11,882,854</b>	<b>7,260,785</b>	<b>7,717,497</b>	<b>19,443,974</b>	<b>19,600,351</b>
<b>NET ASSETS:</b>						
Invested in Capital Assets	6,911,967	6,495,646	28,632,879	28,851,903	35,544,846	35,347,549
Restricted	1,658,427	1,658,427	-	-	1,658,427	1,658,427
Unrestricted	(5,695,332)	(7,725,995)	9,490,790	6,876,166	3,795,458	(849,829)
<b>TOTAL NET ASSETS</b>	<b>\$ 2,875,062</b>	<b>\$ 428,078</b>	<b>\$ 38,123,669</b>	<b>\$ 35,728,069</b>	<b>\$ 40,998,731</b>	<b>\$ 36,156,147</b>

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

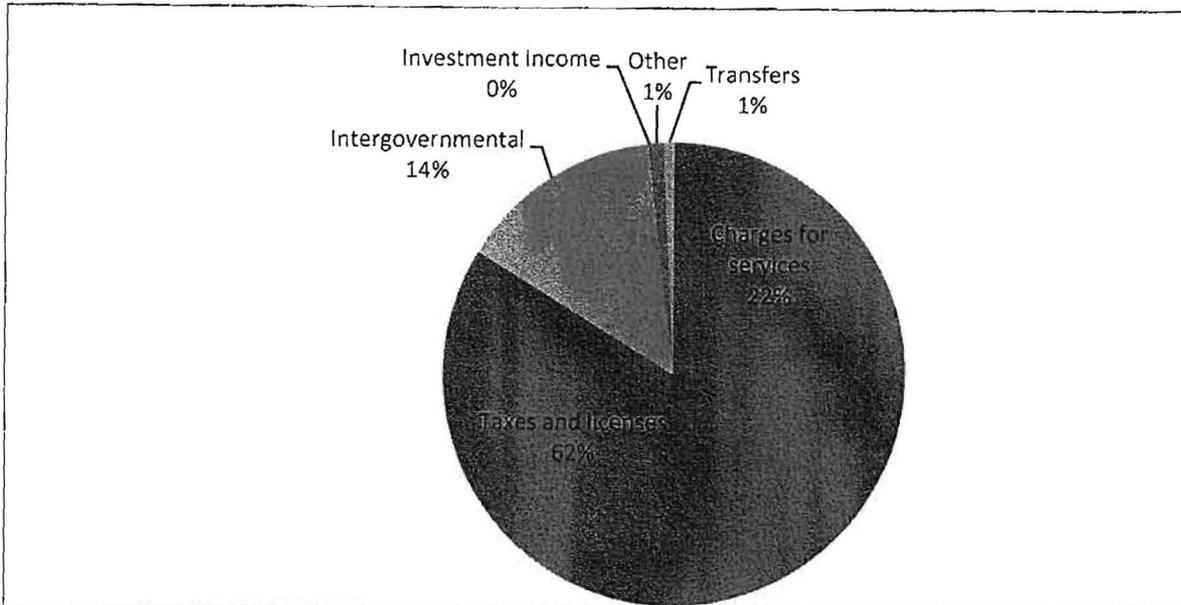
**The City's Changes in Net Assets  
For the year ended June 30, 2011**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Charges for services	\$ 3,237,559	\$ 2,158,784	\$ 7,594,572	\$ 5,061,195	\$ 10,832,131	\$ 7,219,979
Operating grants	825,100	1,029,868	-	-	825,100	1,029,868
Capital grants	72,845	54,648	-	-	72,845	54,648
General revenues:						
Taxes	8,328,038	8,172,181	-	-	8,328,038	8,172,181
Intergovernmental	1,919,136	1,997,536	-	-	1,919,136	1,997,536
Investment Income	8,357	8,235	47,156	29,498	55,513	37,733
Miscellaneous	141,576	121,238	128,456	97,447	270,032	218,685
Total Revenues	<u>14,532,611</u>	<u>13,542,490</u>	<u>7,770,184</u>	<u>5,188,140</u>	<u>22,302,795</u>	<u>18,730,630</u>
Expenses:						
General government	1,502,460	1,649,402	-	-	1,502,460	1,649,402
Public Safety	6,728,334	6,803,009	-	-	6,728,334	6,803,009
Public Works	3,055,940	2,915,835	-	-	3,055,940	2,915,835
Culture	914,295	951,217	-	-	914,295	951,217
Water and Sewer	-	-	5,259,182	5,272,887	5,259,182	5,272,887
Total expenses	<u>12,201,029</u>	<u>12,319,463</u>	<u>5,259,182</u>	<u>5,272,887</u>	<u>17,460,211</u>	<u>17,592,350</u>
Change in net assets						
before transfers	2,331,582	1,223,027	2,511,002	(84,747)	4,842,584	1,138,280
Transfers	115,402	111,000	(115,402)	(111,000)	-	-
Change in net assets	2,446,984	1,334,027	2,395,600	(195,747)	4,842,584	1,138,280
Net assets - beginning	428,078	(905,949)	35,728,069	35,923,816	36,156,147	35,017,867
Net assets - end	<u>\$ 2,875,062</u>	<u>\$ 428,078</u>	<u>\$ 38,123,669</u>	<u>\$ 35,728,069</u>	<u>\$ 40,998,731</u>	<u>\$ 36,156,147</u>

**Expenses and Program Revenues - Governmental Activities**

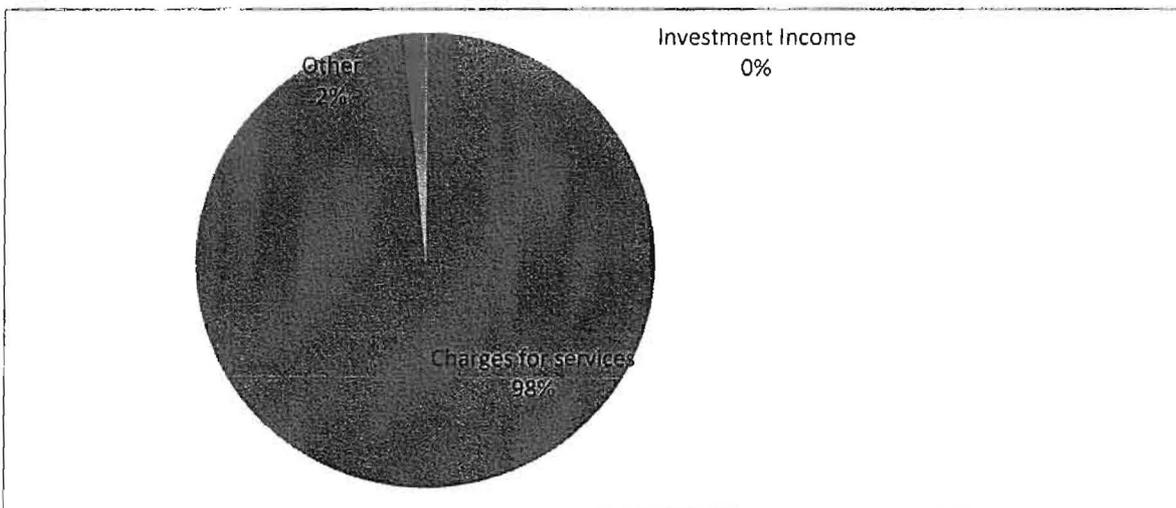


**Revenue by Source - Governmental activities**



**Business-type activities.** Business-type activities increased the City of Spring Hill net assets by \$2,395,600

**Revenue by Source - Business-type Activities**



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S 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.*

### Assets, Liabilities, and Fund Balances Total Governmental Funds June 30, 2011

	<u>2011</u>	<u>2010</u>
Total assets	\$ 7,619,849	\$ 6,355,314
Total liabilities	\$ 6,616,756	\$ 7,227,882
Fund balances:		
Reserved	1,658,427	1,658,427
Unreserved	<u>(655,334)</u>	<u>(2,530,995)</u>
Total fund balances	<u>1,003,093</u>	<u>(872,568)</u>
Total liabilities and fund balances	<u>\$ 7,619,849</u>	<u>\$ 6,355,314</u>

As of the end of current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$1,003,093, an increase of \$1,875,661 in comparison with prior year

The general fund is the chief operating fund of the City of Spring Hill. At the end of the current fiscal year, unreserved fund balance of the general fund was (\$393,588)

**Changes in Fund Balances of Governmental Funds**  
**For the year ended June 30, 2011**

	<b>2011</b>	<b>2010</b>
<b>REVENUES</b>		
Taxes	\$ 9,059,581	\$ 9,241,835
Licenses and permits	281,054	234,518
Intergovernmental	2,109,150	1,957,563
Impact fees	411,632	275,297
Charges for services	1,460,803	1,306,635
Capital improvements	705,039	116,103
Contributions	32,549	40,892
Fines and forfeits	322,867	259,839
Interest Income	8,357	8,235
Other	141,576	101,573
<b>TOTAL REVENUES</b>	<b>14,532,608</b>	<b>13,542,490</b>
<b>EXPENSES</b>		
General Government	1,502,460	1,595,051
Public Safety	7,299,654	6,687,671
Highways and streets	3,055,940	3,221,188
Culture	914,295	886,756
<b>TOTAL EXPENSES</b>	<b>12,772,349</b>	<b>12,390,666</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,760,259	1,151,824
<b>TRANSFERS IN</b>	115,402	111,000
<b>NET CHANGE IN FUND BALANCE</b>	1,875,661	1,262,824
<b>FUND BALANCE, BEGINNING YEAR</b>	(872,568)	(2,135,392)
<b>FUND BALANCE, END OF YEAR</b>	\$ 1,003,093	\$ (872,568)

The fund balance of the City of Spring Hill's general fund increased by \$1,875,661 during the current fiscal year. This increase was primarily the result of the reimplementation of property tax.

**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 assets of both the Water and Sewer Fund and Storm Water Fund at the end of the year amounted to \$9,441,222. The total increase in net assets for the funds was \$2,395,600. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Spring Hill's business-type activities.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

The actual amount of budgeted revenue increased by \$595,217. The actual amount of budgeted expenditures increased by \$713,825.

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

Actual revenues and other financing sources were higher than final budgeted amounts by \$119,600, primarily due to lower than expected charges for services.

Actual expenditures and other financing uses were lower than final budgeted amounts by \$654,594, primarily due to lower than expected salaries and repairs and maintenance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets. The City's investment in capital assets for its governmental and business-type activities as June 30, 2011 amounts to \$45,185,125 (net of accumulated depreciation). Depreciation charges for the fiscal year totaled \$1,932,761. 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:

- Wastewater Emergency Generator
- Fire Trucks
- Police Cars
- CAD System
- Camera System
- Continued wastewater treatment plant expansion

**The City's Capital Assets  
June 30, 2011**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Capital Assets						
Land	\$ 233,931	\$ 233,931	\$ 449,610	\$ 449,610	\$ 683,541	\$ 683,541
Plant and equipment	-	-	42,168,656	42,155,549	42,168,656	42,155,549
Building	6,495,932	6,427,058	6,414	6,414	6,502,346	6,433,472
Machinery and Equipment	6,827,556	5,290,153	1,623,613	1,517,181	8,451,169	6,807,334
Infrastructure	4,168,691	4,168,691	-	-	4,168,691	4,168,691
Construction in progress	-	-	1,701,907	1,372,841	1,701,907	1,372,841
Less: Accumulated Depreciation	(8,319,377)	(7,421,587)	(10,171,808)	(9,126,319)	(18,491,185)	(16,547,906)
<b>Total capital assets</b>	<b>\$ 9,406,733</b>	<b>\$ 8,698,246</b>	<b>\$ 35,778,392</b>	<b>\$ 36,375,276</b>	<b>\$ 45,185,125</b>	<b>\$ 45,073,522</b>

Additional information on the City of Spring Hill's capital assets can be found in Note 9 of this report

*Long-term bonded debt. At the end of the current fiscal year, the City of Spring Hill had total long-term bonded debt outstanding of \$4,613,000. All Of this amount comprises of bonds secured solely by specified revenue sources (i.e. revenue bonds)*

**City of Spring Hill Outstanding Debt  
General Obligation and Revenue Bonds  
June 30, 2011**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Capital Outlay						
Notes Payable	\$ 1,000,000	\$ 1,525,000	\$ -	\$ -	\$ 1,000,000	\$ 1,525,000
Notes payable	6,534,762	5,872,600	111,114	153,156	6,645,876	6,025,756
Public improvement bonds	-	-	4,613,000	4,799,000	4,613,000	4,799,000
State of Tennessee Loan Program	-	-	2,371,831	2,571,217	2,371,831	2,571,217
<b>Total</b>	<b>\$ 7,534,762</b>	<b>\$ 7,397,600</b>	<b>\$ 7,095,945</b>	<b>\$ 7,523,373</b>	<b>\$ 14,630,707</b>	<b>\$ 14,920,973</b>

The City of Spring Hill's total long-term debt decreased by \$290,266 (1.9%) during the current fiscal year

Additional information on the City of Spring Hill's long-term debt can be found in Note 6 of this report

**Economic Factors and Next Year's Budgets and Rates**

- The City of Spring Hill continues to see rapid growth. This growth serves to increase the sales tax collections, building permits and impact fees. However, it also increases the need for police, fire, sanitation and water and sewer services.
- The City of Spring Hill purchased equipment, trucks, police vehicles, CAD system and continued work on the waste water treatment plant expansion project.

These factors were considered in preparing the 2011 fiscal year budget for the City of Spring Hill.

**Request for Information**

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

City of Spring Hill  
Attn: City Administrator  
PO Box 789  
Spring Hill, Tennessee 37174

## BASIC FINANCIAL STATEMENTS

**CITY OF SPRING HILL, TENNESSEE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Current Assets:			
Cash	\$ 2,611,112	\$ 5,316,525	\$ 7,927,637
Receivables (net)	4,241,890	1,090,621	5,332,511
Due from other governments	485,492	-	485,492
Grant Receivables	37,772	-	37,772
Internal Balances	(1,742,779)	1,742,779	-
Inventory	18,031	229,043	247,074
Restricted Assets	-	1,227,094	1,227,094
Capital Assets:			
Land, improvements, and construction in progress	17,726,110	45,950,200	63,676,310
Other capital assets, net of depreciation	(8,319,377)	(10,171,808)	(18,491,185)
<b>TOTAL ASSETS</b>	<b><u>\$ 15,058,251</u></b>	<b><u>\$ 45,384,454</u></b>	<b><u>\$ 60,442,705</u></b>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued expenses	602,145	164,840	766,985
Deferred revenues	4,046,282	-	4,046,282
Long term liabilities:			
Due within one year	1,139,159	418,206	1,557,365
Due in more than one year	6,395,603	6,677,739	13,073,342
<b>TOTAL LIABILITIES</b>	<b><u>\$ 12,183,189</u></b>	<b><u>\$ 7,260,785</u></b>	<b><u>\$ 19,443,974</u></b>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, net of related debt	6,911,967	28,632,879	35,544,846
Restricted for:			
State street aid expenditures	1,658,427	-	1,658,427
Unrestricted	(5,695,332)	9,490,790	3,795,458
<b>TOTAL NET ASSETS</b>	<b><u>\$ 2,875,062</u></b>	<b><u>\$ 38,123,669</u></b>	<b><u>\$ 40,998,731</u></b>

The accompanying notes are an integral part of these financial statements

**CITY OF SPRING HILL, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2011**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS			
	EXPENSES	FEES, FINES, AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government:							
Governmental Activities:							
General government and administration	\$ 560,688	\$ 1,753,927	\$ -	\$ -	\$ 1,193,239	\$ -	\$ 1,193,239
Public Safety	7,585,409	79,255	93,554	72,845	(7,339,755)	-	(7,339,755)
Public Works	3,140,141	1,348,215	731,546	-	(1,060,380)	-	(1,060,380)
Culture	914,791	56,165	-	-	(858,626)	-	(858,626)
Total governmental activities	12,201,029	3,237,562	825,100	72,845	(8,065,522)	-	(8,065,522)
Business-type activities:							
Water and Sewer	5,259,182	7,594,572	-	-	-	2,335,390	2,335,390
Total business-type activities	5,259,182	7,594,572	-	-	-	2,335,390	2,335,390
Total primary government	\$ 17,460,211	\$ 10,832,134	\$ 825,100	\$ 72,845	\$ (8,065,522)	\$ 2,335,390	\$ (5,730,132)
General revenues:							
Taxes:							
Property					3,988,986	-	3,988,986
Sales					2,990,507	-	2,990,507
Other					1,348,542	-	1,348,542
Intergovernmental					1,919,136	-	1,919,136
Investment earnings					8,357	47,156	55,513
Miscellaneous					141,576	128,456	270,032
Transfers					115,402	(115,402)	-
					10,512,506	60,210	10,572,716
Change in net assets					2,446,984	2,395,600	4,842,584
Net assets at beginning of year					428,078	35,728,069	36,156,147
Net Assets at end of year					\$ 2,875,062	\$ 38,123,669	\$ 40,998,731

The accompanying notes are an integral part of these financial statements.

**CITY OF SPRING HILL, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	<u>General</u>	<u>Adequate Facilities Development</u>	<u>Sanitation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash	\$ 1,803,600	\$ 395,315	\$ 96,324	\$ 315,873	\$ 2,611,112
Receivables (net, where applicable, allowances for uncollectible)					
Taxes	4,052,073	-	-	-	4,052,073
Accounts	-	18,986	170,830	-	189,816
Grants	37,772				37,772
Interest	-	-	-	-	-
Due from other funds	43,691	181,667	-	195	225,553
Due from other governments	485,492	-	-	-	485,492
Inventory of supplies, at cost	18,031	-	-	-	18,031
<b>TOTAL ASSETS</b>	<u>\$ 6,440,659</u>	<u>\$ 595,968</u>	<u>\$ 267,154</u>	<u>\$ 316,068</u>	<u>\$ 7,619,849</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	424,489	-	113,246	64,410	602,145
Due to other funds	705,049	1,263,280	-	-	1,968,329
Deferred revenues	4,046,282	-	-	-	4,046,282
<b>TOTAL LIABILITIES</b>	<u>5,175,820</u>	<u>1,263,280</u>	<u>113,246</u>	<u>64,410</u>	<u>6,616,756</u>
<b><u>FUND BALANCE</u></b>					
Reserved	1,658,427	-	-	-	1,658,427
Unreserved	(393,588)	(667,312)	153,908	251,658	(655,334)
<b>TOTAL FUND BALANCE</b>	<u>1,264,839</u>	<u>(667,312)</u>	<u>153,908</u>	<u>251,658</u>	<u>1,003,093</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 6,440,659</u>	<u>\$ 595,968</u>	<u>\$ 267,154</u>	<u>\$ 316,068</u>	<u>\$ 7,619,849</u>

The accompanying notes are an integral part of these financial statements

**CITY OF SPRING HILL, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

Fund Balances

**General Governmental Funds Balances** \$ 1,003,093

Adjustments

Capital assets net of depreciation

Assets	17,726,110	
Accumulated depreciation	<u>(8,319,377)</u>	9,406,733

Notes payable		<u>(7,534,764)</u>
---------------	--	--------------------

**Net Asset Balances** \$ 2,875,062

The accompanying notes are an integral part of these financial statements.

**CITY OF SPRING HILL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	General	Adequate Facilities Development	Sanitation	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 8,328,035	\$ -	\$ -	\$ 731,546	\$ 9,059,581
Licenses and permits	281,054	-	-	-	281,054
Intergovernmental	2,109,150	-	-	-	2,109,150
Impact fees	-	411,632	-	-	411,632
Charges for services	5,500	-	1,455,302	-	1,460,802
Capital improvements	525,304	179,734	-	-	705,038
Contributions	6,825	-	-	25,724	32,549
Fines and forfeits	243,612	-	26,705	52,550	322,867
Interest revenue	6,278	836	387	856	8,357
Other	138,506	-	-	3,070	141,576
<b>TOTAL REVENUES</b>	<b>11,644,264</b>	<b>592,202</b>	<b>1,482,394</b>	<b>813,746</b>	<b>14,532,606</b>
<b>EXPENDITURES</b>					
General Government					
Legislative, executive & general	541,540	-	-	-	541,540
Judicial	30,816	-	-	-	30,816
Financial administration	292,078	-	-	-	292,078
Information Management System	154,533	-	-	-	154,533
General government building	201,817	-	-	-	201,817
Public Safety					
Police	3,675,241	-	-	13,116	3,688,357
Fire	3,305,936	-	-	-	3,305,936
Building inspection	305,361	-	-	-	305,361
Streets	938,002	-	-	765,748	1,703,750
Sanitation	-	-	1,352,190	-	1,352,190
Culture					
Parks and recreation	279,635	55,000	-	-	334,635
Library	567,449	-	-	12,209	579,658
Interest expense	-	225,234	-	56,442	281,676
<b>TOTAL EXPENDITURES</b>	<b>10,292,408</b>	<b>280,234</b>	<b>1,352,190</b>	<b>847,515</b>	<b>12,772,347</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURE</b>	<b>1,351,856</b>	<b>311,968</b>	<b>130,204</b>	<b>(33,769)</b>	<b>1,760,259</b>
<b>TRANSFERS IN</b>	<b>115,402</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115,402</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>1,467,258</b>	<b>311,968</b>	<b>130,204</b>	<b>(33,769)</b>	<b>1,875,661</b>
<b>FUND BALANCE, BEGINNING YEAR</b>	<b>(202,419)</b>	<b>(979,280)</b>	<b>23,704</b>	<b>285,427</b>	<b>(872,568)</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 1,264,839</b>	<b>\$ (667,312)</b>	<b>\$ 153,908</b>	<b>\$ 251,658</b>	<b>\$ 1,003,093</b>

The accompanying notes are an integral part of these financial statements

**CITY OF SPRING HILL, TENNESSEE**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF**  
**ACTIVITIES**  
**YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balance - Total Governmental Funds \$ 1,875,661

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

Governmental Funds report capital outlays as expenditures. However, in the  
Statement of Activities, the cost of these assets is allocated over their estimated  
useful lives and reported as depreciation expense. This is the amount of capital  
assets recorded in the current period 1,606,274

Depreciation expense on capital assets is reported in the government-wide  
statement of activities and changes in net assets, but they do not require the use  
of current financial resources. Therefore, depreciation expense is not reported  
as expenditures in governmental funds (897,791)

The issuance of long-term debt provides current financial resources to  
governmental funds, while the repayment of the principal of long-term debt  
consumes financial resources of governmental funds. Neither transaction,  
however, has any effect on net assets. Also, governmental funds report the  
effect of issuance cost, premiums, discounts, and similar items when debt is  
first issued, whereas the amounts are deferred and amortized in the statement  
of activities. This amount is the net effect of these differences in the treatment  
of long-term debt and related items (137,160)

**Change in Net Assets of Governmental Activities \$ 2,446,984**

The accompanying notes are an integral part of these financial statements

**CITY OF SPRING HILL, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2011**

	Original Budget	Amended Budget	Actual	Variance
<b>TAXES</b>				
Real and personal property	\$ 3,909,292	\$ 4,122,192	\$ 3,963,710	\$ 158,482
Interest and penalty on taxes	11,000	11,599	25,276	(13,677)
Payments in lieu of property taxes	419,256	442,137	185,706	256,431
Payments in lieu of electric	2,700	2,800	6,399	(3,599)
Local sales tax	2,905,000	3,063,206	2,990,507	72,699
Wholesale beer tax	365,000	384,878	376,723	8,155
Wholesale liquor tax	140,000	147,624	121,709	25,915
Business tax	225,000	237,253	309,492	(72,239)
Franchise tax	121,000	127,589	139,598	(12,009)
Utility taxes	150,000	158,169	127,109	31,060
Mixed drink taxes	77,000	81,193	81,806	(613)
Total taxes	<u>8,325,248</u>	<u>8,778,640</u>	<u>8,328,035</u>	<u>450,605</u>
<b>LICENSES AND PERMITS</b>				
Beer permit applications	10,000	10,545	9,350	1,195
Building permits	245,000	258,342	251,619	6,723
Sign permits	6,000	6,327	10,477	(4,150)
Alarm registrations	6,000	6,327	8,993	(2,666)
Other permits	1,000	1,054	615	439
Total licenses and permits	<u>268,000</u>	<u>282,595</u>	<u>281,054</u>	<u>1,541</u>
<b>INTERGOVERNMENTAL</b>				
Grants	107,900	113,776	134,170	(20,394)
TVA payments in lieu of taxes	283,000	298,412	264,037	34,375
In-service training	15,000	15,817	22,200	(6,383)
State sales tax	1,500,000	1,581,690	1,561,840	19,850
State income tax	75,000	79,085	54,668	24,417
State beer tax	12,500	13,181	12,240	941
Corporate excise	3,200	3,374	3,240	134
Other state revenue allocations	-	-	590	(590)
Fire department incentive pay	21,000	22,144	-	22,144
Library revenue	55,000	57,995	56,165	1,830
Total intergovernmental	<u>2,072,600</u>	<u>2,185,474</u>	<u>2,109,150</u>	<u>76,324</u>

**CITY OF SPRING HILL, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED JUNE 30, 2011**

	Original Budget	Amended Budget	Actual	Variance
<b>CHARGES FOR SERVICES</b>				
Other charges for services	4,800	12,442	5,500	6,942
Total charges for services	4,800	12,442	5,500	6,942
<b>FINES AND FORFEITS</b>				
City court fines and costs	135,000	136,491	179,778	(43,287)
City court traffic school fees	38,000	38,000	15,075	22,925
County court fines and costs	38,000	38,000	47,524	(9,524)
Other fines and costs	10,000	10,000	485	9,515
Reserved for sexual offenders	150	-	750	(750)
Total fines and forfeits	221,150	222,491	243,612	(21,121)
<b>INTEREST REVENUE</b>				
General	1,500	1,583	6,278	(4,695)
Total interest revenue	1,500	1,583	6,278	(4,695)
<b>OTHER REVENUES</b>				
Rents received	9,100	9,100	7,654	1,446
Donations	8,700	9,174	6,825	2,349
Insurance recoveries	15,000	15,000	79,529	(64,529)
Sale of surplus property	-	-	2,276	(2,276)
Lease purchases	-	-	525,305	(525,305)
Miscellaneous revenues	3,350	8,166	49,046	(40,880)
Total other	36,150	41,440	670,635	(629,195)
Total revenues	10,929,448	11,524,665	11,644,264	(119,599)
<b>OTHER FINANCING SOURCES</b>				
Water Fund - Payments in lieu of tax	-	-	115,402	(115,402)
Total revenues and other financing sources	<u>\$ 10,929,448</u>	<u>\$ 11,524,665</u>	<u>\$ 11,759,666</u>	<u>\$ (235,001)</u>

**CITY OF SPRING HILL, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (CONTINUED)**  
**YEAR ENDED JUNE 30, 2011**

	Original Budget	Amended Budget	Actual	Variance
<b>GENERAL GOVERNMENT</b>				
Legislative, executive, and general				
Salaries	\$ 127,905	\$ 132,031	\$ 116,581	\$ 15,450
Employee benefits	116,324	120,077	116,858	3,219
Auditing services	28,000	28,903	29,000	(97)
Board expense	4,000	4,129	1,948	2,181
Election expense	20,000	20,645	14,165	6,480
Donations	33,375	34,452	15,625	18,827
Engineering services	20,000	20,645	20,655	(10)
Insurance and bonds	46,800	48,310	33,735	14,575
Interest	-	-	3,178	(3,178)
Memberships and subscriptions	17,600	18,168	18,333	(165)
Miscellaneous	1,000	1,032	879	153
Office supplies	1,000	1,032	745	287
Other contractual services	25,000	25,807	65,373	(39,566)
Other professional services	140,400	144,930	100,097	44,833
Telephone	2,500	2,581	1,240	1,341
Travel	5,800	5,987	3,128	2,859
	<u>589,704</u>	<u>608,729</u>	<u>541,540</u>	<u>67,189</u>
Total legislative, executive, and general				
Judicial				
Salaries	7,400	9,873	7,389	2,484
Employee benefits	700	933	565	368
Office supplies	-	-	116	(116)
Other contractual services	-	-	240	(240)
Fines remitted to State	13,000	17,344	22,506	(5,162)
	<u>21,100</u>	<u>28,150</u>	<u>30,816</u>	<u>(2,666)</u>
Total judicial				
Financial administration				
Salaries	120,053	120,053	119,833	220
Employee benefits	47,343	47,343	46,498	845
Business taxes	25,000	25,000	8,681	16,319
Equipment	8,000	8,000	4,604	3,396
Insurance	3,200	3,200	2,779	421
Memberships and subscriptions	3,000	3,000	2,574	426
Miscellaneous	2,100	2,100	412	1,688
Office supplies	15,000	15,000	11,618	3,382
Other contractual services	11,000	11,000	11,116	(116)

**CITY OF SPRING HILL, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (CONTINUED)**  
**YEAR ENDED JUNE 30, 2011**

	Original Budget	Amended Budget	Actual	Variance
Financial administration - cont				
Postage	17,000	17,000	13,242	3,758
Printing	2,000	2,000	432	1,568
Property assessment	15,000	15,000	15,000	-
Publications of notices	27,000	27,000	52,360	(25,360)
Repairs and maintenance	1,500	1,500	-	1,500
Telephone	500	500	4	496
Travel	3,500	3,500	2,925	575
	<u>301,196</u>	<u>301,196</u>	<u>292,078</u>	<u>9,118</u>
Total Financial Administration				
Information Management System				
Salaries	49,016	49,016	46,159	2,857
Employee benefits	19,010	19,010	16,788	2,222
Computer equipment	57,000	57,000	42,330	14,670
Contract services	17,000	17,000	17,000	-
Data processing services	23,000	23,000	21,597	1,403
Gas, oil and vehicle expenses	1,000	1,000	865	135
GIS and GPS	5,000	5,000	-	5,000
Insurance	400	400	547	(147)
Membership and subscriptions	200	200	135	65
Miscellaneous	1,300	1,300	15	1,285
Office supplies	2,000	2,000	5,379	(3,379)
Other professional services	-	-	2,479	(2,479)
Publication and notices	1,000	1,000	75	925
Repair and maintenance	3,000	3,000	890	2,110
Telephone	1,200	1,200	274	926
Travel	700	700	-	700
	<u>180,826</u>	<u>180,826</u>	<u>154,533</u>	<u>26,293</u>
Total Information Management System				
General government building				
Salaries	29,726	29,726	26,657	3,069
Employee benefits	9,203	9,203	8,567	636
Contract services	3,000	3,000	3,305	(305)
Electricity and gas	42,000	42,000	26,142	15,858
Insurance	2,500	2,500	1,792	708
Miscellaneous and uniforms	1,000	1,000	1,114	(114)
Janitorial supplies	10,000	10,000	5,311	4,689
Repairs and maintenance	7,100	7,100	26,957	(19,857)
Stormwater fees	1,100	1,100	-	1,100
Telephone	53,600	53,600	51,972	1,628
HVAC and equipment	70,000	70,000	50,000	20,000
Total general government building	<u>229,229</u>	<u>229,229</u>	<u>201,817</u>	<u>27,412</u>
Total general government	<u>1,322,055</u>	<u>1,348,130</u>	<u>1,220,784</u>	<u>127,346</u>

**CITY OF SPRING HILL, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED JUNE 30, 2011**

	Original Budget	Amended Budget	Actual	Variance
<b>PUBLIC SAFETY</b>				
Police				
Salaries	1,804,051	1,984,791	1,760,629	224,162
Employee benefits	823,868	906,407	757,012	149,395
Grants and contributions	7,500	8,251	-	8,251
Medical	5,000	5,501	4,406	1,095
Memberships and subscriptions	4,700	5,171	1,420	3,751
Office supplies	17,000	18,703	13,590	5,113
Operating supplies	48,400	53,249	42,176	11,073
Other contractual services	10,000	11,002	10,265	737
Postage	900	990	316	674
Printing and duplicating	4,100	4,511	4,150	361
Public relations	1,500	1,650	2,739	(1,089)
Repairs and maintenance	73,100	80,423	51,376	29,047
Services	2,000	2,200	2,200	-
Telephone	48,600	53,470	125,601	(72,131)
Training and police academy	11,000	12,102	-	12,102
Travel expenses	10,600	11,663	15,907	(4,244)
Uniforms	18,000	19,803	22,113	(2,310)
Gas, oil, and vehicle supplies	106,000	116,620	110,883	5,737
Insurance	141,500	155,676	129,790	25,886
Miscellaneous	1,700	1,870	3,249	(1,379)
Capital outlay	413,200	454,597	617,419	(162,822)
<b>Total police</b>	<b>3,552,719</b>	<b>3,908,650</b>	<b>3,675,241</b>	<b>233,409</b>
Fire				
Salaries	1,779,623	1,948,737	1,708,486	240,251
Employee benefits	684,179	749,195	677,829	71,366
Other contractual services	4,000	4,380	4,030	350
Electricity and gas	21,000	22,995	20,537	2,458
Equipment	219,800	240,687	517,028	(276,341)
Gas, oil, and vehicle supplies	16,000	17,520	16,961	559
Insurance	95,100	104,137	89,068	15,069
Memberships	2,000	2,190	1,181	1,009
Miscellaneous	2,500	2,738	1,431	1,307
Operating supplies	44,000	48,181	143,325	(95,144)
Other professional services	3,000	3,285	1,224	2,061
Repairs and maintenance	59,000	64,607	68,835	(4,228)
Stormwater fees	750	821	-	821
Telephone	13,000	14,235	21,575	(7,340)
Travel	6,400	7,009	15,098	(8,089)
Uniforms	20,000	21,901	19,328	2,573
<b>Total fire</b>	<b>2,970,352</b>	<b>3,252,618</b>	<b>3,305,936</b>	<b>(53,318)</b>

**CITY OF SPRING HILL, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (CONTINUED)**  
**YEAR ENDED JUNE 30, 2011**

	Original Budget	Amended Budget	Actual	Variance
<b>PUBLIC SAFETY</b>				
Building inspection				
Salaries	206,443	206,443	181,755	24,688
Employee benefits	70,953	70,953	65,113	5,840
Engineering services	3,000	3,000	312	2,688
Equipment	14,000	14,000	8,243	5,757
Gas, oil, and vehicle supplies	8,000	8,000	8,376	(376)
Insurance	28,800	28,800	24,082	4,718
Memberships	3,500	3,500	1,687	1,813
Miscellaneous	1,000	1,000	482	518
Office supplies	5,000	5,000	2,344	2,656
Other contractual services	2,500	2,500	8,254	(5,754)
Repairs and maintenance	2,000	2,000	1,200	800
Telephone	2,500	2,500	1,987	513
Travel expenses	1,200	1,200	-	1,200
Uniforms	2,500	2,500	1,526	974
	<u>351,396</u>	<u>351,396</u>	<u>305,361</u>	<u>46,035</u>
Total building inspection				
	<u>6,874,467</u>	<u>7,512,664</u>	<u>7,286,538</u>	<u>226,126</u>
<b>PUBLIC WORKS</b>				
Streets				
Salaries	328,791	337,336	311,683	25,653
Employee benefits	152,519	156,483	146,408	10,075
Electricity and gas	14,500	14,877	11,773	3,104
Equipment	34,000	34,881	65,548	(30,667)
Gas, oil, and vehicle supplies	35,000	35,910	42,325	(6,415)
Insurance	47,300	48,529	35,748	12,781
Interest	3,000	3,078	-	3,078
Miscellaneous	3,000	3,078	162	2,916
Office supplies	500	513	-	513
Operating supplies	35,000	35,910	27,693	8,217
Other contractual services	13,600	13,954	4,549	9,405
Repairs and maintenance	527,000	540,696	255,040	285,656
Street improvements	5,000	5,130	25,279	(20,149)
Telephone	4,000	4,104	7,519	(3,415)
Travel	1,200	1,231	618	613
Uniforms	5,000	5,130	3,657	1,473
	<u>1,209,410</u>	<u>1,240,840</u>	<u>938,002</u>	<u>302,838</u>
Total streets				
	<u>1,209,410</u>	<u>1,240,840</u>	<u>938,002</u>	<u>302,838</u>
Total public works				

**CITY OF SPRING HILL, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (CONTINUED)**  
**YEAR ENDED JUNE 30, 2011**

	Original Budget	Amended Budget	Actual	Variance
<b>CULTURE AND RECREATION</b>				
Parks and recreation				
Salaries	115,947	116,587	117,617	(1,030)
Employee benefits	50,000	50,276	48,749	1,527
Electricity and gas	16,500	16,591	20,928	(4,337)
Equipment	14,100	14,178	8,379	5,799
Gas, oil, and vehicle supplies	5,000	5,028	3,387	1,641
Insurance	7,000	7,039	4,914	2,125
Miscellaneous	1,000	1,006	2,022	(1,016)
Operating supplies	8,000	8,044	9,020	(976)
Other contractual services	41,500	41,729	41,051	678
Repairs and maintenance	5,500	5,530	13,053	(7,523)
Stormwater fees	1,800	1,810	-	1,810
Telephone	5,000	5,028	9,824	(4,796)
Uniforms	900	904	691	213
	<u>272,247</u>	<u>273,750</u>	<u>279,635</u>	<u>(5,885)</u>
Total parks and recreation				
Library				
Salaries	299,500	308,469	281,515	26,954
Employee benefits	126,526	130,314	125,498	4,816
Contractual services	1,000	1,030	3,386	(2,356)
Electricity & Gas	29,500	30,384	30,312	72
Furniture and equipment	15,000	15,449	14,266	1,183
Insurance	3,000	3,090	2,739	351
Memberships and subscriptions	2,200	2,266	1,892	374
Miscellaneous	1,000	1,030	1,545	(515)
Educational supplies	48,924	50,390	46,984	3,406
Office supplies	1,000	1,030	386	644
Operating supplies	14,000	14,419	15,032	(613)
Postage	3,500	3,605	3,656	(51)
Repairs and maintenance	5,500	5,665	34,389	(28,724)
Stormwater fees	1,050	1,080	-	1,080
Telephone	600	618	5,090	(4,472)
Travel	2,700	2,781	759	2,022
	<u>555,000</u>	<u>571,620</u>	<u>567,449</u>	<u>4,171</u>
Total library				
Total culture and recreation				
	<u>827,247</u>	<u>845,370</u>	<u>847,084</u>	<u>(1,714)</u>
Total expenditures				
	<u>10,233,179</u>	<u>10,947,004</u>	<u>10,292,408</u>	<u>654,596</u>
Net change in fund balance				
	696,269	577,661	1,467,258	(889,597)
<b>FUND BALANCES</b>				
Beginning of the year	<u>(202,419)</u>	<u>(202,419)</u>	<u>(202,419)</u>	<u>-</u>
End of the year	<u>\$ 493,850</u>	<u>\$ 375,242</u>	<u>\$ 1,264,839</u>	<u>\$ (889,597)</u>

**CITY OF SPRING HILL, TENNESSEE**  
**ADEQUATE FACILITIES/DEVELOPMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2011**

	Original Budget	Amended Budget	Actual	Variance
<b>REVENUES</b>				
Licenses and Permits				
Impact fees	\$ 270,000	\$ 270,000	\$ 411,632	\$ (141,632)
Capital Improvements - Williamson County	95,000	95,000	179,734	(84,734)
Interest Revenue	600	600	836	(236)
	<u>365,600</u>	<u>365,600</u>	<u>592,202</u>	<u>(226,602)</u>
<b>EXPENDITURES</b>				
General Government				
Municipal building	-	-	-	-
Public Safety				
Police	235,000	235,000	-	235,000
Fire	-	-	-	-
911 dispatch	-	-	-	-
Public Works				
Streets	-	-	-	-
Schools	-	-	-	-
Culture and Recreation				
Recreation	55,000	55,000	55,000	-
Library	-	-	-	-
Interest Expense	75,000	75,000	225,234	(150,234)
	<u>365,000</u>	<u>365,000</u>	<u>280,234</u>	<u>84,766</u>
Excess of revenues over/(under) expenditures	600	600	311,968	(311,368)
Fund balance at beginning of year	(979,280)	(979,280)	(979,280)	-
Fund balance at end of year	<u>\$ (978,680)</u>	<u>\$ (978,680)</u>	<u>\$ (667,312)</u>	<u>\$ (311,368)</u>

**CITY OF SPRING HILL, TENNESSEE**  
**SANITATION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2011**

	Original Budget	Amended Budget	Actual	Variance
<b>REVENUES</b>				
Charges for Services				
Sanitation service fees	\$ 1,360,500	\$ 1,360,500	\$ 1,455,302	\$ (94,802)
Penalties and discounts	-	-	26,705	(26,705)
Interest revenue	800	800	387	413
	<u>1,361,300</u>	<u>1,361,300</u>	<u>1,482,394</u>	<u>(121,094)</u>
<b>EXPENDITURES - PUBLIC WORKS</b>				
Sanitation				
Refuse collection and disposal service	1,350,000	1,350,000	1,352,190	(2,190)
	<u>1,350,000</u>	<u>1,350,000</u>	<u>1,352,190</u>	<u>(2,190)</u>
Excess of revenues over/(under) expenditures	11,300	11,300	130,204	(118,904)
Fund balance, beginning of year	<u>23,704</u>	<u>23,704</u>	<u>23,704</u>	<u>-</u>
Fund balance, end of year	<u>\$ 35,004</u>	<u>\$ 35,004</u>	<u>\$ 153,908</u>	<u>\$ (118,904)</u>

**CITY OF SPRING HILL, TENNESSEE  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2011**

**ASSETS**

	<u>Water &amp; Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Total</u>
<b><u>Current Assets:</u></b>			
Cash	\$ 5,126,030	\$ 190,495	\$ 5,316,525
Accounts receivable, net of allowances	1,015,742	66,000	1,081,742
Interest Receivable	8,879	-	8,879
Due from other funds	1,700,737	42,042	1,742,779
Inventory of supplies, at cost	229,043	-	229,043
<b>Total Current Assets</b>	<b>8,080,431</b>	<b>298,537</b>	<b>8,378,968</b>
<b><u>Restricted Assets:</u></b>			
Cash water	1,227,094	-	1,227,094
<b>Total Restricted Assets</b>	<b>1,227,094</b>	<b>-</b>	<b>1,227,094</b>
<b><u>Utility Plant and Equipment</u></b>			
Utility plant, at cost	45,897,609	-	45,897,609
Equipment, at cost	-	52,591	52,591
Less accumulated depreciation	(10,161,290)	(10,518)	(10,171,808)
<b>Net Utility Plant and Equipment</b>	<b>35,736,319</b>	<b>42,073</b>	<b>35,778,392</b>
<b>TOTAL ASSETS</b>	<b>\$45,043,844</b>	<b>\$ 340,610</b>	<b>\$ 45,384,454</b>

**LIABILITIES**

<b><u>Current Liabilities, payable from current assets:</u></b>			
Accounts Payable	125,500	7,035	132,535
Current portion of long term debt	418,206	-	418,206
Due to other governments	32,305	-	32,305
<b>Total Current Liabilities, payable from current assets</b>	<b>576,011</b>	<b>7,035</b>	<b>583,046</b>
<b><u>Long-Term Debt:</u></b>			
State of Tennessee Loan	2,371,831	-	2,371,831
State municipal bond	4,613,000	-	4,613,000
Lease payable	111,114	-	111,114
Less current portion	(418,206)	-	(418,206)
<b>Total Long-term debt</b>	<b>6,677,739</b>	<b>-</b>	<b>6,677,739</b>
<b>TOTAL LIABILITIES</b>	<b>7,253,750</b>	<b>7,035</b>	<b>\$ 7,260,785</b>

**NET ASSETS**

Invested in capital assets, net of related debt	28,640,374	42,073	28,682,447
Unrestricted	9,149,720	291,502	9,441,222
<b>TOTAL NET ASSETS</b>	<b>\$37,790,094</b>	<b>\$ 333,575</b>	<b>\$ 38,123,669</b>

The accompanying notes are an integral part of these financial statements

**CITY OF SPRING HILL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2011**

<u>OPERATING REVENUES</u>	Water & Sewer Fund	Storm Water Fund	Total
Water sales	\$ 3,493,546	\$ -	\$ 3,493,546
Storm water fees	-	702,772	702,772
Penalties	107,073	-	107,073
Service charges	2,388,655	-	2,388,655
Installation fees	4,500	-	4,500
Tap fees	663,960	-	663,960
Development fees	234,066	-	234,066
Miscellaneous	128,456	-	128,456
<b>TOTAL OPERATING REVENUES</b>	<u>7,020,256</u>	<u>702,772</u>	<u>7,723,028</u>
<u>OPERATING EXPENSES</u>			
Salaries	1,358,111	179,871	1,537,982
Employee benefits	580,885	82,519	663,404
Postage	33,663	-	33,663
Dues and subscriptions	12,458	3,460	15,918
Utility services	637,418	-	637,418
Professional services	97,909	16,567	114,476
Repair and maintenance	359,117	10,446	369,563
Telephone	-	1,105	1,105
Travel	4,027	1,249	5,276
Other contractual services	96,541	1,388	97,929
Office supplies and materials	6,834	877	7,711
Operating supplies	417,064	4,811	421,875
Printing	-	1,619	1,619
Uniforms	6,107	287	6,394
Automobile expenses	55,773	10,804	66,577
Insurance	79,544	8,891	88,435
State fees	23,207	-	23,207
Miscellaneous expense	12,944	2,015	14,959
Depreciation	1,034,971	10,518	1,045,489
<b>TOTAL OPERATING EXPENSES</b>	<u>4,816,573</u>	<u>336,427</u>	<u>5,153,000</u>
<b>OPERATING INCOME (LOSS)</b>	<u>2,203,683</u>	<u>366,345</u>	<u>2,570,028</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest income	46,927	229	47,156
Interest expense	(106,182)	-	(106,182)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(59,255)</u>	<u>229</u>	<u>(59,026)</u>
<b>TRANSFERS OUT</b>	<u>(115,402)</u>	<u>-</u>	<u>(115,402)</u>
<b>CHANGE IN NET ASSETS</b>	2,029,026	366,574	2,395,600
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>35,761,068</u>	<u>(32,999)</u>	<u>35,728,069</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 37,790,094</u>	<u>\$ 333,575</u>	<u>\$ 38,123,669</u>

The accompanying notes are an integral part of these financial statements

**CITY OF SPRING HILL, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	<u>Water &amp; Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 6,636,385	\$ 648,492	\$ 7,284,877
Payments to employees	(1,938,996)	(262,390)	(2,201,386)
Other operating receipts	128,456	-	128,456
Other operating expenses	(1,801,640)	(107,941)	(1,909,581)
	<u>3,024,205</u>	<u>278,161</u>	<u>3,302,366</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Net receipts (payments) on interfund borrowings	844,785	(292,042)	552,743
Transfers in lieu of taxes	(115,402)	-	(115,402)
	<u>729,383</u>	<u>(292,042)</u>	<u>437,341</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal payments on long term debt	(427,428)	-	(427,428)
Interest paid on revolving line of credit	(106,182)	-	(106,182)
Cash payments for the purchase of plant assets	(396,014)	(52,591)	(448,605)
	<u>(929,624)</u>	<u>(52,591)</u>	<u>(982,215)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Redemption of certificate of deposit	250,000	-	250,000
Interest received on cash deposits	46,927	229	47,156
	<u>296,927</u>	<u>229</u>	<u>297,156</u>
Net increase (decrease) in cash	3,120,891	(66,243)	3,054,648
CASH - BEGINNING OF YEAR	<u>3,232,233</u>	<u>256,738</u>	<u>3,488,971</u>
CASH - END OF YEAR	<u>\$ 6,353,124</u>	<u>\$ 190,495</u>	<u>\$ 6,543,619</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income	\$ 2,203,683	\$ 366,345	\$ 2,570,028
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Cash flows reported in other categories:			
Depreciation	1,034,971	10,518	1,045,489
Inventory of supplies	32,388	-	32,388
Changes in assets and liabilities:			
Receivables, trade	(255,415)	(54,280)	(309,695)
Accounts payable	8,578	(44,422)	(35,844)
Contracts payable	-	-	-
Net cash provided by operating activities	<u>\$ 3,024,205</u>	<u>\$ 278,161</u>	<u>\$ 3,302,366</u>

The accompanying notes are an integral part of these financial statements

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements are prepared in conformity with, and the accounting policies of the City of Spring Hill conform to, generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). As allowed by GASB, the City has elected to not apply to its proprietary activities Financial Accounting Board Statements and Interpretations issued after November 30, 1989. The following is a summary of the more significant policies:

**A. Reporting Entity**

The City of Spring Hill is a charter town in which citizens elect the mayor at large and eight council members by wards. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City.

**B. Basic Financial Statements**

Basic financial statements consist of the following:

Government-wide financial statements

Fund financial statements

Notes to the basic financial statements

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the nonfiduciary activities of the Primary Government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, those transactions between governmental and business-type activities have not been eliminated. Exceptions to this general rule are charges between the City's Water and Sewer Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

Separate fund 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.

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City in general considers revenues available if they are collected within 180 days after year-end, except for property taxes, which the City considers available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

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

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

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds.

Impact Fees Fund and the Sanitation Fund are Special Revenue Funds. They account for revenue from specific sources that are restricted by legal and regulatory provisions to financial specific activities.

State Street Aid Fund is a Special Revenue Fund that accounts for revenues and expenditures for the City's share of State gasoline taxes. The State distributes the taxes to municipalities based on per capita population. Tennessee law requires that these receipts be kept in a separate fund and used for construction and maintenance of the City streets and certain street related expenditures.

Capital Projects Fund is a Special Revenue Fund used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment.

The City reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of providing water and sewer service to the citizens of the City. The Storm Water Fund accounts for storm water fees to the citizens of the City.

Proprietary funds have elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, for proprietary funds. The proprietary funds apply all applicable GASB pronouncements as well as statements and interpretations of the FASB, the Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds and of the City's Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Budgets**

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

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

The budget amounts reflected in the financial statements are as amended. The budgets are presented on a modified accrual basis.

All annual appropriations lapse at year end.

**E. Encumbrances**

The City does not record encumbrances in the accounting records.

**F. Inventory**

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

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Capital Assets**

Capital assets, which include land, buildings, and improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, traffic lights and signals, street lights, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2011.

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

<u>Assets</u>	<u>Years</u>
Buildings	5 to 50
Improvements other than buildings	5 to 50
Infrastructure	15 to 75
Utility systems	40
Machinery and equipment	5 to 30

**H. Property, Plant, and Equipment - Enterprise Fund**

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

**I. Certificates of Deposit**

All certificates of deposit have original maturities in excess of 90 days and therefore are not considered cash equivalents.

**J. Grants**

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

**K. Capitalized Interest**

The City capitalizes net interest costs, if any, as part of the cost of constructing various capital projects when material.

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Statement of Cash Flows**

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

**M. Net Assets and Fund Equity**

In the government-wide financial statements and proprietary funds financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The nonexpendable portion of permanent funds is reported as a component of restricted net assets. The City's other restricted net assets are temporarily restricted (ultimately expendable) assets. All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**N. Use of Estimates**

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**O. Budgetary principles**

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

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

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

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**2. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT**

The City has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" for financial reporting of deposit and investments risks.

At June 30, 2011, the cash deposits consisted of the following:

	<u>Weighted Average Maturity (Months)</u>	<u>Fair Value or Carrying Amount</u>
Cash	N/A	<u>\$ 9,154,733</u>
Total cash deposits		<u>\$ 9,154,733</u>

**Interest Rate Risk**

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

**Custodial Credit Risk**

The City's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. Statutes authorized the City to invest in: (1) U.S. Government securities and obligations guaranteed by the U.S. Government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; and (3) the Local Government Investment Pool of the State of Tennessee. During the current fiscal year, the City invested funds that were not immediately needed in savings accounts and certificate of deposits. Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool. As of June 30, 2011, all bank deposits were fully collateralized or insured.

**Credit Risk**

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

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**2 CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT (CONTINUED)**

The City's deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 2011. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name

Category 3 - Uncollateralized

There was no Category 2 or Category 3 credit risk at June 30, 2011

**3. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2011, consist of the following:

Fund	Other Governments	Property Taxes	Customer Accounts	Total
General Fund	\$ 485,492	\$ 4,061,391	\$ -	\$ 4,546,883
Enterprise Fund	-	-	1,086,742	1,086,742
Less allowance for doubtful accounts	-	(9,318)	(5,000)	(14,318)
Total	<u>\$ 485,492</u>	<u>\$ 4,052,073</u>	<u>\$ 1,081,742</u>	<u>\$ 5,619,307</u>

**4. INTERFUND TRANSACTIONS**

Interfund receivables and payables at June 30, 2011 are attributable to unsettled balances at year end primary for internal service billings and transfers between fund

Balances at June 30, 2011 are as follows:

DUE FROM	DUE TO			
	General Fund	Adequate Facilities Fund	State Street Aid fund	Water and Sewer Enterprise Fund
General Fund	\$ -	\$ 76,667	\$ 195	\$ 584,499
Adequate Facilities Fund	-	-	-	1,158,280
State Street Aid Fund	-	-	-	-
Water and Sewer Enterprise Fund	-	-	-	-
Total all funds	<u>\$ -</u>	<u>\$ 76,667</u>	<u>\$ 195</u>	<u>\$ 1,742,779</u>

All of the interfund payables are expected to be repaid within one year except for the amounts payable to the Water and Sewer Fund by the General Fund and the Adequate Facilities Fund. These amounts are being repaid over a five year period and are expected to be repaid in the year ended June 30, 2013

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**4. INTERFUNDTRANSACTIONS (CONTINUED)**

Interfund transfers are attributable to the budgeted allocation of resources from one fund to another.

Transfers for the year ended June 30, 2011 are as follows:

TRANSFER OUT	TRANSFER IN				
	General Fund	Adequate Facilities Fund	State Street Aid fund	Water and Sewer Enterprise Fund	Storm Water Fund
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Adequate Facilities Fund	-	-	-	-	-
State Street Aid Fund	-	-	-	-	-
Water and Sewer Enterprise Fund	115,402	-	-	-	-
Storm Water Fund	-	-	-	-	-
<b>Total all funds</b>	<b>\$ 115,402</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The purpose of the transfer from the Water and Sewer Fund to the General Fund is to make payments in lieu of property taxes on the water and sewer plant

**5. RESTRICTED ASSETS**

Restricted assets, consisting primarily of cash on deposit in savings accounts and certificates of deposit, include funds set aside for construction projects, debt service, and other purposes. Restricted assets as of June 30, 2011, are as follows:

Water and Sewer Enterprise Fund	
Water and Sewer Plant expansion and improvement	<u>\$ 1,227,094</u>

**6. LONG-TERM LIABILITIES**

**Changes in Long-Term Liabilities**

During the year ended June 30, 2011, the changes in long-term liabilities were as follows:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due within one year
<b>Governmental Activities</b>					
Capital outlay note payable	\$ 1,525,000	\$ -	\$ 525,000	\$ 1,000,000	\$ 500,000
Notes payable	5,872,600	1,267,652	605,490	6,534,762	639,159
<b>Total Governmental Activities</b>					
<b>Long-term Liabilities</b>	<b>\$ 7,397,600</b>	<b>\$ 1,267,652</b>	<b>\$ 1,130,490</b>	<b>\$ 7,534,762</b>	<b>\$ 1,139,159</b>

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**6. LONG-TERM LIABILITIES (CONTINUED)**

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due within one year
<b>Business-type Activities</b>					
Public Improvement Bond	\$ 4,799,000	\$ -	\$ 186,000	\$ 4,613,000	\$ 195,000
State of Tennessee Loan Program	2,571,217	-	199,385	2,371,832	223,206
Notes payable	153,156	-	42,043	111,113	37,539
<b>Total Business-type Activities</b>					
<b>Long-term Liabilities</b>	<b>\$ 7,523,373</b>	<b>\$ -</b>	<b>\$ 427,428</b>	<b>\$ 7,095,945</b>	<b>\$ 455,745</b>

**Description of long-term liabilities:**

Amounts payable at June 30, 2011 were as follows:

**Governmental activities**

The City has obtained a capital outlay note in the amount of \$1,000,000 for construction projects related to road constructions. The note bears interest at 2.04% and matures in two payments. 1,000,000

The City has obtained a loan from E-One, Inc. for the purchase of equipment in the amount of \$804,301. The note is payable in annual installments of \$105,429 including interest beginning February 8, 2007 at the rate of 5.25%. 530,874

The City has obtained a loan from BSFS Equipment Leasing for the purchase of 911 BellSouth Equipment in the amount of \$93,911. The note is payable in monthly installments of \$1,827 beginning July 6, 2006 at a rate of 6.27%. 17,752

The City has obtained a loan from John Deere Credit for the purchase of a mower and tractor in the amount of \$76,953. The note is payable in yearly installments of \$20,627 beginning August 27, 2010 at a rate of 4.75%. 58,595

The City has obtained a loan from SunTrust Equipment Financing for the purchase of police vehicles and fire truck in the amount of \$545,482. The note is payable in yearly installments of \$129,617 beginning November 29, 2010 through November 29, 2012 and then yearly installments of \$45,243 beginning November 29, 2013 through November 29, 2016 at a rate of 2.12%. 415,865

The City has obtained a loan from Siemens Public Inc. for the purchase of a CAD System in the amount of \$645,217. The note is payable in yearly installments of \$173,539 beginning October 7, 2010 at a rate of 2.995%. 471,676

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**6. LONG-TERM LIABILITIES (CONTINUED)**

The City has entered into an interlocal agreement with Williamson County for one half the cost of the Community Recreation Center located in Williamson County in the amount of \$5,385,000. The note bears interest between 4.00% and 5.00% and matures in 19 payments.

5,040,000

Total Notes Payable

\$ 7,534,762

**Business-type Activities**

Public improvement bonds:

On January 31, 2002, the City obtained a bond from the Tennessee Municipal Bond Fund for the construction of a water treatment plant in the amount of \$6,000,000. The note bears a variable interest rate. The interest rate at June 30, 2006 was 4.10%. The bond requires monthly payments of interest and an annual payment of principal on May 25th of each year.

\$ 4,613,000

State of Tennessee Loan Program:

The City obtained a loan from the State of Tennessee for the construction of a sewer plant in the amount of \$4,406,838. The note bears an interest rate of 2.58% and matures in 210 monthly payments of \$23,481 including interest.

2,371,832

Capital Lease:

The City purchased a sewer cleaning truck during the year for \$198,156. The City paid an initial down payment of \$45,000 on the truck and obtained a lease/purchase from Sun Trust Finance & Leasing Corp. for the remaining balance of \$153,156. The lease bears an interest rate of 3.84% and is payable in 4 annual payments of \$42,042 including interest. The first payment is due June 14, 2011.

111,113

Total Business-type Activities debt

\$ 7,095,945

General obligation bonds and notes payable are direct obligations of the City for which full faith and credit are pledged. The obligations are payable from the assessment of ad valorem taxes.

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

The depreciation taken on the asset under the capital lease was \$39,631.

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**6 LONG-TERM LIABILITIES (CONTINUED)**

**Debt Service Requirements**

The annual debt service requirements to maturity for all long-term obligations outstanding as of June 30, 2011, are as follows:

Year	Governmental Activities	
	Notes Payable	
	Principal	Interest
2012	\$ 1,139,159	\$ 299,630
2013	1,143,713	264,485
2014	556,023	229,003
2015	407,911	208,105
2016	423,558	191,456
Thereafter	3,864,398	1,016,360
Totals	\$ 7,534,762	\$ 2,209,039

**Business-type Activities**

Year	Bonds		State Loan Program		Lease Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	195,000	12,455	223,206	58,566	37,539	4,503	455,745	75,524
2012	205,000	11,929	229,032	52,740	38,984	3,058	473,016	67,727
2013	215,000	11,375	235,012	46,760	34,590	1,558	484,602	59,693
2014	226,000	10,795	241,148	40,624	-	-	467,148	51,419
2015	237,000	10,184	247,443	34,329	-	-	484,443	44,513
2016-2020	1,374,000	40,662	1,056,083	71,005	-	-	2,430,083	111,667
2021-2025	1,756,000	20,150	139,908	2,020	-	-	1,895,908	22,170
2026-2027	405,000	1,094	-	-	-	-	405,000	1,094
Totals	\$ 4,613,000	\$ 118,644	\$ 2,371,832	\$ 306,044	\$ 111,113	\$ 9,119	\$ 7,095,945	\$ 433,807

**7. DEFERRED REVENUES**

The deferred revenues in the General Fund represent property taxes that have been recognized as receivable before the period of revenue recognition

**8. PROPERTY TAXES**

The property tax levy for the year 2011 was \$3,854,415

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**9. CAPITAL ASSETS**

A summary of changes in General Fund capital assets follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
<i>Capital assets not being depreciated -</i>				
Land	\$ 233,931	\$ -	\$ -	\$ 233,931
Subtotal	<u>\$ 233,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,931</u>
<i>Capital assets, being depreciated -</i>				
Building and improvements	6,427,058	68,874	-	6,495,932
Equipment	5,290,153	1,537,403	-	6,827,556
Infrastructure	4,168,691	-	-	4,168,691
Subtotal	<u>15,885,902</u>	<u>1,606,277</u>	<u>-</u>	<u>17,492,179</u>
<i>Accumulated Depreciation</i>				
Building and improvements	\$ 1,701,086	\$ 173,706	\$ -	\$ 1,874,792
Equipment	4,437,660	442,363	-	4,880,023
Infrastructure	1,282,841	281,721	-	1,564,562
Subtotal	<u>7,421,587</u>	<u>897,790</u>	<u>-</u>	<u>8,319,377</u>
Capital assets, being depreciated, net	<u>8,464,315</u>	<u>708,487</u>	<u>-</u>	<u>9,172,802</u>
Capital assets, net	<u>\$ 8,698,246</u>	<u>\$ 708,487</u>	<u>\$ -</u>	<u>\$ 9,406,733</u>

A summary of the Water and Sewer Enterprise Fund property, plant, and equipment at June 30, 2011, is presented below:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
<i>Water plant</i>				
<i>Capital assets not being depreciated</i>				
Land	\$ 229,157	\$ -	\$ -	\$ 229,157
Easements	82,941	-	-	82,941
Construction in progress - water	406,302	329,066	-	735,368
Subtotal	<u>718,400</u>	<u>329,066</u>	<u>-</u>	<u>1,047,466</u>
<i>Capital assets, being depreciated</i>				
Water system in operation	17,376,483	-	-	17,376,483
Equipment	1,135,651	106,432	-	1,242,083
Subtotal	<u>18,512,134</u>	<u>106,432</u>	<u>-</u>	<u>18,618,566</u>
<i>Accumulated Depreciation</i>				
Water system in operation	3,148,114	348,502	-	3,496,616
Equipment	652,448	162,426	-	814,874
Subtotal	<u>3,800,562</u>	<u>510,928</u>	<u>-</u>	<u>4,311,490</u>
Water plant, being depreciated, net	<u>14,711,572</u>	<u>(404,496)</u>	<u>-</u>	<u>14,307,076</u>
Total water plant, net	<u>\$ 15,429,972</u>	<u>\$ (75,430)</u>	<u>\$ -</u>	<u>\$ 15,354,542</u>

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**9. CAPITAL ASSETS - CONTINUED**

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
Sewer plant in service				
<i>Capital Assets, not being depreciated -</i>				
Land	\$ 46,798	\$ -	\$ -	\$ 46,798
Easements	90,714	-	-	90,714
Construction in progress - sewer	966,539	-	-	966,539
Subtotal	<u>1,104,051</u>	<u>-</u>	<u>-</u>	<u>1,104,051</u>
<i>Capital Assets, being depreciated -</i>				
Buildings	6,414	-	-	6,414
Sewerage treatment plant	7,344,358	-	-	7,344,358
Lines and services	17,434,708	13,107	-	17,447,815
Lab equipment	52,399	-	-	52,399
Other equipment	329,131	-	-	329,131
Subtotal	<u>25,167,010</u>	<u>13,107</u>	<u>-</u>	<u>25,180,117</u>
<i>Accumulated Depreciation</i>				
Buildings	4,857	55	-	4,912
Sewerage treatment plant	1,783,023	145,332	-	1,928,355
Lines and services	3,208,824	354,628	-	3,563,452
Lab equipment	52,399	-	-	52,399
Other equipment	276,654	34,546	-	311,200
Subtotal	<u>5,325,757</u>	<u>534,561</u>	<u>-</u>	<u>5,860,318</u>
Sewer plant, being depreciated, net	<u>19,841,253</u>	<u>(521,454)</u>	<u>-</u>	<u>19,319,799</u>
Total sewer plant, net	<u>20,945,304</u>	<u>(521,454)</u>	<u>-</u>	<u>20,423,850</u>
Total Utility Plant	<u>\$ 36,375,276</u>	<u>\$ (596,884)</u>	<u>\$ -</u>	<u>\$ 35,778,392</u>

Depreciation expense was charged to function/programs for the year ended June 30, 2011 as follows:

*General Fund*

General government and administration	\$ 19,285
Public safety	515,966
Public works	207,042
Culture	155,497
Total depreciation expense - general fund	<u>\$ 897,790</u>

*Water and Sewer Fund*

Water plant	\$ 510,928
Sewer plant	534,561
Total depreciation expense - general fund	<u>\$ 1,045,489</u>

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**10. PENSION PLAN**

**A. Plan Description**

Employees of the City of Spring Hill are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City of Spring Hill participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/PS/](http://www.tn.gov/treasury/tcrs/PS/)

**B. Funding Policy**

The City of Spring Hill requires employees to contribute 5.0 percent of earnable compensation.

The City of Spring Hill is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 5.44% of annual covered payroll. The contribution requirement of plan members are set by state statute. The contribution requirement for the City of Spring Hill is established and may be amended by the TCRS Board of Trustees.

**C. Annual Pension Cost**

For the year ending June 30, 2011, the City of Spring Hill's annual pension cost of \$325,688 to TCRS was equal to the City of Spring Hill's required and actual contributions.

The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 2.5 percent annually.

CITY OF SPRING HILL, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

10. PENSION PLAN (CONTINUED)

C. Annual Pension Cost (Continued)

The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a five-year period. The City of Spring Hill's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 15 years. An actuarial valuation was performed as of July 1, 2009 which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 325,688	100.00%	\$ -
June 30, 2010	\$ 313,906	100.00%	\$ -
June 30, 2009	\$ 305,343	100.00%	\$ -

D. Funding Progress

Schedule of Funding Progress for the City of Spring Hill, Tennessee:

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ 3,875	\$ 4,685	\$ 810	82.71%	\$ 5,802	13.96%
July 1, 2007	\$ 2,743	\$ 3,159	\$ 416	86.82%	\$ 4,996	8.34%

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**11. COMMITMENTS AND CONTINGENCIES**

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund

**Contracts:**

The City has a contract in the amount of \$15,960,000 for the WWTP Expansion Project (construction phase). As of June 30, 2011, the balance on the contract amounted to \$15,960,000, and began in August 2011

**Contingencies:**

The cities have several lawsuits pending. The cases are being vigorously defended and the potential liability, if any, to the City cannot be determined at this time

**12. RISK MANAGEMENT**

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

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

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

**13. ECONOMIC DEPENDENCE**

The City is party to an agreement with Saturn Corporation (a subsidiary of General Motors Corporation), providing in lieu of tax payments in the amount of \$250,000 annually for a 40 year period, extending through the fiscal year ending June 30, 2025. For the fiscal year ended June 30, 2011, approximately 2.28% of General Fund revenues were derived from this source.

**14. ACCRUED COMPENSATED ABSENCES**

The City does not accrue a liability for compensated absences which relates to employees' services already rendered because reliable estimates cannot be reasonably determined

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**15. DEFERRED REVENUES**

The deferred revenues in the General Fund represent property taxes that have been recognized as receivable before the period of revenue recognition

**16. RESERVED FUND BALANCES AND RETAINED EARNINGS**

Governmental fund balances are reserved to indicate portions that are not available as currently spendable resources or are legally segregated for specific future use. Enterprise fund retained earnings reserved in the amount of the excess of restricted assets over liabilities payable therefore.

	<u>Balance</u> <u>June 30, 2010</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2011</u>
General Fund fund balance			
Reserved for state street aid expenditures	\$ 1,658,427	\$ -	\$ 1,658,427

**17. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 12, 2011 which is the date the financial statements were available to be issued. The following were found:

The City accepted the lowest bid on 11/21/11 for \$47,000 for a SCADA System for the Water Treatment Plant

The City accepted the lowest bid on 10/17/11 for \$65,000 for road improvement repairs

The City accepted the lowest bid on 10/17/11 for \$42,815 two pickup trucks.

The City accepted the lowest bid on 10/17/11 for \$19,827 for road improvement repairs

The City accepted the lowest bid on 10/17/11 for \$46,587 for a dump truck

The City accepted the lowest bid on 10/17/11 for \$49,659 for a multi-terrain loader

The City accepted the lowest bid on 10/17/11 for \$52,216 for a mini-hydraulic excavator.

The City accepted the only bid on 9/19/11 for \$14,800 for the digging of a rock saw trench

The City accepted the lowest bid on 9/19/11 for \$232,372 for paving projects throughout the City

The City accepted the lowest bid on 9/19/11 for \$55,580 for equipment and installation for police vehicles

The City accepted the lowest bid on 5/16/11 for construction of expansion of Wastewater Treatment Plant. This project was not started until August 2011. The City was approved for two loans from the State of Tennessee Revolving Loan Fund in the amounts of \$7,200,000 and \$8,000,000. Both loans are for 20 years each bearing interest of 2.62%. The City will draw down funds as work progresses.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF FUNDING PROGRESS**  
**JUNE 30, 2011**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ 3,875	\$ 4,685	\$ 810	82.71%	\$ 5,802	13.96%
July 1, 2007	\$ 2,743	\$ 3,159	\$ 416	86.82%	\$ 4,996	8.34%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method went into effect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

**CITY OF SPRING HILL, TENNESSEE  
 COMBINING BALANCE SHEET -  
 NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	LIBRARY FUND	DRUG FUND	STATE STREET AID FUND	TOTAL
<b>ASSETS</b>				
Cash	\$ 47,276	\$ 57,957	\$ 210,640	\$ 315,873
Due from other funds	-	-	195	195
<b>Total assets</b>	<b>\$ 47,276</b>	<b>\$ 57,957</b>	<b>\$ 210,835</b>	<b>\$ 316,068</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 1,610	\$ 62,800	\$ 64,410
<b>Total liabilities</b>	<b>-</b>	<b>1,610</b>	<b>62,800</b>	<b>64,410</b>
<b>Fund balances</b>				
Unreserved	47,276	56,347	148,035	251,658
<b>Total fund balances</b>	<b>47,276</b>	<b>56,347</b>	<b>148,035</b>	<b>251,658</b>
<b>Total liabilities and fund balances</b>	<b>\$ 47,276</b>	<b>\$ 57,957</b>	<b>\$ 210,835</b>	<b>\$ 316,068</b>

**CITY OF SPRING HILL, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	LIBRARY FUND	DRUG FUND	STATE STREET AID FUND	TOTAL
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Capital Improvements	-	-	-	-
State gasoline & motor fuel	-	-	641,348	641,348
State city streets and transportation	-	-	50,358	50,358
State street contract maintenance	-	-	39,840	39,840
State grant	-	1,140	-	1,140
Fines and forfeits	-	52,550	-	52,550
Miscellaneous	-	1,930	-	1,930
Contributions	25,724	-	-	25,724
Interest revenue	-	41	815	856
	<u>25,724</u>	<u>55,661</u>	<u>732,361</u>	<u>813,746</u>
Total revenues				
Public safety				
Police	-	13,116	-	13,116
Public Works				
Streets	-	-	765,748	765,748
Sanitation	-	-	-	-
Culture and Recreation				
Public Library	12,209	-	-	12,209
Recreation	-	-	-	-
Interest Expense	-	-	56,442	56,442
Total expenditures	<u>12,209</u>	<u>13,116</u>	<u>822,190</u>	<u>847,515</u>
Excess of revenues over (under) expenditures	13,515	42,545	(89,829)	(33,769)
Fund balance at beginning of year	<u>33,761</u>	<u>13,802</u>	<u>237,864</u>	<u>285,427</u>
Fund balance at end of year	<u>\$ 47,276</u>	<u>\$ 56,347</u>	<u>\$ 148,035</u>	<u>\$ 251,658</u>

**CITY OF SPRING HILL, TENNESSEE**  
**DRUG FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Fines and forfeits			
Drug related fines	\$ 15,520	\$ 52,550	(37,030)
State Grant	-	1,140	(1,140)
Interest revenue	-	41	(41)
Miscellaneous	-	1,930	(1,930)
	<u>15,520</u>	<u>55,661</u>	<u>(40,141)</u>
Total revenues			
<b>EXPENDITURES - PUBLIC SAFETY</b>			
Police			
Operating supplies	15,000	13,016	1,984
Travel	-	100	(100)
	<u>15,000</u>	<u>13,116</u>	<u>1,884</u>
Total expenditures			
	520	42,545	(42,025)
Excess of revenues over/(under) expenditures			
Fund balance at beginning of year	<u>13,802</u>	<u>13,802</u>	<u>-</u>
Fund balance at end of year	<u>\$ 14,322</u>	<u>\$ 56,347</u>	<u>\$ (42,025)</u>

**CITY OF SPRING HILL, TENNESSEE**  
**LIBRARY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Revenues			
Contributions	\$ 9,000	\$ 25,724	\$ (16,724)
Total revenues	<u>9,000</u>	<u>25,724</u>	<u>(16,724)</u>
EXPENDITURES			
Contractual services	-	5,712	(5,712)
Office/operating supplies	8,600	5,187	3,413
Travel	-	1,310	(1,310)
Total expenditures	<u>8,600</u>	<u>12,209</u>	<u>(3,609)</u>
Excess of revenues over/(under) expenditures	400	13,515	(13,115)
Fund balance at beginning of year	<u>33,761</u>	<u>33,761</u>	<u>-</u>
Fund balance at end of year	<u>\$ 34,161</u>	<u>\$ 47,276</u>	<u>\$ (13,115)</u>

**CITY OF SPRING HILL, TENNESSEE**  
**STATE STREET AID FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2011**

	Budget	Actual	Variance
<b>REVENUES</b>			
Revenues			
State gas and motor fuel tax	\$ 684,000	\$ 641,348	\$ 42,652
State city streets and transportation	-	50,358	(50,358)
State street contract maintenance	-	39,840	(39,840)
Duplex road reimbursements	832,000	-	832,000
Interest	500	815	(315)
	<u>1,516,500</u>	<u>732,361</u>	<u>784,139</u>
<b>EXPENDITURES</b>			
Contractual services	381,000	240,748	140,252
Duplex road expenses	1,040,000	-	1,040,000
Principal due on notes	525,000	525,000	-
Interest due on notes	71,000	56,442	14,558
	<u>2,017,000</u>	<u>822,190</u>	<u>1,194,810</u>
Excess of revenues over/(under) expenditures	(500,500)	(89,829)	(410,671)
Fund balance at beginning of year	<u>237,864</u>	<u>237,864</u>	<u>-</u>
Fund balance at end of year	<u>\$ (262,636)</u>	<u>\$ 148,035</u>	<u>\$ (410,671)</u>

**SUPPLEMENTAL INFORMATION**

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Tax Year	Balance July 1, 2010	Levy	Collections and Changes in Assessment	Balance June 30, 2011
2010	\$ 132,176	\$ 3,931,054	\$ (3,955,719)	\$ 107,511
Prior Years	22,758	-	(3,642)	19,116
Total Taxes Receivable	\$ 154,934	\$ 3,931,054	\$ (3,959,361)	\$ 126,627
Less allowance for estimated uncollectibles				(9,318)
Total Taxes Receivable, net				\$ 117,309

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)**  
**JUNE 30, 2011**

Type of Coverage	Limits of Liability
Municipal Liability and Auto Policy	
Liability	
General	\$300,000/700,000/100,000
Automobile	\$300,000/700,000/100,000
Other losses not covered by tort liability act	\$2,000,000
Automobile physical coverage	
Comprehensive	ACV/\$1,000 Deductible
Collision	ACV/\$1,000 Deductible
Public officials errors and omissions liability	\$2,000,000
Workers' compensation	Statutory
Commercial Property Policy	
Building and Equipment	\$25,550,223
Water/waste water treatment facility	\$12,000,000
Public Employees Blanket Bond	\$100,000
Employee bonds	
City Recorder	\$400,000

**CITY OF SPRING HILL, TENNESSEE  
SCHEDULE OF FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2011**

CFDA Number	Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance July 1, 2010	Grant Receipts	Grant Expenditures	Receivable (Deferred) Balance June 30, 2011
Direct Federal Grant Program:							
16.607	2011BUBX11059863	Bulletproof Vest Partnership	United States Department of Justice	\$ -	\$ 2,498	2,498	\$ -
97.044	EMW-2010-FO-02164	Assistance to Fire Fighters	Federal Emergency Management Agency	-	87,654	-	(87,654)
Total Direct Federal Grants				<u>\$ -</u>	<u>\$ 90,152</u>	<u>\$ 2,498</u>	<u>\$ (87,654)</u>
Tennessee State Grant Programs:							
N/A	N/A	Stop ARRA	Tennessee Department of Finance and Administration	\$ 2,438	\$ 18,969	\$ 16,531	\$ -
N/A	N/A	Stop	Tennessee Department of Finance and Administration	3,871	37,691	36,893	3,073
N/A	N/A	Energy Efficient Conservation Block Grant	Tennessee Department of Economic and Community Development	-	21,616	56,315	34,699
Total State Grants				<u>\$ 6,309</u>	<u>\$ 78,276</u>	<u>\$ 109,739</u>	<u>\$ 37,772</u>
Total Grants				<u>\$ 6,309</u>	<u>\$ 168,428</u>	<u>\$ 112,237</u>	<u>\$ (49,882)</u>

**CITY OF SPRING HILL, TENNESSEE  
 SCHEDULE OF DEBT SERVICE REQUIREMENTS  
 LONG-TERM BONDED OBLIGATIONS  
JUNE 30, 2011**

Bonds Outstanding For the Year Ended June 30,	0.27% Tennessee Municipal Bond		
	Principal	Interest	*
2012	195,000	12,455	
2013	205,000	11,929	
2014	215,000	11,375	
2015	226,000	10,795	
2016	237,000	10,184	
2017	249,000	9,545	
2018	261,000	8,872	
2019	274,000	8,167	
2020	288,000	7,428	
2021	302,000	6,650	
2022	318,000	5,835	
2023	334,000	4,976	
2024	350,000	4,074	
2025	368,000	3,129	
2026	386,000	2,136	
2027	405,000	1,093	
	<u>\$ 4,613,000</u>	<u>\$ 118,643</u>	

\* Interest rate of bonds is variable. Scheduled interest payments at current rate as of June 30, 2011.  
 Actual future rates will vary.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**NOTES PAYABLE**  
**JUNE 30, 2011**

Note Payable Outstanding For the Year Ended June 30,	2.58%		
	State of Tennessee Note		
	Principal	Interest	*
2012	223,206	58,566	
2013	229,032	52,740	
2014	235,012	46,760	
2015	241,148	40,624	
2016	247,443	34,329	
2017	253,904	27,868	
2018	260,532	21,240	
2019	267,334	14,438	
2020	274,313	7,459	
2021	139,908	2,020	
	<u>\$ 2,371,832</u>	<u>\$ 306,044</u>	

\* Interest rate of bonds is variable. Scheduled interest payments at current rate as of June 30, 2011.  
 Actual future rates will vary.

Note Payable Outstanding For the Year Ended June 30,	2.04%		
	Capital Outlay Note		
	Principal	Interest	*
2012	500,000	24,000	
2013	500,000	12,000	
	<u>\$ 1,000,000</u>	<u>\$ 36,000</u>	

\* Interest rate of bonds is variable. Scheduled interest payments at current rate as of June 30, 2011.  
 Actual future rates will vary.

CITY OF SPRING HILL, TENNESSEE  
 SCHEDULE OF DEBT SERVICE REQUIREMENTS  
 CHANGES LONG-TERM DEBT OBLIGATIONS  
JUNE 30, 2011

DESCRIPTION	ORIGINAL AMOUNT OF ISSUE	INTEREST RATE	DATE OF ISSUE	DUE DATES	OUTSTANDING JULY 1, 2010	ADDITIONS YEAR ENDED 6/30/2011	RETIREMENTS YEAR ENDED 6/30/2011	INTEREST PAID YEAR ENDED 6/30/2011	OUTSTANDING 6/30/2011
<b><u>GENERAL FUND</u></b>									
BSFS Equipment Leasing 911 BellSouth Equipment	284,243	4.53%	8/8/2003	84 mos beg 2/04	27,272	-	27,272	413	
Federal Signal Leasing Fire-truck - E-One HP 75 G067 Side-Stacker	804,301	5.25%	2/8/2007	February 8 (A)	604,563		73,689	31,740	530,874
John Deere Credit JD 3720 Compact Utility Tractor, Loader & Core Aerator	30,730	5.95%	9/27/2007	September 27 (A)	7,898		7,898	483	
BSFS Equipment Leasing 911 BellSouth Equipment	93,911	6.27%	7/6/2006		37,869		20,117	1,803	17,752
Williamson County Rec Center Bldg.	3,990,000	Variable	7/28/2006		3,900,000		100,000	173,988	3,800,000
Williamson County Rec Center Bldg.	1,395,000	Variable	2/22/2007		1,295,000		55,000	55,306	1,240,000
John Deere Credit Rotary Boom Mower and Tractor	76,953	4.75%	8/27/2010			76,953	18,358	2,269	58,595
SunTrust Equipment Financing Police Vehicles & Fire Truck	545,482	2.12%	11/29/2010			545,482	129,617	-	415,863
Siemens Public Inc. CAD System	645,217	2.99%	10/7/2010			645,217	173,539	6,074	471,678
					<u>\$ 5,872,602</u>	<u>\$ 1,267,652</u>	<u>\$ 605,490</u>	<u>\$ 272,076</u>	<u>\$ 6,534,762</u>
<b><u>WATER FUND</u></b>									
SunTrust Equipment Financing Jet-Vactor 2105 Sewer Cleaner	153,156	3.50%	6/14/2010		<u>\$ 153,156</u>	<u>\$</u>	<u>\$ 42,043</u>	<u>\$ 5,894</u>	<u>\$ 111,113</u>

(A) = Annual

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>County</u>	<u>Tax Rate*</u>	<u>Total Assessment</u>
2011	2010	Maury	0.57	202,551,970
		Williamson	0.6	457,439,932
2010	2009	Maury	0.6	196,199,392
		Williamson	0.6	446,203,175
2009	2008	Maury	0.6	172,794,346
		Williamson	0.6	431,132,201
2008	2007	Maury	0	0
		Williamson	0	0
2007	2006	Maury	0	0
		Williamson	0	0
2006	2005	Maury	0	0
		Williamson	0	0
2005	2004	Maury	0.19	58,821,218
		Williamson	0.19	188,910,324
2004	2003	Maury	0.23	53,909,035
		Williamson	0.23	144,710,307
2003	2002	Maury	0.26	51,051,361
		Williamson	0.26	115,035,249
2002	2001	Maury	0.31	40,342,611
		Williamson	0.28	91,837,611
2001	2000	Maury	0.35	67,397,023
		Williamson	0.39	38,632,546

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

\* Per \$100 of assessed valuation

In June 2011 the City passed a resolution was passed to increase the tax rate for Maury County to .59 per \$100 of assessed valuation and decrease the tax rate for Williamson County to .59 per \$100 of assessed valuation.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF UTILITY RATES (UNAUDITED)**  
**JUNE 30, 2011**

WATER RATES

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

Number of customers at June 30, 2011 - 10,881

SEWER RATES

Based on actual number of gallons used during  
the month

	First 2,000		8.44
	Over 2,000	Minimum	3.16

Number of customers at June 30, 2011 - 10,038

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF UNACCOUNTED FOR WATER (UNAUDITED)**  
**JUNE 30, 2011**

(All Amounts in Gallons)

**WATER TREATED AND PURCHASED:**

Water pumped (potable)	936,169,000	
Water purchased	1,130,000	
Total water treated and purchased		937,299,000

**ACCOUNTED FOR WATER:**

Water sold to other utilities	4,400	
Metered for consumption (in house usage)	816,397,317	
Fire department usage	8,200	
Flushing	1,532,838	
Tank cleaning/filling	3,500	
Street cleaning	27,570	
Bulk sales	2,626,519	
Water bill adjustments / plus or (minus)	0	
Total water accounted for		820,600,344
Unaccounted for water		116,698,656
Percent unaccounted for water		12.45%
Cost per 1,000 gallons of water		\$ 9.80
Unaccounted for water		\$ 1,143,646.83

Other (explain)

See below

Explain other

None

All amounts included in this schedule are supported by documentation on the file of the water system. If no support is on file for a line item or if the line item is not applicable, a "0" is shown.

**COMPLIANCE AND INTERNAL CONTROL**

.....



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*

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

We have audited 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, as of and for the year ended June 30, 2011, which collectively comprise the City of Spring Hill, Tennessee's basic financial statements and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Spring Hill, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures 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 of Spring Hill, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Spring Hill, Tennessee's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting as items 11-1, 11-2 and 11-3. 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.

The Honorable Board of Mayor and Aldermen  
City of Spring Hill

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Spring Hill's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Spring Hill, Tennessee's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Spring Hill, Tennessee's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Mayor and Aldermen, management, and the City's regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

December 12, 2011

CITY OF SPRING HILL, TENNESSEE  
 SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2011

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

- |  |                           |
|--|---------------------------|
| 1. Type of auditors' report issued:  | Unqualified               |
| 2. Internal control over financial reporting:                                    |                           |
| Material weaknesses identified?  | _____ Yes <u>  X  </u> No |
| Significant deficiencies identified not<br>considered to be material weaknesses? | <u>  X  </u> Yes _____ No |
| 3. Noncompliance material to financial statements noted?                         | _____ Yes <u>  X  </u> No |

CITY OF SPRING HILL, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2011

PART II – FINDINGS REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING PROCEDURES

Finding – 11-01 – ACCOUNTING FOR PROPERTY AND EQUIPMENT

Records of equipment are not kept in a method that readily allows the determination of cost, date acquired, vendor, location, and other data regarding each significant item of property. Additionally, periodic physical inventories are not taken of moveable equipment.

Recommendation

Detailed records should be maintained on all equipment. At least annually, an inventory of the equipment should be taken and compared to the detailed records and any differences should be reconciled.

Management Response

We concur. The City has improved its recordkeeping for real property. We will improve our inventory procedures for equipment to comply with all requirements.

Finding – 11-02 – DEFICIT BALANCE IN THE ADEQUATE FACILITIES DEVELOPMENT FUND

The fund balance in the Adequate Facilities Development Fund has a deficit of \$667,312.

Recommendation

The City should make changes to its budgeting process to eliminate the deficit.

Management Response

We concur. The City reduced the deficit fund balance of the Adequate Facilities Development Fund by \$311,968 during the year ended June 30, 2011. City staff and officials continue to monitor this fund and anticipate it will be resolved in upcoming budget years.

CITY OF SPRING HILL, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2011

Finding – 11-03 – GENERAL LEDGER ACCOUNTING RECONCILIATIONS

During our audit, we determined that accounts payable subsidiary journal was not being reconciled to the general ledger

Lack of overview of the general ledger accounts payable balance can create unreliable financial information.

Recommendation

The general ledger account for accounts payable for each fund should be scrutinized each month to ensure that all transactions are properly recorded. We also recommend the use of a procedures checklist to document that such overview of the general ledger is accomplished monthly.

Management Response

We concur. City staff will reconcile the accounts payable subsidiary journal to the general monthly.

CITY OF SPRING HILL, TENNESSEE  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011

The audit finding relative to accounting for equipment, Finding – 11-01, is a repeat finding from the year ended June 30, 2010. Improvements had been made in accounting for real property owned by the City

The audit finding relative to a deficit balance in the fund balance of the Adequate Facilities Development Fund, Finding – 11-02, is a repeat finding from the year ended June 30, 2010

The audit finding relative to general ledger account reconciliations for accounts payable, Finding – 11-03, is a repeat finding from the year ended June 30, 2010. Improvements were made during the year in reconciling other accounts to the general ledger