

CITY OF SPRING HILL, TENNESSEE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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FOR THE YEAR ENDED JUNE 30, 2012

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FINANCIAL SECTION

CITY OF SPRING HILL, TENNESSEE
BOARD OF MAYOR AND ALDERMAN AND CITY OFFICIALS
JUNE 30, 2012

ELECTED BOARD OF MAYOR AND ALDERMAN

Mike Dinwiddie	Mayor
Chad Whittenburg	Alderman
Amy Wurth	Alderman
Jonathan Duda	Alderman
Eliot Mitchell	Alderman
Rick Graham	Alderman
Keith Hudson	Alderman
Allen Hall	Alderman
Bruce Hull	Alderman

CITY MANAGEMENT TEAM

Victor Lay	City Administrator
James H. Smith	Finance Director
Don Brite	Chief of Police
Chris Brooks	Codes & Planning Director
Alan Couch	Library Director
Kevin Fischer	Parks & Recreation Director
April Goad	City Recorder
John Pewitt	GIS/IT
Keith Reeves	Dispatch Director
Jim Swindle	Fire Chief
Shelley Taylor	Human Resources Director
Dan D. Lion	Utility Director
Jeff Foster	Public Works
Caryl Giles	Water Treatment Plant Director
Travis Massey	Waste Water Treatment Plant Director
Steven Warf	MS4 Stormwater Director



BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, 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 our report dated November 27, 2012 on our consideration of the City of Spring Hill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 should be considered in 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 and the Schedule of Funding Progress on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 combining and individual nonmajor fund financial statements and the supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal and state awards, and the supplemental information not marked "unaudited" 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 supplemental information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Bellenfant & Miles, PLLC

November 27, 2012

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, 2012. 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. For prior 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 \$48,382,368 (total net assets).
- ◆ The government's total net assets increased by \$7,383,637.
- ◆ As of the close of the current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$2,410,047 and increase of \$1,406,954 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is 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, Storm Water Fund and the Sewer Expansion 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, Storm Water Fund, and Sewer Expansion 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 34-51 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 53-57 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 \$48,682,368.

City of Spring Hill, Tennessee
Net Assets - Primary Government
June 30, 2012

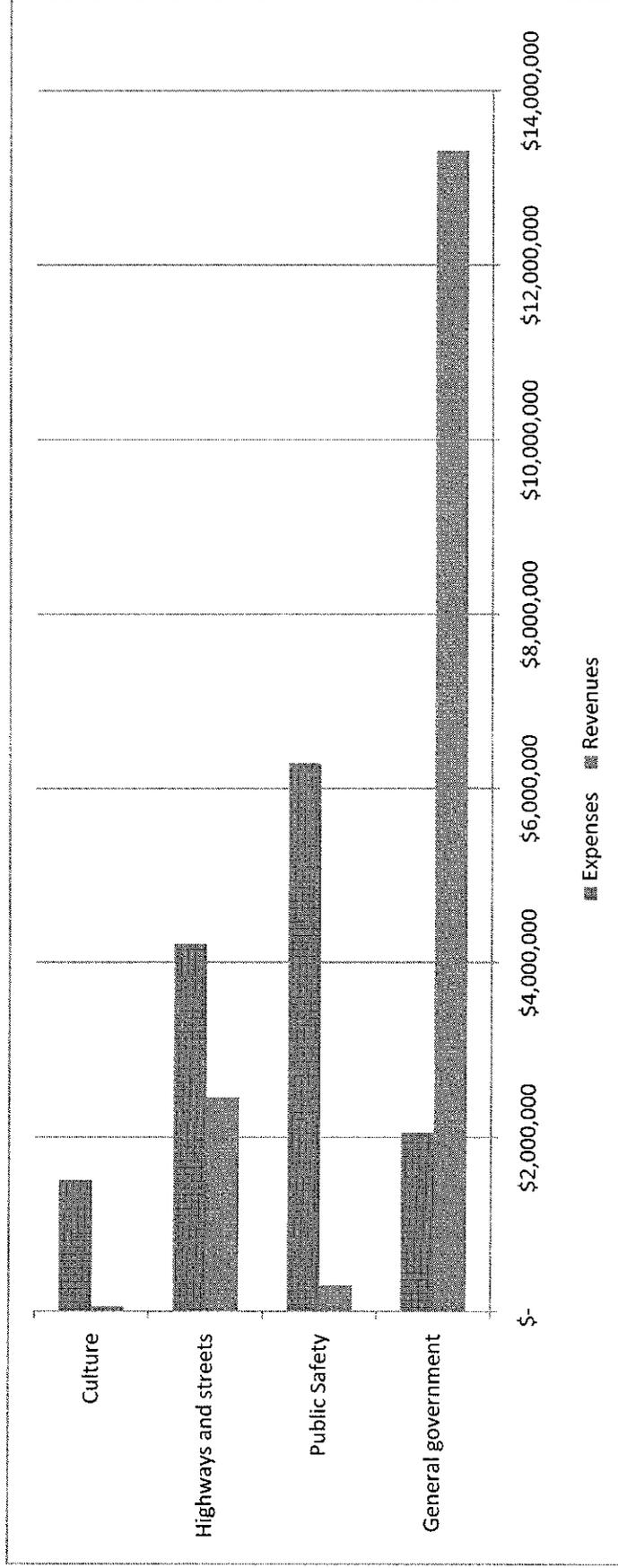
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 7,103,769	\$ 5,651,518	\$ 11,338,396	\$ 9,606,062	\$ 18,442,165	\$ 15,257,580
Capital Assets	9,180,159	9,406,733	47,224,789	35,778,392	56,404,948	45,185,125
TOTAL ASSETS	16,283,928	15,058,251	58,563,185	45,384,454	74,847,113	60,442,705
Other Liabilities	4,693,722	4,648,427	212,249	164,840	4,905,971	4,813,267
Long-term Liabilities Outstanding	6,548,197	7,534,762	15,010,667	7,095,945	21,558,864	14,630,707
TOTAL LIABILITIES	11,241,919	12,183,189	15,222,916	7,260,785	26,464,835	19,443,974
NET ASSETS:						
Invested in Capital Assets	2,631,962	6,911,967	30,814,226	28,682,447	33,446,188	35,594,414
Restricted	757,591	1,122,384	-	-	757,591	1,122,384
Unrestricted	1,652,546	(5,159,289)	12,526,043	9,441,222	14,178,589	4,281,933
TOTAL NET ASSETS	\$ 5,042,099	\$ 2,875,062	\$ 43,340,269	\$ 38,123,669	\$ 48,382,368	\$ 40,998,731

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.

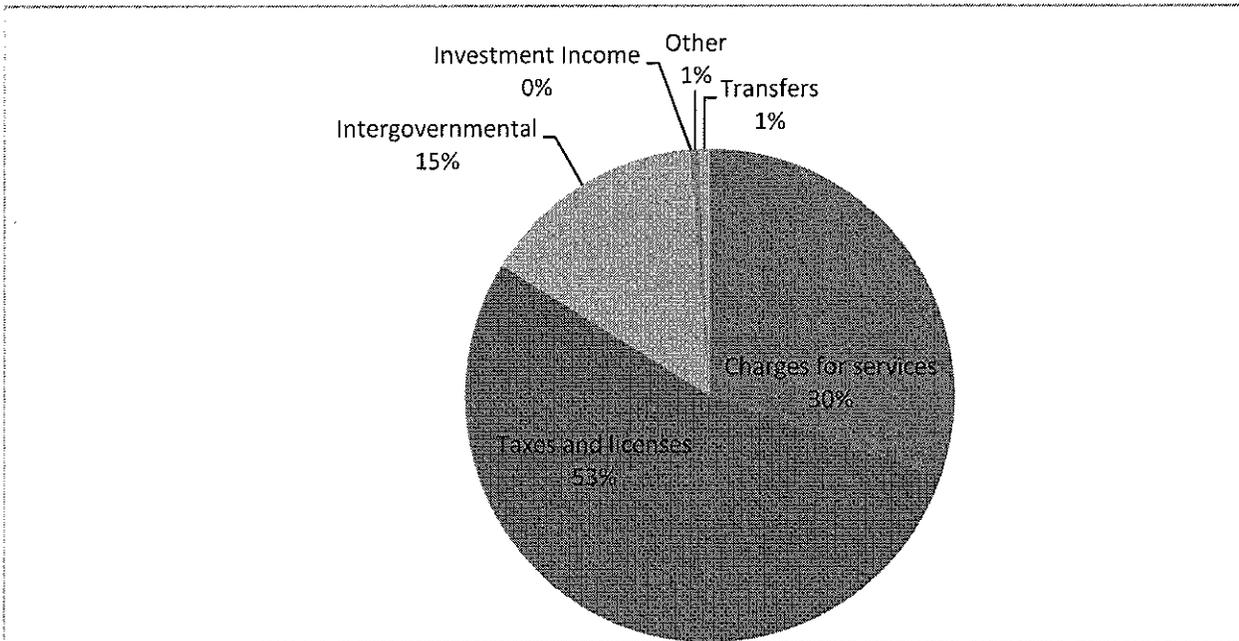
The City's Changes in Net Assets
For the year ended June 30, 2012

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Charges for services	\$ 3,578,133	\$ 3,237,562	\$ 9,201,152	\$ 7,594,572	\$ 12,779,285	\$ 10,832,134
Operating grants	1,210,672	825,100	-	-	1,210,672	825,100
Capital grants	140,145	72,845	-	-	140,145	72,845
General revenues:						
Taxes	8,679,578	8,328,030	-	-	8,679,578	8,328,030
Intergovernmental	2,423,023	1,919,136	-	-	2,423,023	1,919,136
Investment Income	7,963	8,357	23,468	47,156	31,431	55,513
Miscellaneous	80,303	141,576	132,362	128,456	212,665	270,032
Total Revenues	16,119,817	14,532,606	9,356,982	7,770,184	25,476,799	22,302,790
Expenses:						
General government	2,056,518	1,502,460	-	-	2,056,518	1,502,460
Public Safety	6,288,358	6,728,331	-	-	6,288,358	6,728,331
Public Works	4,214,244	3,055,940	-	-	4,214,244	3,055,940
Culture	1,511,103	914,293	-	-	1,511,103	914,293
Water and Sewer	-	-	6,023,031	5,259,182	6,023,031	5,259,182
Total expenses	14,070,223	12,201,024	6,023,031	5,259,182	20,093,254	17,460,206
Change in net assets						
before contributions & transfers	2,049,594	2,331,582	3,333,951	2,511,002	5,383,545	4,842,584
Transfers	117,351	115,402	(117,351)	(115,402)	-	-
Capital grant revenue - debt forgiveness	-	-	2,000,000	-	2,000,000	-
Change in net assets	2,166,945	2,446,984	5,216,600	2,395,600	7,383,545	4,842,584
Net assets - beginning	2,875,062	428,078	38,123,669	35,728,069	40,998,731	36,156,147
Net assets - end	\$ 5,042,007	\$ 2,875,062	\$ 43,340,269	\$ 38,123,669	\$ 48,382,276	\$ 40,998,731

Expenses and Program Revenues - Governmental Activities

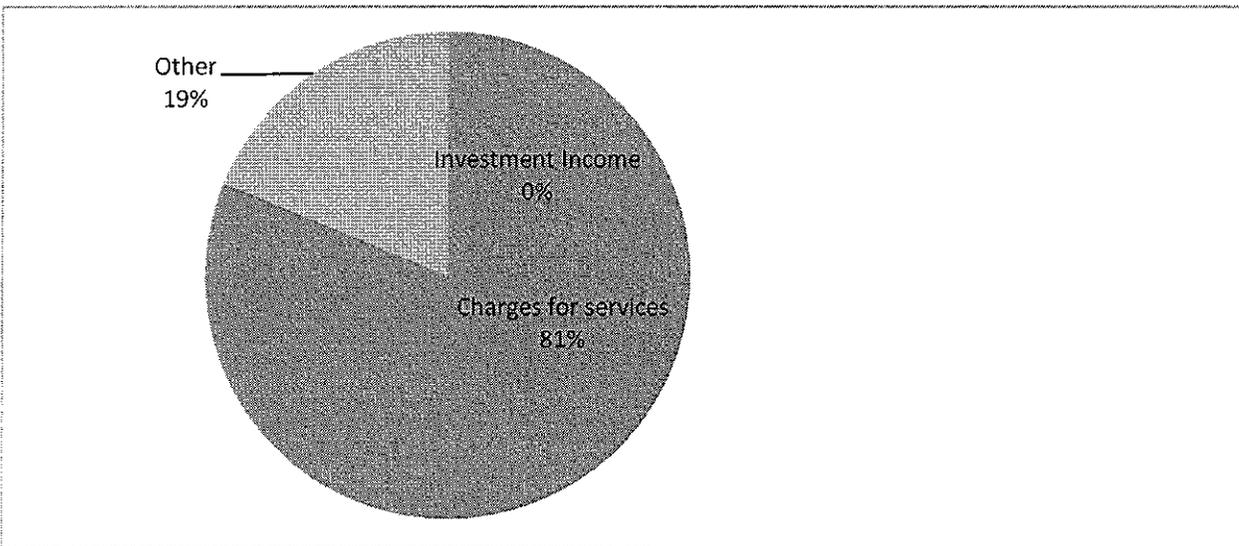


Revenue by Source - Governmental activities



Business-type activities. Business-type activities increased the City of Spring Hill net assets by \$5,216,600.

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, 2012**

	2012	2011
Total assets	<u>\$ 8,493,680</u>	<u>\$ 7,619,849</u>
Total liabilities	\$ 6,083,633	\$ 6,616,756
Fund balances:		
Reserved	757,591	1,122,384
Unreserved	<u>1,652,456</u>	<u>(119,291)</u>
Total fund balances	<u>2,410,047</u>	<u>1,003,093</u>
Total liabilities and fund balances	<u>\$ 8,493,680</u>	<u>\$ 7,619,849</u>

As of the end of current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$2,410,047 an increase of \$1,406,954 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 \$1,649,371.

**Changes in Fund Balances of Governmental Funds
For the year ended June 30, 2012**

	2012	2011
REVENUES		
Taxes	\$ 9,811,453	\$ 9,059,581
Licenses and permits	580,003	281,054
Intergovernmental	2,668,692	2,109,150
Impact fees	752,193	411,632
Charges for services	1,329,590	1,460,802
Capital improvements	548,815	705,038
Contributions	29,438	32,549
Fines and forfeits	311,367	322,867
Interest Income	7,963	8,357
Other	80,303	141,576
	16,119,817	14,532,606
EXPENSES		
General Government	1,966,050	1,502,460
Public Safety	7,474,238	7,299,654
Highways and streets	4,034,320	3,055,940
Culture	1,355,606	914,293
	14,830,214	12,772,347
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,289,603	1,760,259
TRANSFERS IN	117,351	115,402
NET CHANGE IN FUND BALANCE	1,406,954	1,875,661
FUND BALANCE, BEGINNING YEAR	1,003,093	(872,568)
FUND BALANCE, END OF YEAR	\$ 2,410,047	\$ 1,003,093

The fund balance of the City of Spring Hill's governmental fund increased by \$1,406,954 during the current fiscal year. This increase was primarily the result of increase of various taxes and licenses and permits.

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

Unrestricted net assets of the Water and Sewer Fund, Storm Water Fund, and Sewer Expansion Fund at the end of the year amounted to \$12,526,043. The total increase in net assets for the funds was \$3,084,821. 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 \$371,325. The actual amount of budgeted expenditures increased by \$392,482.

Final Budgeted and Actual Amounts

Actual revenues and other financing sources were lower than final budgeted amounts by \$16,889 primarily due to lower than expected charges for services.

Actual expenditures and other financing uses were lower than final budgeted amounts by \$514,484, primarily due to lower than expected salaries, contractual services, repairs and maintenance and capital outlay.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as June 30, 2012 amounts to \$56,404,948 (net of accumulated depreciation). Depreciation charges for the fiscal year totaled \$1,950,778. 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:

- Camera Systems
- Land
- Police Cars
- Excavators and Water Storage Tank
- Outdoor Warning System and SCADA System Software
- Continued wastewater treatment plant expansion

The City's Capital Assets June 30, 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Capital Assets						
Land	\$ 449,829	\$ 233,931	\$ 859,610	\$ 449,610	\$ 1,309,439	\$ 683,541
Plant and equipment	-	-	42,215,707	42,168,656	42,215,707	42,168,656
Buildings and Improvements	6,537,639	6,495,932	6,414	6,414	6,544,053	6,502,346
Machinery and equipment	7,284,273	6,827,556	1,894,534	1,623,613	9,178,807	8,451,169
Infrastructure	4,168,691	4,168,691	-	-	4,168,691	4,168,691
Construction in progress	-	-	13,470,872	1,701,907	13,470,872	1,701,907
Less: Accumulated Depreciation	(9,260,273)	(8,319,377)	(11,222,348)	(10,171,808)	(20,482,621)	(18,491,185)
Total capital assets	\$ 9,180,159	\$ 9,406,733	\$ 47,224,789	\$ 35,778,392	\$ 56,404,948	\$ 45,185,125

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 \$4,418,000. 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, 2012**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Capital Outlay						
Notes Payable	\$ 500,000	\$ 1,000,000	\$ -	\$ -	\$ 500,000	\$ 1,000,000
Notes payable	6,048,197	6,534,762	69,071	111,113	6,117,268	6,645,875
Public improvement bonds	-	-	4,418,000	4,613,000	4,418,000	4,613,000
Clean Water State Loan Program	-	-	8,394,049	-	8,394,049	-
State of Tennessee Loan Program	-	-	2,129,547	2,371,832	2,129,547	2,371,832
Total	\$ 6,548,197	\$ 7,534,762	\$ 15,010,667	\$ 7,095,945	\$ 21,558,864	\$ 14,630,707

The City of Spring Hill's total long-term debt increased by \$6,928,157 (32%) 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, outdoor warning system and continued work on the waste water treatment plant expansion project.

These factors were considered in preparing the 2012 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, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 3,225,317	\$ 6,232,798	\$ 9,458,115
Receivables (net)	4,291,092	1,183,912	5,475,004
Due from other governments	515,390	-	515,390
Grant Receivables	4,002	-	4,002
Internal Balances	(946,313)	946,313	-
Inventory of supplies, at cost	14,281	242,488	256,769
Restricted Assets	-	2,732,885	2,732,885
Capital Assets:			
Land, improvements, and construction in progress	18,440,432	58,447,137	76,887,569
Other capital assets, net of depreciation	(9,260,273)	(11,222,348)	(20,482,621)
TOTAL ASSETS	<u>\$ 16,283,928</u>	<u>\$ 58,563,185</u>	<u>\$ 74,847,113</u>
<u>LIABILITIES</u>			
Accounts payable	608,731	212,249	820,980
Deferred revenues	4,084,991	-	4,084,991
Long term liabilities:			
Due within one year	1,220,405	781,428	2,001,833
Due in more than one year	5,327,792	14,229,239	19,557,031
TOTAL LIABILITIES	<u>\$ 11,241,919</u>	<u>\$ 15,222,916</u>	<u>\$ 26,464,835</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, net of related debt	2,631,962	30,814,226	33,446,188
Restricted for:			
State street aid expenditures	757,591	-	757,591
Unrestricted	1,652,456	12,526,043	14,178,499
TOTAL NET ASSETS	<u>\$ 5,042,009</u>	<u>\$ 43,340,269</u>	<u>\$ 48,382,278</u>

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

CITY OF SPRING HILL, TENNESSEE
STATEMENT OF ACTIVITIES
JUNE 30, 2012

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	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	\$ 2,056,518	\$ -	\$ -	\$ 61,775	\$ -	\$ 61,775
Public Safety	6,288,358	78,797	140,145	(5,990,771)	-	(5,990,771)
Public Works	4,214,244	1,131,875	-	(1,757,339)	-	(1,757,339)
Culture	1,511,103	-	-	(1,454,938)	-	(1,454,938)
Total governmental activities	14,070,223	1,210,672	140,145	(9,141,273)	-	(9,141,273)
Business-type activities:						
Water and Sewer	6,023,031	-	-	-	3,178,121	3,178,121
Total business-type activities	6,023,031	-	-	-	3,178,121	3,178,121
Total primary government	\$ 20,093,254	\$ 1,210,672	\$ 140,145	\$ (9,141,273)	\$ 3,178,121	\$ (5,963,152)
General revenues:						
Taxes:						
Property tax				4,005,250	-	4,005,250
Local sales tax				3,235,658	-	3,235,658
Wholesale beer and liquor tax				543,170	-	543,170
Business tax				288,998	-	288,998
Franchise tax				155,511	-	155,511
Utility tax				146,613	-	146,613
Mixed drink tax				109,186	-	109,186
Payments in lieu of taxes				195,192	-	195,192
Intergovernmental					-	
State sales tax				1,969,020	-	1,969,020
Payments in lieu of taxes				335,470	-	335,470
Other				118,533	-	118,533
Investment earnings				7,963	23,468	31,431
Miscellaneous				80,303	132,362	212,665
Transfers				117,351	(117,351)	-
Capital grant revenue - debt forgiveness				-	2,000,000	2,000,000
				11,308,218	2,038,479	13,346,697
Change in net assets				2,166,945	5,216,600	7,383,545
Net assets at beginning of year				2,875,062	38,123,669	40,998,731
Net Assets at end of year				5,042,007	43,340,269	48,382,276

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

CITY OF SPRING HILL, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Adequate Facilities Development</u>	<u>Sanitation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash	\$ 2,220,896	\$ 507,727	\$ 112,045	\$ 384,649	\$ 3,225,317
Receivables (net, where applicable, allowances for uncollectible)					
Taxes	4,156,612	-	-	-	4,156,612
Accounts	-	26,903	107,577	-	134,480
Grants	4,002	-	-	-	4,002
Due from other funds	55,157	388,441	-	-	443,598
Due from other governments	515,390	-	-	-	515,390
Inventory of supplies, at cost	14,281	-	-	-	14,281
TOTAL ASSETS	<u>\$ 6,966,338</u>	<u>\$ 923,071</u>	<u>\$ 219,622</u>	<u>\$ 384,649</u>	<u>\$ 8,493,680</u>
<u>LIABILITIES</u>					
Accounts payable	366,284	8,429	117,196	116,822	608,731
Due to other funds	108,101	1,270,055	-	11,755	1,389,911
Deferred revenues	4,084,991	-	-	-	4,084,991
TOTAL LIABILITIES	<u>4,559,376</u>	<u>1,278,484</u>	<u>117,196</u>	<u>128,577</u>	<u>6,083,633</u>
<u>FUND BALANCES</u>					
Restricted for:					
State street aid expenditures	757,591	-	-	-	757,591
Unassigned	1,649,371	(355,413)	102,426	256,072	1,652,456
TOTAL FUND BALANCES	<u>2,406,962</u>	<u>(355,413)</u>	<u>102,426</u>	<u>256,072</u>	<u>2,410,047</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,966,338</u>	<u>\$ 923,071</u>	<u>\$ 219,622</u>	<u>\$ 384,649</u>	<u>\$ 8,493,680</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, 2012

Fund Balances

Governmental Funds Balance \$ 2,410,047

Adjustments

Capital assets net of depreciation

Assets	18,440,432	
Accumulated depreciation	<u>(9,260,273)</u>	9,180,159

Long term liabilities (6,548,197)

Net Asset Balance \$ 5,042,009

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, 2012

	General	Adequate Facilities Development	Sanitation	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 8,679,578	\$ -	\$ -	\$ 1,131,875	\$ 9,811,453
Licenses and permits	580,003	-	-	-	580,003
Intergovernmental	2,668,692	-	-	-	2,668,692
Impact fees	-	752,193	-	-	752,193
Charges for services	4,560	-	1,325,030	-	1,329,590
Capital improvements	303,826	244,989	-	-	548,815
Contributions	5,240	-	-	24,198	29,438
Fines and forfeits	232,722	-	28,884	49,761	311,367
Interest revenue	5,276	1,527	301	859	7,963
Other	80,303	-	-	-	80,303
TOTAL REVENUES	12,560,200	998,709	1,354,215	1,206,693	16,119,817
EXPENDITURES					
General Government					
Legislative, executive, and general	917,792	-	-	-	917,792
Judicial	41,442	-	-	-	41,442
Financial administration	349,964	-	-	-	349,964
Information Management System	171,491	-	-	-	171,491
General government building	234,210	-	-	-	234,210
Public Safety					
Police	3,858,806	-	-	37,034	3,895,840
Fire	3,259,823	-	-	-	3,259,823
Building inspection	318,575	-	-	-	318,575
Streets	1,522,991	-	-	1,105,632	2,628,623
Sanitation	-	-	1,405,697	-	1,405,697
Culture					
Parks and recreation	274,857	464,326	-	-	739,183
Library	585,477	-	-	30,946	616,423
Interest expense	-	222,484	-	28,667	251,151
TOTAL EXPENDITURES	11,535,428	686,810	1,405,697	1,202,279	14,830,214
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,024,772	311,899	(51,482)	4,414	1,289,603
TRANSFERS IN	117,351	-	-	-	117,351
NET CHANGE IN FUND BALANCES	1,142,123	311,899	(51,482)	4,414	1,406,954
FUND BALANCES, BEGINNING OF YEAR	1,264,839	(667,312)	153,908	251,658	1,003,093
FUND BALANCES, END OF YEAR	\$ 2,406,962	\$ (355,413)	\$ 102,426	\$ 256,072	\$ 2,410,047

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
FOR THE YEAR ENDED JUNE 30, 2012

Net Change in Fund Balance - Total Governmental Funds \$ 1,406,954

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. 714,322

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. (940,896)

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. 986,565

Change in Net Assets of Governmental Activities \$ 2,166,945

CITY OF SPRING HILL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amended Budget	Actual	Variance
TAXES				
Real and personal property	\$ 4,006,150	\$ 3,999,775	\$ 3,982,270	\$ 17,505
Interest and penalty on taxes	10,000	22,800	22,980	(180)
Payments in lieu of property taxes	250,000	250,000	192,026	57,974
Payments in lieu of electric	3,200	3,200	3,166	34
Local sales tax	3,053,250	3,225,000	3,235,658	(10,658)
Wholesale beer tax	370,000	395,000	409,929	(14,929)
Wholesale liquor tax	125,000	130,000	133,241	(3,241)
Business tax	240,000	245,000	288,998	(43,998)
Franchise tax	131,000	155,511	155,511	-
Utility taxes	115,000	146,613	146,613	-
Mixed drink taxes	77,000	95,000	109,186	(14,186)
Total taxes	<u>8,380,600</u>	<u>8,667,899</u>	<u>8,679,578</u>	<u>(11,679)</u>
LICENSES AND PERMITS				
Beer permit applications	12,000	12,000	10,800	1,200
Building permits	490,000	550,000	549,327	673
Sign permits	7,000	7,000	6,897	103
Alarm registrations	7,700	11,500	11,964	(464)
Other permits	1,000	1,000	1,015	(15)
Total licenses and permits	<u>517,700</u>	<u>581,500</u>	<u>580,003</u>	<u>1,497</u>
INTERGOVERNMENTAL				
Grants	60,000	147,096	189,504	(42,408)
TVA payments in lieu of taxes	321,429	321,429	335,470	(14,041)
In-service training	15,000	24,600	24,600	-
State sales tax	1,877,177	1,935,000	1,969,020	(34,020)
State income tax	55,000	39,500	39,416	84
State beer tax	14,808	14,800	14,253	547
Corporate excise	3,200	3,200	579	2,621
Other state revenue allocations	-	1,200	1,285	(85)
Fire department incentive pay	21,000	38,400	38,400	-
Library revenue	55,000	55,000	56,165	(1,165)
Total intergovernmental	<u>2,422,614</u>	<u>2,580,225</u>	<u>2,668,692</u>	<u>(88,467)</u>

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

	Original Budget	Amended Budget	Actual	Variance
CHARGES FOR SERVICES				
Other charges for services	10,000	9,550	4,560	4,990
Total charges for services	10,000	9,550	4,560	4,990
FINES AND FORFEITS				
City court fines and costs	160,000	173,000	178,655	(5,655)
County court fines and costs	40,000	40,000	42,288	(2,288)
Bond forfeitures	-	148,895	-	148,895
Other fines and costs	10,000	1,730	10,429	(8,699)
Reserved for sexual offenders	150	1,200	1,350	(150)
Total fines and forfeits	210,150	364,825	232,722	132,103
INTEREST REVENUE				
General	3,000	4,800	5,276	(476)
Total interest revenue	3,000	4,800	5,276	(476)
OTHER REVENUES				
Rents received	4,000	4,000	4,681	(681)
Contributions	1,200	5,560	5,240	320
Insurance recoveries	20,000	64,000	64,308	(308)
Sale of surplus property	-	11,500	11,314	186
Capital improvements	636,000	276,000	303,826	(27,826)
Miscellaneous revenues	500	10,800	-	10,800
Total other	661,700	371,860	389,369	(17,509)
Total revenues	12,205,764	12,580,659	12,560,200	20,459
OTHER FINANCING SOURCES				
Water Fund - Payments in lieu of tax	117,351	117,351	117,351	-
Total revenues and other financing sources	<u>\$ 12,323,115</u>	<u>\$ 12,698,010</u>	<u>\$ 12,677,551</u>	<u>\$ 20,459</u>

CITY OF SPRING HILL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amended Budget	Actual	Variance
GENERAL GOVERNMENT				
Legislative, executive, and general				
Salaries	\$ 154,388	\$ 130,000	\$ 159,926	\$ (29,926)
Employee benefits	127,121	140,810	139,815	995
Auditing services	34,000	34,000	29,000	5,000
Board expense	4,000	1,000	744	256
Donations	38,375	38,375	40,375	(2,000)
Engineering services	20,000	32,000	35,627	(3,627)
Insurance and bonds	35,000	32,071	32,473	(402)
Interest	3,186	-	-	-
Memberships and subscriptions	17,900	23,900	19,019	4,881
Miscellaneous	1,000	3,040	2,950	90
Office supplies	1,000	1,400	1,336	64
Other contractual services	61,000	120,000	126,797	(6,797)
Other professional services	106,000	191,000	195,472	(4,472)
Telephone	2,000	2,000	1,826	174
Travel	5,800	5,800	5,517	283
Capital outlay	156,250	126,915	126,915	-
	<u>767,020</u>	<u>882,311</u>	<u>917,792</u>	<u>(35,481)</u>
Total legislative, executive, and general				
Judicial				
Salaries	7,400	13,000	11,810	1,190
Employee benefits	700	1,100	903	197
Miscellaneous	200	-	-	-
Office supplies	100	-	-	-
Fines remitted to State	20,000	24,850	28,729	(3,879)
	<u>28,400</u>	<u>38,950</u>	<u>41,442</u>	<u>(2,492)</u>
Total judicial				
Financial administration				
Salaries	124,262	121,826	128,858	(7,032)
Employee benefits	47,838	47,838	47,564	274
Business taxes	-	16,000	28,106	(12,106)
Equipment	11,000	15,700	16,966	(1,266)
Insurance	3,200	1,900	1,569	331
Interest	2,500	-	-	-
Memberships and subscriptions	3,000	3,600	3,691	(91)
Miscellaneous	2,100	1,200	1,156	44
Office supplies	15,000	17,068	20,688	(3,620)
Other contractual services	27,000	10,500	9,423	1,077

CITY OF SPRING HILL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amended Budget	Actual	Variance
Financial administration - continued				
Postage	17,000	18,000	19,346	(1,346)
Printing	2,000	500	304	196
Professional fees	-	18,000	17,626	374
Property assessment	5,000	9,000	8,210	790
Publications of notices	46,000	39,000	41,173	(2,173)
Repairs and maintenance	1,000	1,500	1,218	282
Telephone	-	200	201	(1)
Travel	4,500	4,300	3,865	435
	<u>311,400</u>	<u>326,132</u>	<u>349,964</u>	<u>(23,832)</u>
Total financial administration				
Information management system				
Salaries	48,670	50,970	53,007	(2,037)
Employee benefits	21,202	19,202	19,431	(229)
Computer supplies	30,000	25,000	9,034	15,966
Contract services	18,000	17,550	17,550	-
Data processing services	27,500	26,000	24,748	1,252
Equipment	56,000	23,500	23,016	484
Gas, oil and vehicle expenses	5,000	1,200	1,210	(10)
GIS and GPS	5,000	1,000	988	12
Insurance	600	1,623	1,623	-
Membership and subscriptions	200	200	145	55
Miscellaneous	1,150	1,900	1,734	166
Office supplies	2,300	1,000	13,729	(12,729)
Other professional services	2,500	2,000	2,035	(35)
Publication and notices	-	-	665	(665)
Repair and maintenance	3,000	1,000	1,880	(880)
Telephone	1,700	1,000	696	304
Travel	700	-	-	-
	<u>223,522</u>	<u>173,145</u>	<u>171,491</u>	<u>1,654</u>
Total information management system				
General government building				
Salaries	30,763	30,763	31,864	(1,101)
Employee benefits	9,350	9,370	9,331	39
Contract services	3,000	3,000	2,266	734
Electricity and gas	33,000	28,000	28,514	(514)
Insurance	2,500	1,840	1,840	-
Miscellaneous	1,000	1,000	1,723	(723)
Operating supplies	10,000	6,250	6,156	94
Repairs and maintenance	29,000	37,550	37,147	403
Stormwater fees	1,100	1,100	-	1,100
Telephone	25,000	60,000	69,012	(9,012)
HVAC and equipment	-	46,500	46,357	143
	<u>144,713</u>	<u>225,373</u>	<u>234,210</u>	<u>(8,837)</u>
Total general government building				
Total general government	<u>1,475,055</u>	<u>1,645,911</u>	<u>1,714,899</u>	<u>(68,988)</u>

**CITY OF SPRING HILL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

	Original Budget	Amended Budget	Actual	Variance
PUBLIC SAFETY				
Police				
Salaries	1,978,006	1,919,572	1,846,438	73,134
Employee benefits	865,178	835,187	827,831	7,356
Medical	6,500	6,500	3,705	2,795
Memberships and subscriptions	4,700	4,700	5,342	(642)
Office supplies	20,700	19,500	21,247	(1,747)
Operating supplies	12,500	12,100	31,492	(19,392)
Other contractual services	25,000	25,000	7,895	17,105
Postage	450	350	2,003	(1,653)
Printing and duplicating	4,800	3,500	1,995	1,505
Professional services	1,500	6,075	-	6,075
Public relations	1,500	1,500	1,278	222
Repairs and maintenance	88,300	92,200	88,940	3,260
Services	-	1,800	3,798	(1,998)
Telephone	50,000	68,000	72,248	(4,248)
Training and police academy	22,000	49,000	-	49,000
Travel expenses	10,900	6,500	11,232	(4,732)
Uniforms	23,500	20,250	17,581	2,669
Utilities	-	3,000	1,958	1,042
Gas, oil, and vehicle supplies	132,000	137,000	144,151	(7,151)
Insurance	130,000	113,812	127,917	(14,105)
Miscellaneous	9,500	11,027	14,787	(3,760)
Capital outlay	805,475	775,782	626,968	148,814
Total police	4,192,509	4,112,355	3,858,806	253,549
Fire				
Salaries	1,929,750	1,971,350	1,970,478	872
Employee benefits	739,244	739,952	747,691	(7,739)
Other contractual services	6,800	6,800	7,926	(1,126)
Electricity and gas	29,000	23,000	21,554	1,446
Equipment	157,000	159,194	154,411	4,783
Gas, oil, and vehicle supplies	16,000	18,000	20,633	(2,633)
Insurance	90,000	76,413	85,932	(9,519)
Memberships	2,000	4,500	4,330	170
Miscellaneous	2,500	2,600	704	1,896
Operating supplies	67,600	95,400	92,912	2,488
Other professional services	13,000	15,500	12,496	3,004
Repairs and maintenance	59,000	88,500	83,051	5,449
Stormwater fees	750	750	-	750
Telephone	27,000	27,000	25,606	1,394
Travel	18,400	16,400	11,925	4,475
Uniforms	21,500	21,500	20,174	1,326
Total fire	3,179,544	3,266,859	3,259,823	7,036

**CITY OF SPRING HILL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

	Original Budget	Amended Budget	Actual	Variance
PUBLIC SAFETY				
Building inspection				
Salaries	196,509	188,809	200,913	(12,104)
Employee benefits	79,328	81,402	80,944	458
Engineering services	3,000	3,200	3,089	111
Gas, oil, and vehicle supplies	8,000	6,000	5,711	289
Insurance	18,000	6,113	8,054	(1,941)
Memberships	3,500	3,500	1,046	2,454
Miscellaneous	1,000	1,000	1,168	(168)
Office supplies	5,000	5,900	7,697	(1,797)
Other contractual services	14,700	13,000	2,329	10,671
Repairs and maintenance	2,000	2,000	2,550	(550)
Telephone	1,800	1,800	1,936	(136)
Travel expenses	1,200	1,900	1,838	62
Uniforms	2,500	2,500	1,300	1,200
	<u>336,537</u>	<u>317,124</u>	<u>318,575</u>	<u>(1,451)</u>
Total building inspection				
	<u>7,708,590</u>	<u>7,696,338</u>	<u>7,437,204</u>	<u>259,134</u>
Total public safety				
PUBLIC WORKS				
Streets				
Salaries	333,845	328,845	327,882	963
Employee benefits	153,290	153,470	146,303	7,167
Electricity and gas	17,000	15,000	12,673	2,327
Equipment	178,000	62,500	41,220	21,280
Gas, oil, and vehicle supplies	40,000	40,000	41,088	(1,088)
Insurance	40,000	32,467	35,985	(3,518)
Interest	5,000	5,000	-	5,000
Miscellaneous	1,600	1,600	198	1,402
Office supplies	500	500	-	500
Operating supplies	20,000	22,000	24,021	(2,021)
Other contractual services	18,000	20,500	2,655	17,845
Repairs and maintenance	100,000	69,500	55,462	14,038
Roads and streets	325,000	695,000	523,454	171,546
Street Lighting	270,000	290,000	298,667	(8,667)
Telephone	1,000	9,000	9,511	(511)
Travel	1,200	1,200	-	1,200
Uniforms	5,000	5,000	3,872	1,128
	<u>1,509,435</u>	<u>1,751,582</u>	<u>1,522,991</u>	<u>228,591</u>
Total streets				
	<u>1,509,435</u>	<u>1,751,582</u>	<u>1,522,991</u>	<u>228,591</u>
Total public works				

CITY OF SPRING HILL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amended Budget	Actual	Variance
CULTURE AND RECREATION				
Parks and recreation				
Salaries	130,891	132,011	139,484	(7,473)
Employee benefits	50,775	50,728	50,706	22
Electricity and gas	18,500	17,500	18,660	(1,160)
Equipment	10,100	10,100	-	10,100
Gas, oil, and vehicle supplies	5,000	3,500	3,931	(431)
Insurance	6,500	4,800	5,538	(738)
Miscellaneous	1,000	1,000	2,302	(1,302)
Operating supplies	8,000	8,000	10,365	(2,365)
Other contractual services	102,500	117,600	25,015	92,585
Repairs and maintenance	8,000	5,900	8,321	(2,421)
Stormwater fees	1,800	1,800	-	1,800
Telephone	5,000	8,500	10,153	(1,653)
Travel	300	300	-	300
Uniforms	900	900	382	518
	<u>349,266</u>	<u>362,639</u>	<u>274,857</u>	<u>87,782</u>
Total parks and recreation				
Library				
Salaries	320,491	290,660	301,457	(10,797)
Employee benefits	141,501	127,598	114,107	13,491
Contractual services	1,800	2,800	2,708	92
Electricity and Gas	29,500	28,000	24,552	3,448
Furniture and equipment	9,500	9,672	41,496	(31,824)
Insurance	3,000	2,700	2,604	96
Memberships and subscriptions	2,400	2,400	1,840	560
Miscellaneous	1,000	44,312	12,372	31,940
Educational supplies	49,000	49,050	51,870	(2,820)
Office supplies	1,000	1,000	815	185
Operating supplies	14,000	15,000	14,564	436
Postage	3,500	3,500	3,158	342
Repairs and maintenance	5,500	5,500	5,271	229
Stormwater fees	1,050	1,050	-	1,050
Telephone	7,500	7,500	7,697	(197)
Travel	2,700	2,700	966	1,734
	<u>593,442</u>	<u>593,442</u>	<u>585,477</u>	<u>7,965</u>
Total library				
Total culture and recreation	<u>942,708</u>	<u>956,081</u>	<u>860,334</u>	<u>95,747</u>
Total expenditures	<u>11,635,788</u>	<u>12,049,912</u>	<u>11,535,428</u>	<u>514,484</u>
Net change in fund balance	687,327	648,098	1,142,123	(494,025)
FUND BALANCES				
Beginning of the year	<u>1,264,839</u>	<u>1,264,839</u>	<u>1,264,839</u>	<u>-</u>
End of the year	<u>\$ 1,952,166</u>	<u>\$ 1,912,937</u>	<u>\$ 2,406,962</u>	<u>\$ (494,025)</u>

CITY OF SPRING HILL, TENNESSEE
ADEQUATE FACILITIES/DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Licenses and Permits				
Impact fees	\$ 461,000	\$ 685,000	\$ 752,193	\$ (67,193)
Capital Improvements - Williamson County	145,000	225,000	244,989	(19,989)
Interest Revenue	700	1,500	1,527	(27)
	<u>606,700</u>	<u>911,500</u>	<u>998,709</u>	<u>(87,209)</u>
EXPENDITURES				
General Government				
Municipal building	-	-	-	-
Public Safety				
Police	-	-	-	-
Fire	-	-	-	-
911 dispatch	-	-	-	-
Public Works				
Streets	-	-	-	-
Schools	-	-	-	-
Culture and Recreation				
Parks and recreation	250,000	464,326	464,326	-
Library	-	-	-	-
Interest Expense	<u>225,000</u>	<u>222,484</u>	<u>222,484</u>	<u>-</u>
Total expenditures	<u>475,000</u>	<u>686,810</u>	<u>686,810</u>	<u>-</u>
Net change in fund balance	131,700	224,690	311,899	(87,209)
Fund balance, beginning of year	<u>(667,312)</u>	<u>(667,312)</u>	<u>(667,312)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (535,612)</u>	<u>\$ (442,622)</u>	<u>\$ (355,413)</u>	<u>\$ (87,209)</u>

**CITY OF SPRING HILL, TENNESSEE
SANITATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charges for Services				
Sanitation service fees	\$ 1,350,000	\$ 1,350,000	\$ 1,325,030	\$ 24,970
Fines and forfeits	17,000	17,000	28,884	(11,884)
Interest revenue	400	400	301	99
	<u>1,367,400</u>	<u>1,367,400</u>	<u>1,354,215</u>	<u>13,185</u>
EXPENDITURES - PUBLIC WORKS				
Sanitation				
Refuse collection and disposal service	1,350,000	1,350,000	1,405,697	(55,697)
	<u>1,350,000</u>	<u>1,350,000</u>	<u>1,405,697</u>	<u>(55,697)</u>
Excess of revenues over/(under) expenditures	17,400	17,400	(51,482)	68,882
Fund balance, beginning of year	<u>153,908</u>	<u>153,908</u>	<u>153,908</u>	<u>-</u>
Fund balance, end of year	<u>\$ 171,308</u>	<u>\$ 171,308</u>	<u>\$ 102,426</u>	<u>\$ 68,882</u>

**CITY OF SPRING HILL, TENNESSEE
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS - COMBINED
 FOR THE JUNE 30, 2012**

ASSETS

	<u>Water and Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Sewer Expansion Fund</u>	<u>Total</u>
<u>Current Assets:</u>				
Cash	\$ 4,292,401	\$ 359,279	\$ 1,581,118	\$ 6,232,798
Accounts receivable, net of allowances	1,123,248	51,785	-	1,175,033
Interest receivable	8,879	-	-	8,879
Due from other funds	2,433,783	42,042	(1,529,512)	946,313
Inventory of supplies, at cost	242,488	-	-	242,488
Total Current Assets	<u>8,100,799</u>	<u>453,106</u>	<u>51,606</u>	<u>8,605,511</u>
<u>Restricted Assets:</u>				
Cash	2,184,387	-	548,498	2,732,885
Total Restricted Assets	<u>2,184,387</u>	<u>-</u>	<u>548,498</u>	<u>2,732,885</u>
<u>Utility Plant and Equipment</u>				
Utility plant, at cost	48,449,904	-	-	48,449,904
Equipment, at cost	-	203,288	-	203,288
Less accumulated depreciation	(11,171,172)	(51,176)	-	(11,222,348)
Net Utility Plant and Equipment	<u>37,278,732</u>	<u>152,112</u>	<u>-</u>	<u>37,430,844</u>
<u>Construction in Progress</u>				
	<u>-</u>	<u>-</u>	<u>9,793,945</u>	<u>9,793,945</u>
TOTAL ASSETS	<u>\$47,563,918</u>	<u>\$ 605,218</u>	<u>\$10,394,049</u>	<u>\$ 58,563,185</u>

LIABILITIES

<u>Current Liabilities, payable from current assets:</u>				
Accounts payable	176,777	1,797	-	178,574
Current portion of long term debt	473,016	-	308,412	781,428
Due to other governments	33,675	-	-	33,675
Total Current Liabilities, payable from current assets	<u>683,468</u>	<u>1,797</u>	<u>308,412</u>	<u>993,677</u>
<u>Long-Term Debt:</u>				
State of Tennessee loans	2,129,547	-	8,394,049	10,523,596
State municipal bond	4,418,000	-	-	4,418,000
Lease payable	69,071	-	-	69,071
Less current portion	(473,016)	-	(308,412)	(781,428)
Total Long-term debt	<u>6,143,602</u>	<u>-</u>	<u>8,085,637</u>	<u>14,229,239</u>
TOTAL LIABILITIES	<u>6,827,070</u>	<u>1,797</u>	<u>8,394,049</u>	<u>15,222,916</u>

NET ASSETS

Invested in capital assets, net of related debt	30,662,114	152,112	-	30,814,226
Unrestricted	<u>10,074,734</u>	<u>451,309</u>	<u>2,000,000</u>	<u>12,526,043</u>
TOTAL NET ASSETS	<u>40,736,848</u>	<u>603,421</u>	<u>2,000,000</u>	<u>43,340,269</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$47,563,918</u>	<u>\$ 605,218</u>	<u>\$10,394,049</u>	<u>\$ 58,563,185</u>

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 - COMBINED
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Water and Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Sewer Expansion Fund</u>	<u>Total</u>
<u>OPERATING REVENUES</u>				
Water sales	\$ 3,796,211	\$ -	\$ -	\$ 3,796,211
Storm water fees	-	700,653	-	700,653
Penalties	126,257	-	-	126,257
Service charges	3,121,225	-	-	3,121,225
Installation fees	750	-	-	750
Tap fees	1,000,841	-	-	1,000,841
Development fees	455,215	-	-	455,215
Miscellaneous	132,362	-	-	132,362
	<u>8,632,861</u>	<u>700,653</u>	<u>-</u>	<u>9,333,514</u>
TOTAL OPERATING REVENUES				
<u>OPERATING EXPENSES</u>				
Salaries	1,425,622	164,326	-	1,589,948
Employee benefits	588,667	72,536	-	661,203
Postage	39,506	25	-	39,531
Dues and subscriptions	53,701	4,608	-	58,309
Utility services	627,611	-	-	627,611
Professional services	382,690	73,933	-	456,623
Repair and maintenance	415,120	30,973	-	446,093
Telephone	-	597	-	597
Travel	2,072	1,462	-	3,534
Other contractual services	159,230	7,573	-	166,803
Office supplies and materials	8,779	1,632	-	10,411
Operating supplies	522,667	-	-	522,667
Printing	-	225	-	225
Uniforms	5,750	2,140	-	7,890
Automobile expenses	65,396	10,282	-	75,678
Insurance	91,211	11,144	-	102,355
State fees	24,688	-	-	24,688
Miscellaneous expense	12,344	9,265	-	21,609
Depreciation	1,009,882	40,658	-	1,050,540
	<u>5,434,936</u>	<u>431,379</u>	<u>-</u>	<u>5,866,315</u>
TOTAL OPERATING EXPENSES				
OPERATING INCOME (LOSS)	<u>3,197,925</u>	<u>269,274</u>	<u>-</u>	<u>3,467,199</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest income	22,896	572	-	23,468
Interest expense	(156,716)	-	-	(156,716)
	<u>(133,820)</u>	<u>572</u>	<u>-</u>	<u>(133,248)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)				
CAPITAL GRANT REVENUE - DEBT FORGIVENESS	-	-	2,000,000	2,000,000
TRANSFERS OUT	(117,351)	-	-	(117,351)
CHANGE IN NET ASSETS	2,946,754	269,846	2,000,000	5,216,600
NET ASSETS, BEGINNING OF YEAR	<u>37,790,094</u>	<u>333,575</u>	<u>-</u>	<u>38,123,669</u>
NET ASSETS, END OF YEAR	<u>\$ 40,736,848</u>	<u>\$ 603,421</u>	<u>\$ 2,000,000</u>	<u>\$ 43,340,269</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, 2012

	<u>Water and Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Sewer Expansion Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 8,608,005	\$ 714,868	\$ -	\$ 9,322,873
Payments to employees	(2,014,289)	(236,862)	-	(2,251,151)
Other operating receipts	132,362	-	2,000,000	2,132,362
Other operating expenses	<u>(2,587,945)</u>	<u>(159,097)</u>	<u>-</u>	<u>(2,747,042)</u>
Net cash provided (used) by operating activities	<u>4,138,133</u>	<u>318,909</u>	<u>2,000,000</u>	<u>6,457,042</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Net receipts (payments) on interfund borrowings	(731,676)	-	1,529,512	797,836
Transfers in lieu of taxes	<u>(117,351)</u>	<u>-</u>	<u>-</u>	<u>(117,351)</u>
Net cash provided (used) by non-capital financial activities	<u>(849,027)</u>	<u>-</u>	<u>1,529,512</u>	<u>680,485</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal payments on long term debt	(479,327)	-	-	(479,327)
Proceeds from State of Tennessee revolving loan	-	-	8,394,049	8,394,049
Interest paid on revolving line of credit	(156,716)	-	-	(156,716)
Cash payments for the purchase of plant assets	<u>(2,552,295)</u>	<u>(150,697)</u>	<u>(9,793,945)</u>	<u>(12,496,937)</u>
Net cash provided (used) by capital & related financing	<u>(3,188,338)</u>	<u>(150,697)</u>	<u>(1,399,896)</u>	<u>(4,738,931)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Redemption of certificate of deposit	-	-	-	-
Interest received on cash deposits	<u>22,896</u>	<u>572</u>	<u>-</u>	<u>23,468</u>
Net cash provided (used) by investing activities	<u>22,896</u>	<u>572</u>	<u>-</u>	<u>23,468</u>
Net increase (decrease) in cash	123,664	168,784	2,129,616	2,422,064
CASH - BEGINNING OF YEAR	<u>6,353,124</u>	<u>190,495</u>	<u>-</u>	<u>6,543,619</u>
CASH - END OF YEAR	<u>\$ 6,476,788</u>	<u>\$ 359,279</u>	<u>\$ 2,129,616</u>	<u>\$ 8,965,683</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided				
(Used) by Operating Activities				
Operating Income	\$ 3,197,925	\$ 269,274	\$ 2,000,000	\$ 5,467,199
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Cash flows reported in other categories:				
Depreciation	1,009,882	40,658	-	1,050,540
Inventory of supplies	(13,445)	-	-	(13,445)
Changes in assets and liabilities:				
Receivables, trade	(107,506)	14,215	-	(93,291)
Accounts payable	51,277	(5,238)	-	46,039
Contracts payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 4,138,133</u>	<u>\$ 318,909</u>	<u>\$ 2,000,000</u>	<u>\$ 6,457,042</u>

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

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, Tennessee (the "City") conform to, generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Reporting Entity

The City's combined financial statements include the accounts of all city operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the Organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Spring Hill, Tennessee has no component units.

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. 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, sewer expansion 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 while non-major are combined in a single column.

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. 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 Sewer Expansion Fund accounts for waste water treatment plant expansion to the citizens of the City. The Storm Water Fund accounts for storm water fees to the citizens of the City.

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

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

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

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, 2012.

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (Continued)

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

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

H. Property, Plant, and Equipment - Enterprise Fund

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

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.

L. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Water and Sewer Enterprise Fund, Sewer Expansion Fund and Storm Water 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 Balances

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 net assets**.

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Net Assets and Fund Balances (Continued)

In the fund financial statements, the City implemented Governmental Accounting Standard Board (GASB) Statement 54 for its governmental funds. The fund balances are reported under the following five classifications:

Non-spendable fund balance – amounts that cannot currently be spent, such as inventories.

Restricted fund balance – fund balances that can be spent only for specific purposes stipulated by external parties, constitutional provisions, or enabling legislation.

Committed fund balance – amounts that can only be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority.

Assigned fund balance – amounts the City intends to use for a specific purpose but do not meet the definition of being restricted or committed. Intent can be expressed by the body or official to which the governing body delegates the authority.

Unassigned fund balance – represents the residual classification and includes all spendable amounts not included in other classifications.

The City had restricted and unassigned fund balances as of June 30, 2012. The restricted fund balance consisted of State Street Aid expenditures.

It is the City's policy to use any available non-spendable, committed, or assigned resources, in this hierarchical order, prior to expending unassigned resources. Since the City did not have non-spendable, committed, or assigned resources to use as of June 30, 2012, it expended unassigned resources when needed.

N. Use of Estimates

The preparation of basic financial statements in conformity 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, 2012

2. CASH AND CASH EQUIVALENTS

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

At June 30, 2012, the cash deposits consisted of the following:

	<u>Weighted Average Maturity (Months)</u>	<u>Fair Value or Carrying Amount</u>
Cash	N/A	<u>\$ 12,184,400</u>
Total cash deposits		<u>\$ 12,184,400</u>

Interest Rate Risk

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

Custodial Credit Risk

The City's policies limit deposits and investments to those instruments allowed by applicable state laws as described below. Statutes authorize the City to invest in: (1) U.S. Government securities and obligations guaranteed by the U.S. Government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; and (3) the Local Government Investment Pool of the State of Tennessee. During the current fiscal year, the City invested funds that were not immediately needed in savings accounts and certificate of deposits. Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool. As of June 30, 2012, 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, 2012

2. CASH AND CASH EQUIVALENTS

The City's deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 2012. 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 were no Category 2 or Category 3 credit risk at June 30, 2012.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012, consist of the following:

Fund	Other Governments	Property Taxes	Customer Accounts	Total
General Fund	\$ 515,392	\$ 4,167,945	\$ -	\$ 4,683,337
Enterprise Fund	-	-	1,180,033	1,180,033
Less allowance for doubtful accounts	-	(11,333)	(5,000)	(16,333)
Total	\$ 515,392	\$ 4,156,612	\$ 1,175,033	\$ 5,847,037

4. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2012 are attributable to unsettled balances at year end primary for internal service billings and transfers between funds.

Balances at June 30, 2012 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	\$ 11,755	\$ 11,966
Adequate Facilities Fund	-	-	-	958,280
State Street Aid Fund	-	-	-	-
Water and Sewer Enterprise Fund	-	-	-	-
Total all funds	\$ -	\$ 76,667	\$ 11,755	\$ 970,246

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, 2012

4. INTERFUND TRANSACTIONS (CONTINUED)

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

Transfers for the year ended June 30, 2012 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	117,351	-	-	-	-
Storm Water Fund	-	-	-	-	-
Total all funds	\$ 117,351	\$ -	\$ -	\$ -	\$ -

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 includes funds set aside for construction projects, debt service, and other purposes. Restricted assets as of June 30, 2012, are as follows:

Water and Sewer Enterprise Fund	
Water and Sewer Plant expansion and improvement	<u>\$ 2,732,885</u>

6. LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended June 30, 2012, the changes in long-term liabilities were as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due within one year
Governmental Activities					
Capital outlay note payable	\$ 1,000,000	\$ -	\$ 500,000	\$ 500,000	\$ 500,000
Notes payable	6,534,762	154,932	641,497	6,048,197	720,405
Total Governmental Activities					
Long-term Liabilities	\$ 7,534,762	\$ 154,932	\$ 1,141,497	\$ 6,548,197	\$ 1,220,405

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

6. LONG-TERM LIABILITIES (CONTINUED)

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due within one year
Business-type Activities					
Public Improvement Bond	\$ 4,613,000	\$ -	\$ 195,000	\$ 4,418,000	\$ 205,000
State of Tennessee Loan Program	2,371,832	-	242,285	2,129,547	229,032
Clean Water State Revolving Fund		10,394,049	2,000,000 *	8,394,049	308,412
Notes payable	111,113	-	42,043	69,071	38,984
Total Business-type Activities					
Long-term Liabilities	\$ 7,095,945	\$ 10,394,049	\$ 2,479,328	\$ 15,010,667	\$ 781,428

* Loan Forgiveness

Description of long-term liabilities:

Amounts payable at June 30, 2012 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.

500,000

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%.

453,316

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%.

37,643

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%.

295,064

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%.

312,242

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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.

4,795,000

The City has obtained a loan from US Bank Corporation for the purchase of police vehicles in the amount of \$154,932. The note is payable in two yearly installments of \$79,820 beginning March 23, 2013 at a rate of 2.02%.

154,932

Total Notes Payable

\$ 6,548,197

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.

\$ 4,418,000

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.

2,129,547

Clean Water State Revolving Fund

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

8,000,000

The City obtained a loan from the State of Tennessee for the construction of waste water treatment plant in the amount of \$7,200,000. Draw downs are requested each month as work progresses. The note bears an interest rate of 2.62% and matures in 2032 monthly payments of \$23,481 including interest.

394,049

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

6. LONG-TERM LIABILITIES (CONTINUED)

Business-type Activities - continued

Capital Lease:

The City purchased a sewer cleaning truck 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.

69,071

Total Business-type Activities debt

\$ 15,010,667

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, 2012

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, 2012, are as follows:

Year	Governmental Activities	
	Principal	Interest
2013	1,220,405	279,613
2014	631,923	230,583
2015	407,911	208,105
2016	423,560	191,457
2017	441,398	180,407
Thereafter	3,423,000	835,952
Totals	\$ 6,548,197	\$ 1,926,117

Year	Business-type Activities						Total			
	Bonds		State Loan Program		Clean Water State Revolving Fund		Lease Payable			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2013	205,000	11,929	229,032	52,740	308,412	205,920	38,984	3,058	781,428	273,647
2014	215,000	11,375	235,008	46,752	316,596	197,736	30,087	1,558	796,691	257,421
2015	226,000	10,795	241,152	40,620	324,996	189,336	-	-	792,148	240,751
2016	237,000	10,184	247,440	34,332	333,612	180,720	-	-	818,052	225,236
2017	249,000	9,545	253,908	27,864	342,456	171,876	-	-	845,364	209,285
2018-2022	1,443,000	36,952	923,007	45,240	1,853,400	162,792	-	-	4,219,407	244,984
2023-2027	1,843,000	15,408	-	-	2,112,528	669,120	-	-	3,955,528	684,528
2028-2032	-	-	-	-	2,802,049	509,284	-	-	2,802,049	509,284
Totals	\$ 4,418,000	\$ 106,188	\$ 2,129,547	\$ 247,548	\$ 8,394,049	\$ 2,286,784	\$ 69,071	\$ 4,616	\$ 15,010,667	\$ 2,645,136

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

9. CAPITAL ASSETS

A summary of changes in General Fund capital assets follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<i>Capital assets, not being depreciated -</i>				
Land	\$ 233,931	\$ 215,898	\$ -	\$ 449,829
Subtotal	<u>\$ 233,931</u>	<u>\$ 215,898</u>	<u>\$ -</u>	<u>\$ 449,829</u>
<i>Capital assets, being depreciated -</i>				
Building and improvements	6,495,932	41,707	-	6,537,639
Equipment	6,827,556	456,717	-	7,284,273
Infrastructure	4,168,691	-	-	4,168,691
Subtotal	<u>17,492,179</u>	<u>498,424</u>	<u>-</u>	<u>17,990,603</u>
<i>Accumulated Depreciation:</i>				
Building and improvements	\$ 1,874,792	\$ 172,672	\$ -	\$ 2,047,464
Equipment	4,880,023	486,500	-	5,366,523
Infrastructure	1,564,562	281,724	-	1,846,286
Subtotal	<u>8,319,377</u>	<u>940,896</u>	<u>-</u>	<u>9,260,273</u>
Capital assets, being depreciated, net	<u>9,172,802</u>	<u>(442,472)</u>	<u>-</u>	<u>8,730,330</u>
Capital assets, net	<u>\$ 9,406,733</u>	<u>\$ (226,574)</u>	<u>\$ -</u>	<u>\$ 9,180,159</u>

A summary of the Water and Sewer Enterprise Fund property, plant, and equipment at June 30, 2012, is presented below:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<i>Water plant</i>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 229,157	\$ 410,000	\$ -	\$ 639,157
Easements	82,941	-	-	82,941
Construction in progress - water	735,368	11,629,958	-	12,365,326
Subtotal	<u>1,047,466</u>	<u>12,039,958</u>	<u>-</u>	<u>13,087,424</u>
<i>Capital assets, being depreciated</i>				
Water system in operation	17,376,483	47,051	-	17,423,534
Equipment	1,242,083	270,921	-	1,513,004
Subtotal	<u>18,618,566</u>	<u>317,972</u>	<u>-</u>	<u>18,936,538</u>
<i>Accumulated Depreciation:</i>				
Water system in operation	3,496,616	348,502	-	3,845,118
Equipment	814,874	184,093	-	998,967
Subtotal	<u>4,311,490</u>	<u>532,595</u>	<u>-</u>	<u>4,844,085</u>
Water plant, being depreciated, net	<u>14,307,076</u>	<u>(214,623)</u>	<u>-</u>	<u>14,092,453</u>
Total water plant, net	<u>\$ 15,354,542</u>	<u>\$ 11,825,335</u>	<u>\$ -</u>	<u>\$ 27,179,877</u>

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

9. CAPITAL ASSETS - (CONTINUED)

	Balance		Balance
	June 30, 2011	Additions	June 30, 2012
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	139,007	1,105,546
Subtotal	1,104,051	139,007	1,243,058
 <i>Capital Assets, being depreciated -</i>			
Buildings	6,414	-	6,414
Sewerage treatment plant	7,344,358	-	7,344,358
Lines and services	17,447,815	-	17,447,815
Lab equipment	52,399	-	52,399
Other equipment	329,131	-	329,131
Subtotal	25,180,117	-	25,180,117
 <i>Accumulated Depreciation:</i>			
Buildings	4,912	55	4,967
Sewerage treatment plant	1,928,355	145,332	2,073,687
Lines and services	3,563,452	354,628	3,918,080
Lab equipment	52,399	-	52,399
Other equipment	311,200	17,930	329,130
Subtotal	5,860,318	517,945	6,378,263
 Sewer plant, being depreciated, net	19,319,799	(517,945)	18,801,854
 Total sewer plant, net	20,423,850	(378,938)	20,044,912
 Total Utility Plant	\$ 35,778,392	\$ 11,446,397	\$ 47,224,789

Depreciation expense was charged to function/programs for the year ended June 30, 2012 as follows:

General Fund

General government and administration	\$ 90,468
Public safety	515,007
Public works	179,924
Culture	155,497
Total depreciation expense - general fund	\$ 940,896

Water and Sewer Fund

Water plant	\$ 532,595
Sewer plant	517,945
Total depreciation expense - general fund	\$ 1,050,540

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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/.

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, 2012, the City of Spring Hill's annual pension cost of \$362,077 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, 2012

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, 2011 which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 362,077	100.00%	\$ -
June 30, 2011	\$ 313,906	100.00%	\$ -
June 30, 2010	\$ 325,688	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, 2011	\$ 5,875	\$ 6,671	\$ 796	88.07%	\$ 5,802	13.72%
July 1, 2009	\$ 3,875	\$ 4,030	\$ 155	96.15%	\$ 5,802	2.67%
July 1, 2007	\$ 2,743	\$ 2,908	\$ 165	94.33%	\$ 4,996	3.30%

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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). Work has progressed during the year and is ongoing. As of June 30, 2012, \$10,394,049 has been spent.

Contingencies:

The City has 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, 2012, approximately 1.51% 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, 2012

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. PROPERTY TAXES

The property tax levy for the year 2011 was \$4,036,558.

17. RESTRICTED FUND BALANCES AND RETAINED EARNINGS

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

	Balance <u>June 30, 2011</u>	Increase (Decrease)	Balance <u>June 30, 2012</u>
General Fund fund balance			
Restricted for state street aid expenditures	<u>\$ 1,122,384</u>	<u>\$ (364,793)</u>	<u>\$ 757,591</u>

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 27, 2012 which is the date the financial statements were available to be issued. The following were found:

The City received \$369,008 for housing rehabilitation programs from the State of Tennessee Community Development Block Grant. The majority of the work on this grant began after year end.

The City continued with the construction of expansion of Wastewater Treatment Plant. 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 \$8,000,000 loan was fully utilized at June 30, 2012. The City drew down additional funds of \$3,121,855 after June 30, 2012. The City will draw down additional funds as work progresses.

The City accepted the lowest bid for a Knuckle Boom Truck for \$108,954. The City also accepted the only bid for partial financing from First Farmers and Merchants Bank for \$75,000 for two years at 1.75% interest.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2012

(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, 2011	\$ 5,875	\$ 6,671	\$ 796	88.07%	\$ 5,802	13.72%
July 1, 2009	\$ 3,875	\$ 4,030	\$ 155	96.15%	\$ 5,802	2.67%
July 1, 2007	\$ 2,743	\$ 2,908	\$ 165	94.33%	\$ 4,996	3.30%

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, 2012**

	LIBRARY FUND	DRUG FUND	STATE STREET AID FUND	TOTAL
ASSETS				
Cash	\$ 40,528	\$ 70,583	\$ 273,538	\$ 384,649
Total assets	<u>\$ 40,528</u>	<u>\$ 70,583</u>	<u>\$ 273,538</u>	<u>\$ 384,649</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ -	\$ 1,422	\$ 115,400	\$ 116,822
Due to other funds	-	-	11,755	11,755
Total liabilities	<u>-</u>	<u>1,422</u>	<u>127,155</u>	<u>128,577</u>
Fund balances				
Unreserved	<u>40,528</u>	<u>69,161</u>	<u>146,383</u>	<u>256,072</u>
Total fund balances	<u>40,528</u>	<u>69,161</u>	<u>146,383</u>	<u>256,072</u>
Total liabilities and fund balances	<u>\$ 40,528</u>	<u>\$ 70,583</u>	<u>\$ 273,538</u>	<u>\$ 384,649</u>

CITY OF SPRING HILL, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	LIBRARY FUND	DRUG FUND	STATE STREET AID FUND	TOTAL
REVENUES				
Gasoline tax, state of Tennessee	\$ -	\$ -	\$ 1,131,875	\$ 1,131,875
Grants	1,419	-	-	1,419
Fines and forfeits	-	49,761	-	49,761
Contributions	22,779	-	-	22,779
Interest revenue	-	87	772	859
	<u>24,198</u>	<u>49,848</u>	<u>1,132,647</u>	<u>1,206,693</u>
EXPENDITURES				
Public safety				
Police	-	37,034	-	37,034
Public Works				
Streets	-	-	1,105,632	1,105,632
Culture and Recreation				
Library	30,946	-	-	30,946
Interest Expense	-	-	28,667	28,667
Total expenditures	<u>30,946</u>	<u>37,034</u>	<u>1,134,299</u>	<u>1,202,279</u>
Excess of revenues over (under) expenditures	(6,748)	12,814	(1,652)	4,414
Fund balance, beginning of year	<u>47,276</u>	<u>56,347</u>	<u>148,035</u>	<u>251,658</u>
Fund balance, end of year	<u>\$ 40,528</u>	<u>\$ 69,161</u>	<u>\$ 146,383</u>	<u>\$ 256,072</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Fines and forfeits			
Drug related fines	\$ 40,000	\$ 49,761	(9,761)
Interest revenue	50	87	(37)
Miscellaneous	500	-	500
	<u>40,550</u>	<u>49,848</u>	<u>(9,298)</u>
Total revenues			
EXPENDITURES - PUBLIC SAFETY			
Police			
Operating supplies	15,000	22,534	(7,534)
Travel	500	-	500
Capital outlay	14,500	14,500	-
	<u>30,000</u>	<u>37,034</u>	<u>(7,034)</u>
Total expenditures			
Excess of revenues over/(under) expenditures	10,550	12,814	(2,264)
Fund balance, beginning of year	<u>56,347</u>	<u>56,347</u>	<u>-</u>
Fund balance, end of year	<u>\$ 66,897</u>	<u>\$ 69,161</u>	<u>\$ (2,264)</u>

**CITY OF SPRING HILL, TENNESSEE
LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	Budget	Actual	Variance
REVENUES			
Revenues			
Contributions	\$ 14,445	\$ 22,779	\$ (8,334)
Grant	-	1,419	(1,419)
Total revenues	14,445	24,198	(9,753)
EXPENDITURES			
Contractual services	3,500	7,812	(4,312)
Office/operating supplies	5,675	4,377	1,298
Travel	500	164	336
Miscellaneous	500	314	186
Capital outlay	18,300	18,279	21
Total expenditures	28,475	30,946	(2,471)
Excess of revenues over/(under) expenditures	(14,030)	(6,748)	(7,282)
Fund balance, beginning of year	47,276	47,276	-
Fund balance, end of year	\$ 33,246	\$ 40,528	\$ (7,282)

CITY OF SPRING HILL, TENNESSEE
STATE STREET AID FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental:			
State gasoline and motor fuel tax and fees	\$ 1,130,000	\$ 1,131,875	\$ (1,875)
Use of money and property:			
Interest revenue	<u>750</u>	<u>772</u>	<u>(22)</u>
Total revenues	<u>1,130,750</u>	<u>1,132,647</u>	<u>(1,897)</u>
EXPENDITURES			
Contractual services	400,000	477,700	(77,700)
Repair and maintenance - roads	90,000	85,450	4,550
Operating supplies	171	171	-
Principal due on notes	500,000	500,000	-
Interest expense	28,667	28,667	-
Road to Williamson Co. recreation center	<u>42,311</u>	<u>42,311</u>	<u>-</u>
Total expenditures	<u>1,061,149</u>	<u>1,134,299</u>	<u>(73,150)</u>
Excess of revenues over/(under) expenditures	69,601	(1,652)	71,253
Fund balance, beginning of year	<u>148,035</u>	<u>148,035</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 217,636</u></u>	<u><u>\$ 146,383</u></u>	<u><u>\$ 71,253</u></u>

SUPPLEMENTAL INFORMATION

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2012

Tax Year	Balance July 1, 2011	Levy	Collections and Changes in Assessment	Balance June 30, 2012
2011	\$ 107,511	\$ 4,036,558	\$ (4,060,573)	\$ 83,496
Prior Years	19,116	-	23,040	42,156
Total Taxes Receivable	\$ 126,627	\$ 4,036,558	\$ (4,037,533)	\$ 125,652
Less allowance for estimated uncollectible				(11,333)
Total Taxes Receivable, net				\$ 114,319

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)
JUNE 30, 2012

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 EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Program Name	CFDA Number	Contract/Grant Number	Receivable (Deferred) Balance July 1, 2011	Grant Receipts	Grant Expenditures	Receivable (Deferred) Balance June 30, 2012
FEDERAL:						
UNITED STATES DEPARTMENT OF JUSTICE Bulletproof Vest Partnership	16.607	2011BUBX11059863	\$ -	\$ 2,718	2,718	\$ -
FEDERAL EMERGENCY MANAGEMENT AGENCY Assistance to Fire Fighters	97.044	EMW-2010-FO-02164	(87,654)	34,200	121,854	-
FEDERAL EMERGENCY MANAGEMENT AGENCY Emergency Management	97.036	34101-000005823	-	2,699	2,699	-
LIBRARY AND ARCHIVES Technology	45.310	30504-00812	-	1,419	1,419	-
ENVIRONMENTAL PROTECTION AGENCY State Revolving Loan Fund State Revolving Loan Fund - Debt Forgiveness	66.458 66.458	CGO - 2010-267 CGO - 2010-267	- -	2,581,803 2,000,000	2,581,803 2,000,000	- -
Total Federal			(87,654)	4,622,839	4,710,493	-

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Program Name	CFDA Number	Contract/Grant Number	Receivable (Deferred) Balance July 1, 2011	Grant Receipts	Grant Expenditures	Receivable (Deferred) Balance June 30, 2012
STATE:						
TENNESSEE DEPARTMENT OF FINANCE & ADMINISTRATION						
Stop	N/A	N/A	3,073	38,524	39,454	4,003
TENNESSEE DEPARTMENT OF ECONOMIC & COMMUNITY DEVELOPMENT						
Energy Efficient Conservation	N/A	N/A	34,699	52,990	18,291	-
Community Development Block	N/A	N/A	-	1,500	1,500	-
ENVIRONMENTAL PROTECTION AGENCY						
State Revolving Loan Fund	N/A	N/A	-	5,812,346	5,812,346	-
		Total State	\$ 37,772	\$ 5,905,360	\$ 5,871,591	\$ 4,003
		Total Federal and State	\$ (49,882)	\$ 10,528,199	\$ 10,582,084	\$ 4,003

This schedule is presented on the accrual basis of accounting.
This schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
LONG-TERM BONDED OBLIGATIONS AND NOTES PAYABLE
JUNE 30, 2012

Bonds Outstanding For the Year Ended June 30,	0.27%	
	Tennessee Municipal Bond	
	<u>Principal</u>	<u>Interest</u> *
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	1,094
	<u>\$ 4,418,000</u>	<u>\$ 106,189</u>

* Interest rate of bonds is variable. Scheduled interest payments at current rate as of June 30, 2012.
 Actual future rates will vary.

Notes Payable Outstanding For the Year Ended June 30,	2.62%	
	State of Tennessee Note **	
	<u>Principal</u>	<u>Interest</u>
2013	308,412	205,920
2014	316,596	197,736
2015	324,996	189,336
2016	333,612	180,720
2017	342,456	171,876
2018	351,540	162,792
2019	360,852	153,480
2020	370,428	134,304
2021	380,244	134,088
2022	390,336	123,996
2023	400,680	113,652
2024	411,312	103,020
2025	422,220	92,112
2026	433,416	80,916
2027	444,900	69,432
2028	456,696	57,636
2029	468,816	45,516
2030	481,236	33,096
2031	494,004	20,328
2032	507,248	7,884
	<u>\$ 8,000,000</u>	<u>\$ 2,277,840</u>

** Loan was \$10,000,000 of which \$2,000,000 was forgiven.

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
NOTES PAYABLE
JUNE 30, 2012

Note Payable Outstanding For the Year Ended June 30,	2.58%		*
	State of Tennessee Note		
	<u>Principal</u>	<u>Interest</u>	
2013	229,032	52,740	
2014	235,012	46,752	
2015	241,148	40,620	
2016	247,443	34,332	
2017	253,904	27,864	
2018	260,532	21,240	
2019	267,334	14,436	
2020	274,313	7,452	
2021	120,829	2,112	
	<u>\$ 2,129,547</u>	<u>\$ 247,548</u>	

* Interest rate of note is variable. Scheduled interest payments at current rate as of June 30, 2012. Actual future rates will vary.

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

* Interest rate of note is variable. Scheduled interest payments at current rate as of June 30, 2012. Actual future rates will vary.

CITY OF SPRING HILL, TENNESSEE
 SCHEDULE OF DEBT SERVICE REQUIREMENTS
 CHANGES LONG-TERM DEBT OBLIGATIONS
JUNE 30, 2012

DESCRIPTION	ORIGINAL AMOUNT OF ISSUE	INTEREST RATE	DATE OF ISSUE	DUE DATES	OUTSTANDING JULY 1, 2011	ADDITIONS YEAR ENDED 6/30/2012	RETIREMENTS YEAR ENDED 6/30/2012	INTEREST PAID YEAR ENDED 6/30/2012	OUTSTANDING 6/30/2012
GENERAL FUND									
Federal Signal Leasing									
Fire-truck - E-One HP 75	804,301	5.25%	2/8/2007	February 8 (A)	530,874	-	77,558	27,871	453,316
G067 Side-Stacker									
BSFS Equipment Leasing	93,911	6.27%	7/6/2006		17,752	-	17,752	514	-
911 BellSouth Equipment									
Williamson County Rec Center Bldg.	3,990,000	Variable	7/28/2006		3,800,000	-	185,000	169,988	3,615,000
Williamson County Rec Center Bldg.	1,395,000	Variable	2/22/2007		1,240,000	-	60,000	55,924	1,180,000
John Deere Credit									
Rotary Boom Mower and Tractor	76,953	4.75%	8/27/2010		58,595	-	20,952	1,782	37,643
SunTrust Equipment Financing									
Police Vehicles & Fire Truck	545,482	2.12%	11/29/2010		415,865	-	120,801	8,816	295,064
Siemens Public Inc. CAD System	645,217	2.99%	10/7/2010		471,678	-	159,436	14,103	312,242
US Bank Corp Leasing									
9 Police Vehicles	154,932	2.02%	3/23/2012		-	154,932	-	-	154,932
					\$ 6,534,764	\$ 154,932	\$ 641,499	\$ 278,998	\$ 6,048,197
WATER FUND									
SunTrust Equipment Financing									
Jet-Vector 2105 Sewer Cleaner	153,156	3.50%	6/14/2010		\$ 111,113	\$ -	\$ 42,042	\$ 5,894	\$ 69,071

(A) = Annual

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

Fiscal Year	Tax Year	County	Tax Rate*	Total Assessment
2012	2011	Maury	0.59	207,961,965
		Williamson	0.59	458,312,983
2011	2010	Maury	0.57	202,551,970
		Williamson	0.6	457,439,932
2010	2009	Maury	0.6	196,199,392
		Williamson	0.6	446,203,175
2009	2008	Maury	0.6	172,794,346
		Williamson	0.6	431,132,201
2008	2007	Maury	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

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

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF UTILITY RATES (UNAUDITED)
JUNE 30, 2012

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, 2012 - 11,263

SEWER RATES

Based on actual number of gallons used during
the month

First 2,000	Minimum		10.97
Over 2,000			4.11

Number of customers at June 30, 2012 - 10,357

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER (UNAUDITED)
JUNE 30, 2012

(All Amounts in Gallons)

A	Water Treated and Purchased:		
B	Water Pumped (potable)	535,269,000	
C	Water Purchased	3,753,900	
D	Total Water Treated and Purchased (Sum Lines B and C)		539,022,900
E	Accounted for Water:		
F	Water Sold	71,444,346	
G	Metered for Consumption (in house usage)	406,765,720	
H	Fire Department Usage	-	
I	Flushing	544,653	
J	Tank Cleaning/Filling	753,720	
K	Street Cleaning	-	
L	Bulk Sales	3,353,287	
M	Water bill Adjustments / plus or (minus)	-	
N	Total Accounted for Water (Sum Lines F thru M)		482,861,726
O	Unaccounted for water (Line D minus Line N)		56,161,174
P	Percent Unaccounted for Water (Line O divided by Line D times 100)		10.42%

Q Other (explain) See Below

Explain Other

None

All amounts included in this schedule are supported by documentation on file at 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



BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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, 2012, which collectively comprise the City of Spring Hill, Tennessee's basic financial statements and have issued our report thereon dated November 27, 2012. 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

Management of the City of Spring Hill, Tennessee is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 12-01 and 12-02. 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 responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of Spring Hill, Tennessee's responses 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, the State of Tennessee, and the City's regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bellenfant Q Miles, PLLC

November 27, 2012



BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited City of Spring Hill, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Spring Hill, Tennessee's major federal programs for the year ended June 30, 2012. City of Spring Hill, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Spring Hill, Tennessee's management. Our responsibility is to express an opinion on City of Spring Hill, Tennessee's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Spring Hill, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Spring Hill, Tennessee's compliance with those requirements.

In our opinion, City of Spring Hill, Tennessee complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 12-01 and 12-02.

Internal Control over Compliance

Management of City of Spring Hill, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Spring Hill, Tennessee's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Spring Hill, Tennessee's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal*

control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

Bellenfant & Miles, PLLC

November 27, 2012

CITY OF SPRING HILL, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

PART 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

_____ Yes X No

Significant deficiencies identified not
considered to be material weaknesses?

 X Yes _____ None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal Control over major programs:

Material weaknesses identified?

_____ Yes X No

Significant deficiencies identified not
considered to be material weaknesses?

_____ Yes X None Reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in
accordance with A-133, Section 501(a)?

_____ Yes X No

Identification of major programs:

State Revolving Loan Fund (CFDA# 66.458)

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

CITY OF SPRING HILL, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

FOR THE YEAR ENDED JUNE 30, 2012

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

Finding – 12-01 – DEFICIT BALANCE IN THE ADEQUATE FACILITIES DEVELOPMENT FUND

The fund balance in the Adequate Facilities Development Fund has a deficit of \$355,413.

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 \$311,898 during the year ended June 30, 2012. City staff and officials continue to monitor this fund and anticipate it will be resolved in upcoming budget years.

Finding – 12-02 – 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, 2012

The audit finding relative to a deficit balance in the fund balance of the Adequate Facilities Development Fund, Finding – 12-01, is a repeat finding from the year ended June 30, 2011.

The audit finding relative to general ledger account reconciliations for accounts payable, Finding – 12-02, is a repeat finding from the year ended June 30, 2011. Improvements were made during the year in reconciling other accounts to the general ledger.

All other audit findings from the year ended June 30, 2011 have been resolved.