

CITY OF SPRING HILL, TENNESSEE

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CITY OF SPRING HILL, TENNESSEE
 FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Table of Contents

	<u>Page</u>	
INTRODUCTORY SECTION		
Board of Mayor and Alderman and City Officials	iii	
FINANCIAL SECTION		
INDEPENDENT AUDITOR’S REPORT	1 - 3	
MANAGEMENT’S DISCUSSION AND ANALYSIS	4 - 14	
BASIC FINANCIAL STATEMENTS		
Government-Wide Financial Statements:		
Statement of Net Position	15	
Statement of Activities.....	16	
Fund Financial Statements:		
Governmental Fund Financial Statements:		
Balance Sheet	17	
Reconciliation of the Balance Sheet of Governmental Funds to Statement of Net Position.....	18	
Statement of Revenues, Expenditures, and Changes in Fund Balances	19	
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund.....	21 - 26	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Adequate Facilities/Development Fund.....	27	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Sanitation Fund	28	
Proprietary Funds:		
Statement of Net Position	29	
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	30	
Statement of Cash Flows	31	
Notes to Financial Statements	32 - 60	
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Changes in the Net Pension Liability and Related Ratios - Pension Plan (unaudited).....		61
Schedule of Employer Contributions - Pension Plan (unaudited)		62
Notes to Required Supplementary Information - Pension Plan (unaudited)		63

CITY OF SPRING HILL, TENNESSEE
 FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Table of Contents - Continued

	<u>Page</u>
 COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Combining Balance Sheet - Non-Major Governmental Funds	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	65
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Library Fund	66
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Drug Fund	67
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Impact Fees Fund	68
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Fire Belle Restoration Fund	69
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - State Street Aid Fund	70
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Tourism Fund	71
 SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards and State Financial Assistance.....	72 - 73
Schedule of Changes in Property Taxes Receivable	74
Schedule of Debt Service Requirements	75 - 76
Schedule of Insurance Coverage (unaudited).....	77
Schedule of Property Tax Rates and Assessments - Ten Year Summary (unaudited).....	78
Schedule of Utility Rates (unaudited)	79
 COMPLIANCE AND INTERNAL CONTROL	
State Compliance Schedule	
AWWA Water Audit Software Reporting Schedules (unaudited)	80 - 81
Other Report	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	82 - 83
Schedule of Findings and Responses	84 - 86
Schedule of Prior Year Findings	87

INTRODUCTORY SECTION



CITY OF SPRING HILL, TENNESSEE
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2018

Board of Mayor and Aldermen

Mayor

Rick Graham

Vice Mayor and Alderman

Bruce Hull

Alderman

Chad Whittenburg

Alderman

Matt Fitterer

Alderman

Kevin Gavigan

Alderman

Vincent Fuqua

Alderman

Susan Zemek

Alderman

Jeff Graves

Alderman

Amy Wurth

City Officials

City Administrator

Victor Lay

Assistant City Administrator

Chuck Downham

Finance Director

Patti Amorello, CMFO

Chief of Police

Don Brite

City Planner

Steve Foote

City Recorder

April Goad

Codes Director

Chris Brooks

Communications Officer

Jamie Page

Dispatch Director

Brandi Smith

Fire Chief

Terry Hood

GIS/IT

John Pewitt

Human Resources Director

Shelley Taylor

Infrastructure Director

Philip Stuckert

Library Director

Dana Juriew

Parks & Recreation Director

Kevin Fischer

Public Works Director

Tyler Scroggins

Wastewater Treatment Plant Director

Travis Massey

Water Treatment Plant Director

Caryl Giles

FINANCIAL SECTION





Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spring Hill, Tennessee, (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spring Hill, Tennessee, as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Adequate Facilities / Development Fund and Sanitation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 14, the schedule of changes in the net pension liability and related ratios - pension plan, the schedule of employer contributions - pension plan, and the notes to required supplementary information - pension plan on pages 61 through 63, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Spring Hill, Tennessee's basic financial statements. The introductory section, the combining and individual nonmajor fund statements and schedules on pages 64 through 71, and the supplemental schedules on pages 74 through 81, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance on pages 72 through 73 is presented for purposes of additional analysis as required by the State of Tennessee, and is also not a required part of the basic financial statements.



The combining and individual nonmajor fund statements and schedules, the other schedules on pages 74 through 76, and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund statements and schedules, the other schedules on pages 74 through 76, and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, as listed in the table of contents, and the other schedules on pages 77 through 81 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018, on our consideration of the City of Spring Hill, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Spring Hill, Tennessee's internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
December 28, 2018

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with the City's financial statements (beginning on page 15).

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Spring Hill exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$101,418,012 (total net position).
- The government's total net position increased by \$12,793,934.
- As of the close of the current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$15,147,883, which is an increase of \$2,834,086 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance in the general fund was 26% of total general fund expenditures for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

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

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

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

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

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

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

The City of Spring Hill maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Adequate Facilities / Development Fund, and the Sanitation Fund, which are considered to be major funds. Data for the other non-major governmental funds is provided in the form of combining statements starting on page 64 of this report.

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

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

The basic governmental fund financial statements can be found on pages 17 - 28 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Storm Water Fund. The basic proprietary fund financial statements can be found on pages 29 - 31 of this report.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32 - 60 of this report.

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

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and budgetary comparison statements can be found on pages 64 - 71 of this report.

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Spring Hill, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$101,418,012.

**Net Position - Primary Government
June 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 24,275,118	\$ 19,953,662	\$ 19,980,552	\$ 16,782,866	\$ 44,255,670	\$ 36,736,528
Capital assets	35,036,629	24,039,034	68,074,848	66,927,776	103,111,477	90,966,810
Total assets	<u>59,311,747</u>	<u>43,992,696</u>	<u>88,055,400</u>	<u>83,710,642</u>	<u>147,367,147</u>	<u>127,703,338</u>
Deferred outflows of resources	<u>1,247,657</u>	<u>1,227,664</u>	<u>398,328</u>	<u>391,945</u>	<u>1,645,985</u>	<u>1,619,609</u>
Other liabilities	4,688,685	4,854,474	2,319,611	2,524,029	7,008,296	7,378,503
Long-term liabilities outstanding	<u>18,930,080</u>	<u>11,793,035</u>	<u>14,135,607</u>	<u>15,856,471</u>	<u>33,065,687</u>	<u>27,649,506</u>
Total liabilities	<u>23,618,765</u>	<u>16,647,509</u>	<u>16,455,218</u>	<u>18,380,500</u>	<u>40,073,983</u>	<u>35,028,009</u>
Deferred inflows of resources	<u>7,513,339</u>	<u>5,666,975</u>	<u>7,798</u>	<u>3,885</u>	<u>7,521,137</u>	<u>5,670,860</u>
Net position:						
Net investment in capital assets	15,284,193	11,872,092	52,427,677	49,705,467	67,711,870	61,577,559
Restricted	882,850	291,780	3,904,095	2,524,737	4,786,945	2,816,517
Unrestricted	<u>13,260,257</u>	<u>10,742,004</u>	<u>15,658,940</u>	<u>13,487,998</u>	<u>28,919,197</u>	<u>24,230,002</u>
Total net position	<u>\$ 29,427,300</u>	<u>\$ 22,905,876</u>	<u>\$ 71,990,712</u>	<u>\$ 65,718,202</u>	<u>\$ 101,418,012</u>	<u>\$ 88,624,078</u>

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

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

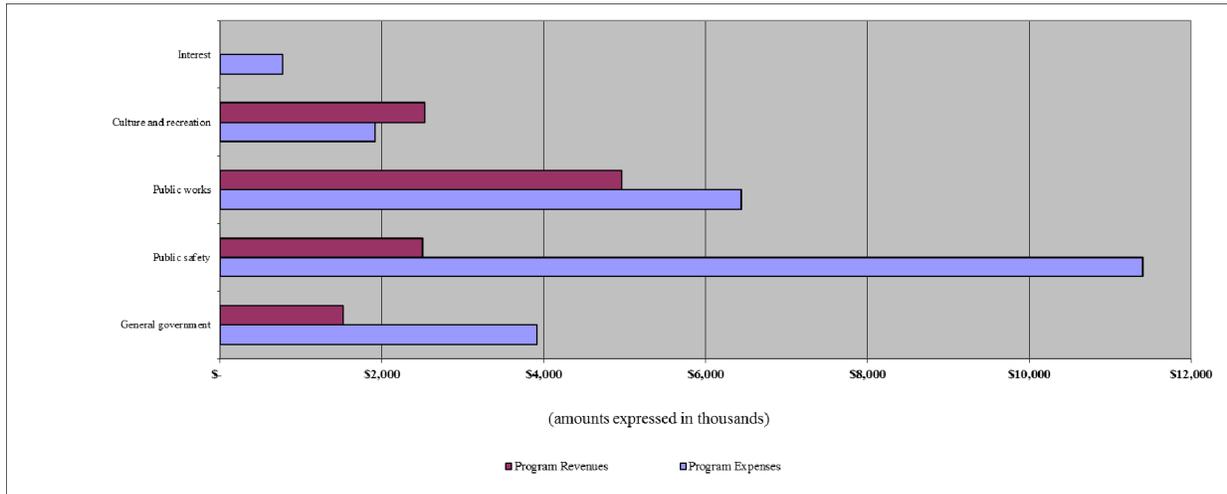
**Changes in Net Position
June 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for service	\$ 6,686,561	\$ 5,898,856	\$ 9,693,081	\$ 9,713,828	\$ 16,379,642	\$ 15,612,684
Operating grants and contributions	1,662,061	1,333,959	-	-	1,662,061	1,333,959
Capital grants and contributions	3,166,306	5,434,411	6,774,059	8,983,684	9,940,365	14,418,095
General revenues:						
Taxes	14,946,721	14,088,456	-	-	14,946,721	14,088,456
Intergovernmental revenues	3,662,641	3,677,657	86,726	-	3,749,367	3,677,657
Unrestricted investment earnings	9,298	7,902	29,714	26,679	39,012	34,581
Rent	-	-	83,916	95,082	83,916	95,082
Sales of materials	4,589	31,706	151,761	140,873	156,350	172,579
Miscellaneous	536,850	58,019	263,286	549,262	800,136	607,281
Total revenues	<u>30,675,027</u>	<u>30,530,966</u>	<u>17,082,543</u>	<u>19,509,408</u>	<u>47,757,570</u>	<u>50,040,374</u>
Expenses:						
General government	3,904,512	2,774,497	-	-	3,904,512	2,774,497
Public safety	11,344,469	10,896,502	-	-	11,344,469	10,896,502
Public works	6,430,800	9,872,744	-	-	6,430,800	9,872,744
Culture and recreation	1,905,968	1,755,108	-	-	1,905,968	1,755,108
Interest	767,208	99,349	-	-	767,208	99,349
Business-type activities	-	-	10,610,679	14,319,397	10,610,679	14,319,397
Total expenses	<u>24,352,957</u>	<u>25,398,200</u>	<u>10,610,679</u>	<u>14,319,397</u>	<u>34,963,636</u>	<u>39,717,597</u>
Change in net position before transfers	6,322,070	5,132,766	6,471,864	5,190,011	12,793,934	10,322,777
Transfers	199,354	162,000	(199,354)	(162,000)	-	-
Change in net position	6,521,424	5,294,766	6,272,510	5,028,011	12,793,934	10,322,777
Net position - beginning of year	<u>22,905,876</u>	<u>17,611,110</u>	<u>65,718,202</u>	<u>60,690,191</u>	<u>88,624,078</u>	<u>78,301,301</u>
Net position - end of year	<u>\$ 29,427,300</u>	<u>\$ 22,905,876</u>	<u>\$ 71,990,712</u>	<u>\$ 65,718,202</u>	<u>\$ 101,418,012</u>	<u>\$ 88,624,078</u>

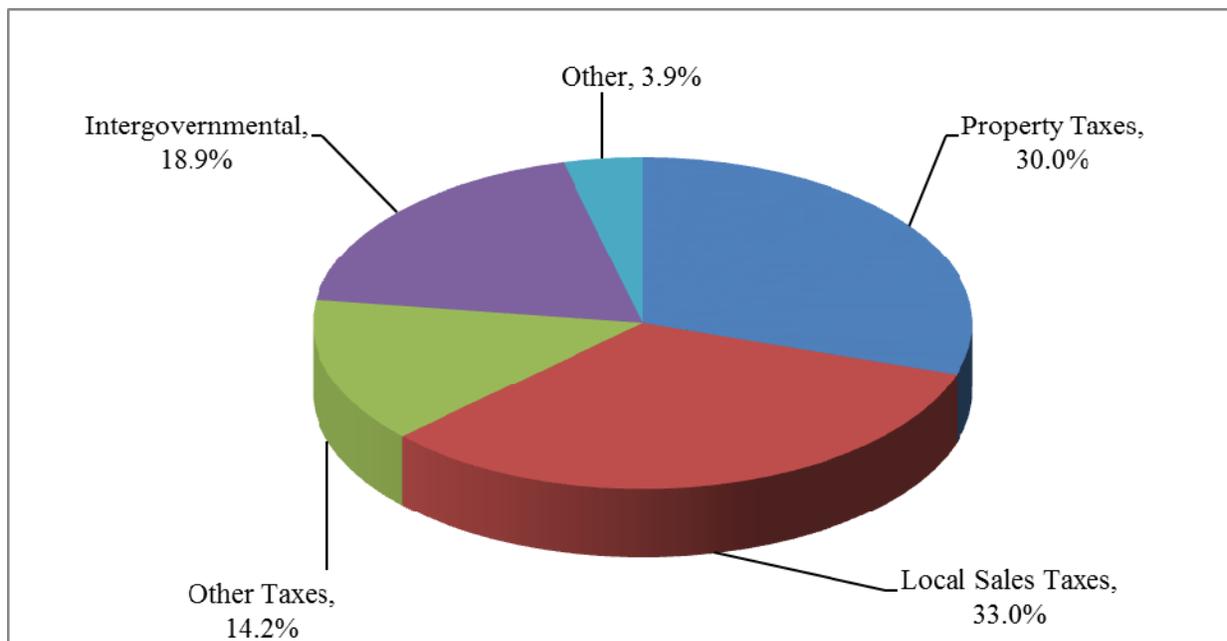
CITY OF SPRING HILL, TENNESSEE
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED JUNE 30, 2018

Expenses and Program Revenues - Governmental Activities

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



General Revenues - Governmental Activities



As shown above, 63.0% of governmental revenues were provided by property taxes and local sales taxes. Intergovernmental revenues totaling 18.9% were predominately state-shared sales tax and TVA payments in lieu of tax, with other taxes providing 14.2%. Other governmental revenues totaled 3.9%.

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

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

Balance Sheet
Total Governmental Funds
June 30, 2018 and 2017

	2018	2017
Total assets	<u>\$ 24,275,118</u>	<u>\$ 19,953,662</u>
Total liabilities	<u>1,638,319</u>	<u>1,985,057</u>
Deferred inflows of resources	<u>7,488,916</u>	<u>5,654,808</u>
Fund balances:		
Nonspendable	708,969	113,908
Restricted	1,454,347	1,224,513
Committed	5,637,526	3,988,919
Unassigned	<u>7,347,041</u>	<u>6,986,457</u>
Total fund balances	<u>15,147,883</u>	<u>12,313,797</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,275,118</u>	<u>\$ 19,953,662</u>

As of the end of the current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$15,147,883, which is an increase of \$2,834,086 in comparison with the prior year.

The general fund is the chief operating fund of the City of Spring Hill. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,347,041.

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

**Changes in Fund Balances of Governmental Funds
June 30, 2018 and 2017**

	2018	2017
Revenues:		
Taxes	\$ 14,946,721	\$14,100,880
Licenses, permits and fees	1,196,115	1,125,337
Intergovernmental	6,147,099	5,958,476
Impact fees	2,374,970	1,859,875
Charges for services	2,233,533	2,006,836
Contributions	68,969	52,724
Fines and forfeitures	314,527	376,764
Recycling fees	567,416	530,044
Insurance recovery	40,373	-
Interest revenue	9,298	7,902
Sale of property	4,589	31,706
Miscellaneous	536,850	58,019
	28,440,460	26,108,563
 Expenditures:		
General government	3,497,036	2,627,997
Public safety	10,662,639	9,928,046
Public works	5,795,055	7,270,401
Culture and recreation	1,688,289	1,282,244
Debt service	1,373,685	1,557,781
Capital outlay	11,048,104	4,314,803
	34,064,808	26,981,272
 Deficiency of revenues under expenditures	(5,624,348)	(872,709)
 Other Financing Sources (Uses):		
Issuance of new debt	8,259,080	-
Transfers in	199,354	162,000
Total other financing sources	8,458,434	162,000
 Net change in fund balances	2,834,086	(710,709)
 Fund balance - beginning	12,313,797	13,024,506
 Fund balance - ending	\$ 15,147,883	\$ 12,313,797

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

The fund balances of the City's governmental funds increased by over \$2.8 million during the current fiscal year. This increase was a combination of:

- Increased sales tax and building permit revenues (including both permits and impact fees) and additional charges for sanitation and recycling services due to growth of households in the area,
- The City had a net increase in capital outlay expenditures in fiscal year 2017-18; however, a portion of current year capital outlay expenditures was funded with debt issuance.

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

Unrestricted net position of the Water and Sewer Fund and the Storm Water Fund at the end of the year amounted to \$15,658,940. Restricted net position in these funds at the end of the year amounted to \$3,904,095. Net investment in capital assets at the end of year amounted to \$52,427,677. The total increase in net position for the proprietary funds was \$6,272,510. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Spring Hill's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original and Final Budgeted Amounts

The amount of budgeted revenue increased by \$1,434,365. The amount of budgeted expenditures increased by \$10,115,006. The majority of the offset between the two was a debt issuance in the amount of \$8,529,080, shown as loan proceeds.

Final Budgeted and Actual Amounts

Actual revenues were less than final budgeted amounts by \$132,409. Hotel/motel tax revenues (\$140,000) budgeted in the General Fund were transitioned to a new Tourism Fund during the year and recorded there. Increased property, beer and liquor tax, business taxes and building permits offset revenues under budget for lease/purchases not conducted during the year and revenues under budget for the Duplex road project (funds are being held pending final property settlements that have not been completed).

Actual expenditures were lower than budgeted amounts in the amount of \$4,510,571.

Within Public Works, \$2.9 million budgeted for capital projects (to be funded through the issuance of debt) was not expended. Budgeted expenditures in the amount of \$120,000 for Tourism were transitioned to a separate fund, the Tourism Fund. Nearly \$300,000 remained in salary/benefit budgets throughout the General Fund due to transitions in staffing within many departments during the year. Approximately \$100,000 was left between Planning, Legislative, Fire Department and Parks & Recreation for outstanding purchase orders at June 30th for which goods/services had not been received. Those items were reappropriated within the fiscal year 2018-19 budget. Approximately \$220,000 remained within debt service line items in Police, Fire & Dispatch due to the early redemption of a debt issue (note) in fiscal year 2016-17.

Other financing sources were budgeted at \$11.7 million for issuance of debt to purchase the Northfield Building and fund a portion of the Library and Police Department facility projects. Slightly less than \$8.3 million was actually drawn/borrowed as of the end of the fiscal year, creating a variance from budget within that category.

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounts to \$67,711,870 (net of accumulated depreciation), an increase of \$6,134,311. Depreciation charges for the fiscal year totaled \$4,339,393. 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:

- Acquisition of the Northfield Building increased governmental-activity land and building categories by \$8.2 million (\$190,200 and \$8,020,000, respectively).
- Land purchased for a future Fire Department location totaled \$857,000.
- Building improvements included the remodeling of Fire Station 3 (\$30,000) and energy-efficient lighting within the Library (\$20,000).
- Acquisitions of equipment included Police vehicles (\$477,000), in-car video systems (\$106,000), a knuckleboom truck (\$145,000) and other maintenance equipment (\$35,000).
- Infrastructure additions within governmental funds totaled \$2.6 million, including \$1.6 million in sidewalk improvements and \$600,000 in streets and \$400,000 for the John Lunn Bridge project.
- CIP projects in process at year-end included several road improvement projects and design services for the Police Department and Library.

Within business-type activities, plant and equipment increased:

- \$1.2 million in donated water lines and \$1.3 million in donated sewer lines,
- \$256,000 for tank and pump improvements in the water system,
- \$375,000 for improvements at the carbon feed building,
- \$269,000 for Campbell Station/Main Street sewer lines (removed from CIP), and
- \$170,000 in vehicle/equipment acquisitions for water and sewer.
- CIP projects in progress at fiscal year-end included water and sewer line relocations for Duplex Road, Cleburne Road, and Project Shotgun.

Capital Assets
June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,165,009	\$ 2,118,029	\$ 685,955	\$ 685,955	\$ 3,850,964	\$ 2,803,984
Building and improvements	16,356,333	8,285,363	-	-	16,356,333	8,285,363
Plant and equipment	14,037,291	13,177,311	87,598,117	84,019,904	101,635,408	97,197,215
Infrastructure	19,341,675	16,705,784	-	-	19,341,675	16,705,784
Easements	-	-	299,843	299,843	299,843	299,843
Construction in progress	693,289	24,439	236,840	613,664	930,129	638,103
Total capital assets	53,593,597	40,310,926	88,820,755	85,619,366	142,414,352	125,930,292
Less: Accumulated depreciation	(18,556,968)	(16,271,892)	(20,745,907)	(18,691,590)	(39,302,875)	(34,963,482)
Capital assets, net	\$ 35,036,629	\$ 24,039,034	\$ 68,074,848	\$ 66,927,776	\$103,111,477	\$ 90,966,810

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

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

Long-term Debt

At the end of the current fiscal year, the City of Spring Hill's governmental activities had total long-term debt outstanding of \$20,323,933. The business-type activities had total long-term debt of \$15,647,141.

**Outstanding Debt, General Obligation, and Revenue Bonds
June 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Notes payable	\$ 11,378,933	\$ 3,475,176	\$ -	\$ -	\$ 11,378,933	\$ 3,475,176
Capital outlay note	1,295,000	1,365,350	685,000	1,124,650	1,980,000	2,490,000
Public improvement bonds	7,650,000	7,995,000	3,025,000	3,286,000	10,675,000	11,281,000
Clean water state loan program	-	-	11,295,806	11,909,762	11,295,806	11,909,762
State of Tennessee loan program	-	-	641,365	901,897	641,365	901,897
Total	<u>\$ 20,323,933</u>	<u>\$ 12,835,526</u>	<u>\$ 15,647,171</u>	<u>\$ 17,222,309</u>	<u>\$ 35,971,104</u>	<u>\$ 30,057,835</u>

The City of Spring Hill's total long-term debt increased by \$5,913,269 during the current fiscal year (a \$7,488,407 increase in governmental activities and \$1,575,138 decrease in business-type activities). Principal payments totaling \$2,345,811 were offset by \$8,259,080 in additions for the Tennessee Municipal Bond Fund Loan. Additional information on the City of Spring Hill's long-term debt can be found in Note G of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City of Spring Hill continues to see rapid growth. Calendar year 2018 reflected a record number of new residential permits. 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 and presents a continuing challenge in existing infrastructure.
- Several major road projects are in progress throughout the City and design work is continuing on the renovation of the Northfield Building to provide new physical locations for the Library and Police Department. Studies are in place for water and sewer to assess infrastructure needs and the correlating rate requirements.

These factors were considered in preparing the 2019 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: Patti Amorello, Finance Director
P.O. Box 789
Spring Hill, Tennessee

BASIC FINANCIAL STATEMENTS



City of Spring Hill, Tennessee
Statement of Net Position
June 30, 2018

	Governmental Activities	Business- Type Activities	Total Primary Government
Assets:			
Cash	\$ 13,237,445	\$ 15,597,910	\$ 28,835,355
Taxes receivable	7,602,640	-	7,602,640
Accounts and other receivables, net	443,102	993,269	1,436,371
Due from other governments	1,198,444	68,605	1,267,049
Internal balances	714,332	(714,332)	-
Inventory of supplies, at cost	-	127,277	127,277
Prepaid expenses and other assets	2,850	3,728	6,578
Restricted assets:			
Cash	1,076,305	3,904,095	4,980,400
Capital assets:			
Capital assets not being depreciated	3,858,298	1,222,638	5,080,936
Capital assets net of accumulated depreciation	31,178,331	66,852,210	98,030,541
Total assets	59,311,747	88,055,400	147,367,147
Deferred Outflows of Resources:			
Pensions	1,247,657	398,328	1,645,985
Liabilities:			
Accounts payable and other current liabilities	1,884,078	398,855	2,282,933
Due to other governments	-	55,366	55,366
Net pension liability	835,762	266,826	1,102,588
Accrued compensated absences	574,992	87,000	661,992
Long-term liabilities:			
Due within one year	1,393,853	1,511,564	2,905,417
Due in more than one year	18,930,080	14,135,607	33,065,687
Total liabilities	23,618,765	16,455,218	40,073,983
Deferred Inflows of Resources:			
Pensions	24,423	7,798	32,221
Property taxes	7,488,916	-	7,488,916
Total deferred inflows of resources	7,513,339	7,798	7,521,137
Net Position:			
Net investment in capital assets	15,284,193	52,427,677	67,711,870
Restricted for:			
Roads and streets	512,554	-	512,554
Special revenue funds	272,823	-	272,823
Drug enforcement and education	97,473	-	97,473
Capital projects	-	3,904,095	3,904,095
Unrestricted	13,260,257	15,658,940	28,919,197
Total net position	\$ 29,427,300	\$ 71,990,712	\$ 101,418,012

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

City of Spring Hill, Tennessee
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 3,904,512	\$ 319,771	\$ 300,807	\$ 902,389	\$ (2,381,545)	\$ -	\$ (2,381,545)
Public safety	11,344,469	1,197,754	1,304,156	-	(8,842,559)	-	(8,842,559)
Public works	6,430,800	2,702,398	-	2,263,917	(1,464,485)	-	(1,464,485)
Culture and recreation	1,905,968	2,466,638	57,098	-	617,768	-	617,768
Interest	767,208	-	-	-	(767,208)	-	(767,208)
Total Governmental Activities	24,352,957	6,686,561	1,662,061	3,166,306	(12,838,029)	-	(12,838,029)
Business-Type Activities:							
Water and Sewer	9,957,225	8,801,993	-	6,774,059	-	5,618,827	5,618,827
Storm Water	653,454	891,088	-	-	-	237,634	237,634
Total Business-Type Activities	10,610,679	9,693,081	-	6,774,059	-	5,856,461	5,856,461
Total primary government	\$ 34,963,636	\$ 16,379,642	\$ 1,662,061	\$ 9,940,365	(12,838,029)	5,856,461	(6,981,568)
General revenues:							
Taxes:							
Property taxes					5,813,046	-	5,813,046
Utility taxes					63,784	-	63,784
Local sales taxes					6,379,166	-	6,379,166
Wholesale beer and liquor taxes					943,164	-	943,164
Business and privilege tax					678,649	-	678,649
Franchise tax					466,066	-	466,066
Room occupancy tax					170,795	-	170,795
Mixed drink tax					171,694	-	171,694
Payment in lieu of taxes					260,357	-	260,357
Intergovernmental:							
State taxes					3,208,037	-	3,208,037
Payment in lieu of taxes					414,231	-	414,231
Other					40,373	86,726	127,099
Unrestricted investment earnings					9,298	29,714	39,012
Rent					-	83,916	83,916
Sales of materials					4,589	151,761	156,350
Miscellaneous					536,850	263,286	800,136
Transfers					199,354	(199,354)	-
Total general revenues and transfers					19,359,453	416,049	19,775,502
Change in net position					6,521,424	6,272,510	12,793,934
Net position - beginning					22,905,876	65,718,202	88,624,078
Net position - ending					\$ 29,427,300	\$ 71,990,712	\$ 101,418,012

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

City of Spring Hill, Tennessee
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Adequate Facilities/ Development Fund	Sanitation Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash	\$ 7,169,547	\$ 4,258,693	\$ 225,610	\$ 1,583,595	\$ 13,237,445
Receivables (net, where applicable, allowances for uncollectible):					
Taxes - property taxes	7,548,615	-	-	-	7,548,615
Taxes - other taxes	-	-	-	54,025	54,025
Accounts and grants	174,239	-	266,638	-	440,877
Accounts receivable	-	-	-	2,225	2,225
Due from other governments	1,044,750	37,138	-	116,556	1,198,444
Due from other funds	708,969	-	5,363	-	714,332
Prepaid expenses and other assets	2,850	-	-	-	2,850
Restricted assets:					
Cash	571,497	-	-	504,808	1,076,305
Total assets	\$ 17,220,467	\$ 4,295,831	\$ 497,611	\$ 2,261,209	\$ 24,275,118
Liabilities:					
Accounts payable	\$ 208,735	\$ 249,816	\$ 224,788	\$ 59,671	\$ 743,010
Accrued liabilities	895,309	-	-	-	895,309
Due to other governments	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	1,104,044	249,816	224,788	59,671	1,638,319
Deferred Inflows of Resources:					
Unavailable revenue - taxes	7,488,916	-	-	-	7,488,916
Total deferred inflows of resources	7,488,916	-	-	-	7,488,916
Fund Balances:					
Nonspendable	708,969	-	-	-	708,969
Restricted:					
Unspent debt proceeds	571,497	-	-	-	571,497
Special revenue funds	-	-	272,823	610,027	882,850
Committed	-	4,046,015	-	1,591,511	5,637,526
Unassigned	7,347,041	-	-	-	7,347,041
Total fund balances	8,627,507	4,046,015	272,823	2,201,538	15,147,883
Total liabilities, deferred inflows of resources, and fund balances	\$ 17,220,467	\$ 4,295,831	\$ 497,611	\$ 2,261,209	\$ 24,275,118

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

City of Spring Hill, Tennessee
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2018

Total fund balances of governmental funds	\$ 15,147,883
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.	35,036,629
Deferred inflows and outflows of resources related to pensions are not financial resources, and therefore, are not reported in the governmental funds.	
Deferred inflows of resources	(24,423)
Deferred outflows of resources	1,247,657
Long-term liabilities, including notes payable, bonds payable, and net pension liability, are not due and payable in the current period, and therefore, are not reported in the governmental funds.	
Long-term debt	(20,323,933)
Net pension liability	(835,762)
Compensated absences	(574,992)
Interest on outstanding long-term debt is accrued in the statement of net position, whereas in governmental funds, interest expenditures are reported when due.	<u>(245,759)</u>
Net position of governmental activities	<u><u>\$ 29,427,300</u></u>

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

City of Spring Hill, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Adequate Facilities/ Development Fund	Sanitation Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 14,775,926	\$ -	\$ -	\$ 170,795	\$ 14,946,721
Licenses, permits and fees	1,196,115	-	-	-	1,196,115
Intergovernmental	3,938,804	902,389	-	1,305,906	6,147,099
Impact fees	-	1,632,111	-	742,859	2,374,970
Charges for services	5,856	-	2,134,340	93,337	2,233,533
Contributions	11,871	-	-	57,098	68,969
Fines and forfeitures	272,651	-	642	41,234	314,527
Recycling fees	-	-	567,416	-	567,416
Insurance recovery	40,373	-	-	-	40,373
Interest revenue	5,387	3,131	393	387	9,298
Sale of property	4,589	-	-	-	4,589
Miscellaneous	474,187	59,998	-	2,665	536,850
Total revenues	20,725,759	2,597,629	2,702,791	2,414,281	28,440,460
Expenditures:					
Current:					
General government:					
Legislative, executive, and general	1,267,800	-	-	-	1,267,800
City court	26,082	-	-	-	26,082
Financial administration	568,697	-	-	-	568,697
Information management system	446,420	-	-	-	446,420
Buildings and codes	581,833	-	-	-	581,833
Planning and zoning	355,185	-	-	-	355,185
General government building	251,019	-	-	-	251,019
Public safety:					
Police	5,004,228	-	-	18,979	5,023,207
Fire	5,003,035	-	-	-	5,003,035
Dispatch	636,397	-	-	-	636,397
Public works:					
Streets	2,398,632	47,774	-	654,532	3,100,938
Sanitation	-	-	2,694,117	-	2,694,117
Culture and recreation:					
Parks and recreation	505,145	-	-	-	505,145
Economic development	103,749	-	-	-	103,749
Tourism	-	-	-	190,189	190,189
Library	863,529	-	-	25,677	889,206
Debt service	273,954	736,599	-	363,132	1,373,685
Capital outlay	9,958,330	1,089,774	-	-	11,048,104
Total expenditures	28,244,035	1,874,147	2,694,117	1,252,509	34,064,808
Excess (deficiency) of revenues over (under) expenditures	(7,518,276)	723,482	8,674	1,161,772	(5,624,348)
Other Financing Sources (Uses):					
Issuance of debt	8,259,080	-	-	-	8,259,080
Transfers in	199,354	-	-	-	199,354
Total other financing sources	8,458,434	-	-	-	8,458,434
Net change in fund balances	940,158	723,482	8,674	1,161,772	2,834,086
Fund balance - beginning, as reclassified	7,687,349	3,322,533	264,149	1,039,766	12,313,797
Fund balance - ending	\$ 8,627,507	\$ 4,046,015	\$ 272,823	\$ 2,201,538	\$ 15,147,883

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

City of Spring Hill, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$ 2,834,086
Amounts reported for the governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Specifically these items are as follows:	
Capital assets added	11,072,543
Depreciation expense	(2,285,076)
Net carrying value of disposals and adjustments of capital assets	(24,439)
Donations of capital assets increase net position for governmental activities, but do not appear in the governments funds because they are not financial resources.	
	2,234,567
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Specifically, these items are as follows:	
Issuance of capital outlay note	(8,259,080)
Payments on debt principal	770,673
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds for:	
Accrued interest	(164,196)
Changes in the net pension liability and related deferred outflows and inflows of resources	195,761
Compensated absences	146,585
	146,585
Change in net position of governmental activities	\$ 6,521,424

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

City of Spring Hill, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
REVENUES:				
Taxes:				
Real and personal property	\$ 5,738,000	\$ 5,738,000	\$ 5,803,308	\$ 65,308
Utility taxes	60,000	60,000	63,784	3,784
Interest and penalty on taxes	5,000	5,000	9,738	4,738
Payments in lieu of electric	7,000	7,000	10,357	3,357
Payments in lieu of property taxes	250,000	250,000	250,000	-
Local sales tax	6,412,000	6,425,000	6,379,166	(45,834)
Wholesale beer tax	540,000	540,000	629,948	89,948
Wholesale liquor tax	240,000	240,000	313,216	73,216
Business tax	488,300	488,300	678,649	190,349
Franchise tax	480,000	480,000	466,066	(13,934)
Room occupancy tax	120,000	140,000	-	(140,000)
Mixed drink taxes	170,000	170,000	171,694	1,694
Total Taxes	<u>14,510,300</u>	<u>14,543,300</u>	<u>14,775,926</u>	<u>232,626</u>
Licenses and Permits:				
Beer permit applications	20,000	20,000	14,900	(5,100)
Alarm registrations	14,000	14,000	8,340	(5,660)
Building permits	925,000	975,000	1,154,851	179,851
Sign permits	15,000	15,000	17,024	2,024
Other permits	1,500	1,500	1,000	(500)
Total Licenses and Permits	<u>975,500</u>	<u>1,025,500</u>	<u>1,196,115</u>	<u>170,615</u>
Intergovernmental:				
Grants	74,400	132,180	232,771	100,591
TVA payments in lieu of taxes	412,800	412,800	414,231	1,431
Police dispatcher training	11,000	11,000	-	(11,000)
Fire department incentive pay	27,000	27,000	27,600	600
State sales tax	2,937,000	2,937,000	3,078,212	141,212
State income tax	120,000	70,000	85,070	15,070
State beer tax	18,200	18,200	17,042	(1,158)
Other state revenue allocations	30,500	30,500	27,713	(2,787)
Library revenue	56,200	56,200	56,165	(35)
Total Intergovernmental	<u>3,687,100</u>	<u>3,694,880</u>	<u>3,938,804</u>	<u>243,924</u>
Charges for Services:				
Other charges for services	4,200	4,200	5,856	1,656
Total Charges for Services	<u>4,200</u>	<u>4,200</u>	<u>5,856</u>	<u>1,656</u>

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

City of Spring Hill, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Fines and Forfeitures:				
City court fines and costs	175,000	175,000	206,133	31,133
County court fines and costs	40,000	40,000	63,958	23,958
Police fines and costs	2,200	2,200	-	(2,200)
Public safety	1,000	1,000	2,560	1,560
Total Fines and Forfeitures	<u>218,200</u>	<u>218,200</u>	<u>272,651</u>	<u>54,451</u>
Interest Revenue:				
General	5,000	5,000	5,387	387
Total Interest Revenue	<u>5,000</u>	<u>5,000</u>	<u>5,387</u>	<u>387</u>
Other Revenues:				
Contributions	2,000	5,500	11,871	6,371
Insurance recoveries	5,003	36,315	40,373	4,058
Sale of surplus property	10,000	10,000	4,589	(5,411)
Miscellaneous revenues	6,500	1,315,273	474,187	(841,086)
Total Other Revenues	<u>23,503</u>	<u>1,367,088</u>	<u>531,020</u>	<u>(836,068)</u>
Total Revenues	<u>19,423,803</u>	<u>20,858,168</u>	<u>20,725,759</u>	<u>(132,409)</u>
EXPENDITURES:				
General Government:				
Legislative, Executive, and General:				
Personal services	602,900	602,900	558,181	(44,719)
Services	394,600	564,600	545,268	(19,332)
Supplies	30,700	24,000	18,022	(5,978)
Other charges	57,000	57,000	53,506	(3,494)
Grants, contributions, indemnities, and other	124,000	126,000	92,823	(33,177)
Debt service	-	79,080	79,080	-
Capital outlay	158,000	8,210,729	8,210,635	(94)
Total Legislative, Executive, and General	<u>1,367,200</u>	<u>9,664,309</u>	<u>9,557,515</u>	<u>(106,794)</u>
Judicial:				
Personal services	40,300	40,300	25,079	(15,221)
Services	1,400	900	220	(680)
Supplies	300	800	783	(17)
Other charges	27,500	27,500	-	(27,500)
Total Judicial	<u>69,500</u>	<u>69,500</u>	<u>26,082</u>	<u>(43,418)</u>

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

City of Spring Hill, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Financial Administration:				
Personal services	336,400	354,979	350,759	(4,220)
Services	141,800	176,500	141,852	(34,648)
Supplies	10,000	14,000	13,911	(89)
Other charges	79,100	79,100	61,055	(18,045)
Grants, contributions, indemnities, and other	2,000	2,000	1,120	(880)
Debt service	61,800	61,800	32,620	(29,180)
Total Financial Administration	<u>631,100</u>	<u>688,379</u>	<u>601,317</u>	<u>(87,062)</u>
Information Management System:				
Personal services	189,200	191,200	189,923	(1,277)
Services	201,300	199,300	180,172	(19,128)
Supplies	114,300	114,300	71,935	(42,365)
Other charges	2,200	2,200	2,054	(146)
Grants, contributions, indemnities, and other	3,500	3,500	2,336	(1,164)
Total Information Management System	<u>510,500</u>	<u>510,500</u>	<u>446,420</u>	<u>(64,080)</u>
Buildings and Codes:				
Personal services	481,700	486,300	485,708	(592)
Services	73,700	73,700	72,663	(1,037)
Supplies	15,000	15,000	7,483	(7,517)
Other charges	18,000	18,000	15,619	(2,381)
Grants, contributions, indemnities, and other	500	500	360	(140)
Capital outlay	23,000	16,000	-	(16,000)
Total Buildings and Codes	<u>611,900</u>	<u>609,500</u>	<u>581,833</u>	<u>(27,667)</u>
Planning and Zoning:				
Personal services	228,800	234,600	234,074	(526)
Services	124,300	162,300	119,687	(42,613)
Supplies	10,000	10,000	1,320	(8,680)
Other charges	6,000	6,000	-	(6,000)
Grants, contributions, indemnities, and other	500	500	104	(396)
Capital outlay	6,000	6,000	-	(6,000)
Total Planning and Zoning	<u>375,600</u>	<u>419,400</u>	<u>355,185</u>	<u>(64,215)</u>

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

City of Spring Hill, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
General Government Building - City Hall Building:				
Personal services	95,600	77,600	46,897	(30,703)
Services	90,300	170,346	174,381	4,035
Supplies	9,000	9,000	8,236	(764)
Other charges	2,800	43,000	21,000	(22,000)
Grants, contributions, indemnities, and other	1,000	1,000	505	(495)
Total General Government Building	<u>198,700</u>	<u>300,946</u>	<u>251,019</u>	<u>(49,927)</u>
Total General Government	<u>3,764,500</u>	<u>12,262,534</u>	<u>11,819,371</u>	<u>(443,163)</u>
Public Safety:				
Police Department:				
Personal services	4,124,300	4,162,600	4,164,849	2,249
Services	343,800	351,300	270,418	(80,882)
Supplies	351,400	355,400	327,574	(27,826)
Other charges	235,800	235,800	231,898	(3,902)
Grants, contributions, indemnities, and other	7,000	8,500	9,489	989
Debt service	104,300	104,300	4,072	(100,228)
Capital outlay	350,000	647,293	583,527	(63,766)
Total Police Department	<u>5,516,600</u>	<u>5,865,193</u>	<u>5,591,827</u>	<u>(273,366)</u>
Fire:				
Personal services	4,391,600	4,391,600	4,335,296	(56,304)
Services	309,600	327,000	326,313	(687)
Supplies	245,000	337,961	236,905	(101,056)
Other charges	110,000	110,000	104,488	(5,512)
Grants, contributions, indemnities, and other	2,500	2,500	33	(2,467)
Debt service	236,800	236,800	136,022	(100,778)
Capital outlay	80,000	955,000	920,572	(34,428)
Total Fire	<u>5,375,500</u>	<u>6,360,861</u>	<u>6,059,629</u>	<u>(301,232)</u>
Dispatch:				
Personal services	695,200	695,200	557,176	(138,024)
Services	103,100	103,100	71,444	(31,656)
Supplies	15,100	15,100	6,178	(8,922)
Other charges	1,900	1,900	1,438	(462)
Grants, contributions, indemnities, and other	500	500	161	(339)
Debt service	41,800	41,800	21,745	(20,055)
Total Dispatch	<u>857,600</u>	<u>857,600</u>	<u>658,142</u>	<u>(199,458)</u>
Total Public Safety	<u>11,749,700</u>	<u>13,083,654</u>	<u>12,309,598</u>	<u>(774,056)</u>

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

City of Spring Hill, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Public Works:				
Streets and Highways:				
Personal services	1,260,500	1,201,000	1,116,793	(84,207)
Services	912,100	915,100	898,795	(16,305)
Supplies	180,400	180,400	173,018	(7,382)
Other charges	67,500	67,500	66,949	(551)
Grants, contributions, indemnities, and other	-	150,000	143,077	(6,923)
Debt service	18,800	18,800	415	(18,385)
Capital outlay	2,962,000	3,100,000	174,344	(2,925,656)
Total Streets and Highways	<u>5,401,300</u>	<u>5,632,800</u>	<u>2,573,391</u>	<u>(3,059,409)</u>
Total Public Works	<u>5,401,300</u>	<u>5,632,800</u>	<u>2,573,391</u>	<u>(3,059,409)</u>
Culture and Recreation:				
Parks and Recreation:				
Personal services	403,800	398,500	350,645	(47,855)
Services	85,100	95,600	97,019	1,419
Supplies	31,800	37,800	36,978	(822)
Other charges	13,500	13,500	12,624	(876)
Grants, contributions, indemnities, and other	16,000	13,000	7,879	(5,121)
Capital outlay	40,000	40,000	6,978	(33,022)
Total Parks and Recreation	<u>590,200</u>	<u>598,400</u>	<u>512,123</u>	<u>(86,277)</u>
Economic Development:				
Personal services	75,200	80,500	80,429	(71)
Services	27,000	22,600	21,883	(717)
Supplies	1,300	600	504	(96)
Grants, contributions, indemnities, and other	1,000	1,000	933	(67)
Total Economic Development	<u>104,500</u>	<u>104,700</u>	<u>103,749</u>	<u>(951)</u>
Tourism:				
Services	100,000	100,000	-	(100,000)
Capital outlay	20,000	20,000	-	(20,000)
Total Tourism	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>(120,000)</u>

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

City of Spring Hill, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Library:				
Personal services	686,200	600,600	583,986	(16,614)
Services	80,100	101,200	97,566	(3,634)
Supplies	104,000	159,934	156,396	(3,538)
Other charges	4,600	4,600	4,163	(437)
Grants, contributions, indemnities, and other	1,000	23,000	21,418	(1,582)
Capital outlay	33,500	63,184	62,274	(910)
Total Library	<u>909,400</u>	<u>952,518</u>	<u>925,803</u>	<u>(26,715)</u>
Total Culture and Recreation	<u>1,724,100</u>	<u>1,775,618</u>	<u>1,541,675</u>	<u>(233,943)</u>
Total Expenditures	<u>22,639,600</u>	<u>32,754,606</u>	<u>28,244,035</u>	<u>(4,510,571)</u>
Other financing sources (uses)				
Loan proceeds	3,218,500	11,747,580	8,259,080	(3,488,500)
Transfers out	181,100	195,931	199,354	3,423
Total other financing sources (uses)	<u>3,399,600</u>	<u>11,943,511</u>	<u>8,458,434</u>	<u>(3,485,077)</u>
Net change in fund balance	183,803	47,073	940,158	893,085
Fund balance - beginning, as reclassified	<u>7,687,349</u>	<u>7,687,349</u>	<u>7,687,349</u>	<u>-</u>
Fund balance - ending	<u>\$ 7,871,152</u>	<u>\$ 7,734,422</u>	<u>\$ 8,627,507</u>	<u>\$ 893,085</u>

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

City of Spring Hill, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Adequate Facilities/Development Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
REVENUES:				
Intergovernmental:				
Capital improvements	\$ 631,300	\$ 631,300	\$ 902,389	\$ 271,089
Total intergovernmental	<u>631,300</u>	<u>631,300</u>	<u>902,389</u>	<u>271,089</u>
Impact fees:				
Roads	300,000	300,000	425,203	125,203
Other	750,000	750,000	1,206,908	456,908
Total impact fees	<u>1,050,000</u>	<u>1,050,000</u>	<u>1,632,111</u>	<u>582,111</u>
Interest	1,000	1,000	3,131	2,131
Miscellaneous revenues	<u>-</u>	<u>-</u>	<u>59,998</u>	<u>59,998</u>
Total revenues	<u>1,682,300</u>	<u>1,682,300</u>	<u>2,597,629</u>	<u>915,329</u>
EXPENDITURES:				
Culture and Recreation:				
Parks and Recreation:				
Debt service	869,200	847,200	736,599	(110,601)
Total culture and recreation	<u>869,200</u>	<u>847,200</u>	<u>736,599</u>	<u>(110,601)</u>
Public Safety:				
Repairs and maintenance	-	49,000	47,774	(1,226)
Capital outlay	<u>2,607,000</u>	<u>2,786,000</u>	<u>1,089,774</u>	<u>(1,696,226)</u>
Total expenditures	<u>3,476,200</u>	<u>3,682,200</u>	<u>1,874,147</u>	<u>(1,808,053)</u>
Net change in fund balance	(1,793,900)	(1,999,900)	723,482	2,723,382
Fund balance - beginning	<u>3,322,533</u>	<u>3,322,533</u>	<u>3,322,533</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,528,633</u>	<u>\$ 1,322,633</u>	<u>\$ 4,046,015</u>	<u>\$ 2,723,382</u>

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

City of Spring Hill, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Sanitation Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
REVENUES:				
Charges for services	\$ 1,800,000	\$2,125,000	\$ 2,134,340	\$ 9,340
Fines and forfeitures	26,000	26,000	642	(25,358)
Recycling fees	500,000	567,000	567,416	416
Interest	400	400	393	(7)
Total revenues	<u>2,326,400</u>	<u>2,718,400</u>	<u>2,702,791</u>	<u>(15,609)</u>
EXPENDITURES:				
Sanitation:				
Refuse collection and disposal service	2,300,000	2,692,000	2,691,160	(840)
Bad debt expense	-	-	2,957	2,957
Total expenditures	<u>2,300,000</u>	<u>2,692,000</u>	<u>2,694,117</u>	<u>2,117</u>
Net change in fund balance	26,400	26,400	8,674	(17,726)
Fund balance - beginning	<u>264,149</u>	<u>264,149</u>	<u>264,149</u>	<u>-</u>
Fund balance - ending	<u>\$ 290,549</u>	<u>\$ 290,549</u>	<u>\$ 272,823</u>	<u>\$ (17,726)</u>

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

City of Spring Hill, Tennessee
Statement of Net Position
Proprietary Funds
June 30, 2018

	<u>Water and Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Total</u>
Assets:			
Current assets:			
Cash	\$ 14,966,720	\$ 631,190	\$ 15,597,910
Accounts receivable, net of allowances	885,113	108,156	993,269
Interest receivable	-	-	-
Due from other funds	-	-	-
Due from other governments	68,605	-	68,605
Inventory of supplies, at cost	127,277	-	127,277
Prepaid expenses and other assets	3,428	300	3,728
Total current assets	<u>16,051,143</u>	<u>739,646</u>	<u>16,790,789</u>
Restricted assets:			
Cash	3,904,095	-	3,904,095
Total restricted assets	<u>3,904,095</u>	<u>-</u>	<u>3,904,095</u>
Utility, plant and equipment:			
Utility plant, at cost	83,902,799	-	83,902,799
Equipment, at cost	3,181,946	1,499,170	4,681,116
Less accumulated depreciation	<u>(20,339,016)</u>	<u>(406,891)</u>	<u>(20,745,907)</u>
Utility, plant and equipment, net	<u>66,745,729</u>	<u>1,092,279</u>	<u>67,838,008</u>
Construction in progress	<u>229,340</u>	<u>7,500</u>	<u>236,840</u>
Total assets	<u>86,930,307</u>	<u>1,839,425</u>	<u>88,769,732</u>
Deferred Outflows of Resources:			
Pensions	<u>360,635</u>	<u>37,693</u>	<u>398,328</u>
Liabilities:			
Current Liabilities:			
Accounts payable and accrued expenses	465,468	20,387	485,855
Current portion of long term-debt	1,418,796	92,768	1,511,564
Due to other funds	653,310	61,022	714,332
Due to other governments	55,366	-	55,366
Total current liabilities	<u>2,592,940</u>	<u>174,177</u>	<u>2,767,117</u>
Noncurrent Liabilities:			
Net pension liability	241,577	25,249	266,826
Long-term debt, net of current portion	14,048,911	86,696	14,135,607
Total noncurrent liabilities	<u>14,290,488</u>	<u>111,945</u>	<u>14,402,433</u>
Total liabilities	<u>16,883,428</u>	<u>286,122</u>	<u>17,169,550</u>
Deferred Inflows of Resources:			
Pensions	<u>7,060</u>	<u>738</u>	<u>7,798</u>
Net Position:			
Net investment in capital assets	51,507,362	920,315	52,427,677
Restricted	3,904,095	-	3,904,095
Unrestricted	<u>14,988,997</u>	<u>669,943</u>	<u>15,658,940</u>
Total net position	<u>\$ 70,400,454</u>	<u>\$ 1,590,258</u>	<u>\$ 71,990,712</u>

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

City of Spring Hill, Tennessee
Statement of Revenues, Expenses, and Changes
in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Water and Sewer Fund	Storm Water Fund	Total
Operating Revenues:			
Intergovernmental	\$ 86,726	\$ -	\$ 86,726
Charges for services	29,742	-	29,742
Water sales	4,304,062	-	4,304,062
Sewer	4,468,189	-	4,468,189
Stormwater fees	-	891,088	891,088
Rent	83,916	-	83,916
Sale of materials	151,761	-	151,761
Miscellaneous	250,648	12,638	263,286
Total operating revenues	<u>9,375,044</u>	<u>903,726</u>	<u>10,278,770</u>
Operating Expenses:			
Salaries	2,456,949	287,712	2,744,661
Employee benefits	1,066,654	148,854	1,215,508
Postage	62,456	-	62,456
Dues and subscriptions	88,865	6,484	95,349
Utility services	1,261,399	-	1,261,399
Professional fees	295,821	29,954	325,775
Repairs and maintenance	517,019	38,324	555,343
Telephone	28,642	2,818	31,460
Travel	4,463	-	4,463
Other services	486,821	24,742	511,563
Office supplies and materials	12,494	974	13,468
Operating supplies	1,080,983	2,425	1,083,408
Uniforms	10,001	2,312	12,313
Automobile expenses	50,060	13,848	63,908
Insurance	120,203	7,797	128,000
State fees	27,523	-	27,523
Depreciation	1,971,804	82,513	2,054,317
Total operating expenses	<u>9,542,157</u>	<u>648,757</u>	<u>10,190,914</u>
Operating (loss) income	<u>(167,113)</u>	<u>254,969</u>	<u>87,856</u>
Non-operating Income (Expense):			
Interest income	29,566	148	29,714
Interest expense	(415,068)	(4,697)	(419,765)
Total non-operating expense	<u>(385,502)</u>	<u>(4,549)</u>	<u>(390,051)</u>
Capital Contributions:			
Tap and development fees	4,266,121	-	4,266,121
Contributed infrastructure	2,507,938	-	2,507,938
Total capital contributions	<u>6,774,059</u>	<u>-</u>	<u>6,774,059</u>
Transfers in (out)	<u>(290,990)</u>	<u>91,636</u>	<u>(199,354)</u>
Change in net position	5,930,454	342,056	6,272,510
Net position, beginning of year, as reclassified	<u>64,470,000</u>	<u>1,248,202</u>	<u>65,718,202</u>
Net position, end of year	<u>\$ 70,400,454</u>	<u>\$ 1,590,258</u>	<u>\$ 71,990,712</u>

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

City of Spring Hill, Tennessee
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	<u>Water and Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 8,849,118	\$ 856,745	\$ 9,705,863
Payments to or on behalf of employees	(3,580,187)	(442,481)	(4,022,668)
Other operating receipts	486,325	12,638	498,963
Other operating expenses	<u>(4,264,685)</u>	<u>(137,929)</u>	<u>(4,402,614)</u>
Net cash provided by operating activities	<u>1,490,571</u>	<u>288,973</u>	<u>1,779,544</u>
Cash Flows from Noncapital Financing Activities:			
Transfers to other funds	(290,990)	91,636	(199,354)
Net receipts on interfund borrowings	<u>507,636</u>	<u>91,188</u>	<u>598,824</u>
Net cash provided by noncapital financing activities	<u>216,646</u>	<u>182,824</u>	<u>399,470</u>
Cash Flows from Capital and Related Financing Activities:			
Principal payments on long-term debt	(1,459,952)	(115,186)	(1,575,138)
Interest paid on debt	(415,068)	(4,697)	(419,765)
Tap and development fees	4,266,121	-	4,266,121
Cash payments for the purchase of plant assets	<u>(596,309)</u>	<u>(97,142)</u>	<u>(693,451)</u>
Net cash provided by (used in) capital and related financing activities	<u>1,794,792</u>	<u>(217,025)</u>	<u>1,577,767</u>
Cash Flows from Investing Activities:			
Interest income from cash deposits	<u>29,566</u>	<u>148</u>	<u>29,714</u>
Net cash provided by investing activities	<u>29,566</u>	<u>148</u>	<u>29,714</u>
Net increase in cash	3,531,575	254,920	3,786,495
Cash, Beginning of Year	<u>15,339,240</u>	<u>376,270</u>	<u>15,715,510</u>
Cash, End of Year	<u>\$ 18,870,815</u>	<u>\$ 631,190</u>	<u>\$ 19,502,005</u>
Reconciliation of operating (loss) income to net cash provided by operating activities:			
Operating (loss) income	\$ (167,113)	\$ 254,969	\$ 87,856
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:			
Depreciation	1,971,804	82,513	2,054,317
Net pension liability and related accounts	(56,584)	(5,915)	(62,499)
Changes in assets and liabilities:			
Increase in receivables	(108,206)	(34,343)	(142,549)
Decrease in inventories	11,879	-	11,879
Decrease in prepaids	115,463	5,192	120,655
Decrease in accounts payable and accrued expenses	(294,850)	(13,443)	(308,293)
Increase in due to others	<u>18,178</u>	<u>-</u>	<u>18,178</u>
Total adjustments	<u>1,657,684</u>	<u>34,004</u>	<u>1,691,688</u>
Net cash provided by operating activities	<u>\$ 1,490,571</u>	<u>\$ 288,973</u>	<u>\$ 1,779,544</u>

Supplemental Disclosure of Non-Cash Items:

During fiscal year 2018, the contributions of water and sewer infrastructure totaled \$2,507,938.

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

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The accompanying financial statements present the government and component units, if any. Component units are entities for which the government is considered financially accountable. Component units, although legally separate entities, are required to be presented in the government’s financial statements using either a “blended” or “discrete” presentation. Based on the City’s analysis as of June 30, 2018, the City had no component units that were required to be included in these financial statements.

Basic Financial Statements

Basic financial statements consist of the following:

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

Basis of Presentation

Government-wide Financial Statements

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

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

Fund Financial Statements

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

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The City reports the following major governmental funds:

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

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

During fiscal year 2017, the City determined that room occupancy tax revenue would be utilized for tourism purposes. During fiscal year 2018, a special revenue fund was set up for this purpose and the room occupancy tax from the year ended June 30, 2017 was reclassified to the Tourism Fund from the General Fund. The effect on opening fund balances are as follows:

	General Fund	Tourism Fund
Total fund balance, June 30, 2017, as previously reported	\$ 7,768,949	\$ -
Creation of the Tourism Fund	(81,600)	81,600
Total fund balance, June 30, 2017, as reclassified	\$ 7,687,349	\$ 81,600

The City reports the following major proprietary - enterprise funds:

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

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City previously had a Sewer Expansion Fund to account for the waste water treatment plant expansion to the citizens of the City. This fund was closed into the Water and Sewer Fund during fiscal year 2018. The effects on opening net position are as follows:

	Water and Sewer Fund	Sewer Expansion Fund
Total net position, June 30, 2017, as previously reported	\$ 63,596,614	\$ 873,386
Closure of Sewer Expansion Fund	873,386	(873,386)
Total net position, June 30, 2017, as reclassified	\$ 64,470,000	\$ -

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied and legal title to the money exists. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

The City reports no proprietary - internal service funds at June 30, 2018.

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

Budgetary Information

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

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

Encumbrances

The City does not record encumbrances within the accounting records. However, outstanding purchase orders totaled approximately \$1,396,000 as of June 30, 2018.

Cash and Cash Equivalents

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

Receivables

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

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventory

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

Prepaid Items

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

Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2018.

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

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

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

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Grants

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

Statement of Cash Flows

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

Compensated Absences

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Property Tax

The City levies property taxes annually based upon assessed valuations provided by both the Williamson County and Maury County Tax Assessors. The various types of property are assessed at a percentage of estimated actual value on January 1 of each year. Taxes on real estate are considered to be a lien on such realty as of January 1 of the year the assessment is made. Taxes levied by the City against real property are payable October 1 through February 28, and are delinquent on March 1. Total property tax, including delinquent taxes from prior years, collected during the fiscal year was \$5,820,127 and included \$5,783,246 collected from current year levy, which was approximately 99.04%.

The property tax levy is without legal limit. The rate, as permitted by the Tennessee state law and City charter, is set annually by the Board of Mayor and Alderman and collected by the Finance Department. The property tax rate for the year ended June 30, 2018 (2017 levy), was \$0.5927 and \$0.5381 per \$100 of assessed value for Maury County and Williamson County, respectively.

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. When applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balances

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

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

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

Postemployment Benefits

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

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

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

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

Other Significant Accounting Policies

Other significant accounting policies are described throughout the notes to the financial statements or disclosed in the financial statements themselves.

B. CASH AND CASH EQUIVALENTS

At June 30, 2018, the cash deposits consisted of the following:

	<u>Weighted Average Maturity</u>	<u>Fair Value or Carrying Amount</u>
Unrestricted		\$ 28,835,355
Restricted for:		
Capital projects, including unspent debt proceeds		4,475,592
Special revenue funds		<u>504,808</u>
Total cash deposits	N/A	<u>\$ 33,815,755</u>

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

B. CASH AND CASH EQUIVALENTS - Continued

Interest Rate Risk

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

Custodial Credit Risk

The City's policies limit deposits and investments to those instruments allowed by applicable state laws as described below. Statutes authorize the City to invest in: (1) U.S. Government securities and obligations guaranteed by the U.S. Government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; and (3) the Local Government Investment Pool of the State of Tennessee. During the current fiscal year, the City invested funds that were not immediately needed in savings accounts and certificate of deposits. Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral securities required to be pledged by the participating banks to protect their public funds are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure. As of June 30, 2018, all bank deposits were fully collateralized or insured.

Credit Risk

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

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

C. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consist of the following:

Fund	Other Governments	Property Taxes	Customer and Other Accounts	Total
General Fund	\$ 1,044,750	\$ 7,800,743	\$ 174,239	\$ 9,019,732
Adequate Facilities/ Development Fund	37,138	-	-	37,138
Sanitation Fund	-	-	361,411	361,411
State Street Aid Fund	116,556	-	-	116,556
Drug Fund	-	-	2,225	2,225
Water and Sewer Fund	68,605	-	1,462,798	1,531,403
Storm Water Fund	-	-	148,244	148,244
Tourism Fund	-	54,025	-	54,025
Less: Allowance for Doubtful Accounts	-	(252,128)	(712,546)	(964,674)
Total	<u>\$ 1,267,049</u>	<u>\$ 7,602,640</u>	<u>\$ 1,436,371</u>	<u>\$ 10,306,060</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the deferred inflows of resources reported in the governmental funds related to property taxes totaled \$7,488,916.

D. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2018 are attributable to unsettled balances at year end primarily for internal billings and transfers between funds.

Balances at June 30, 2018 are as follows:

DUE FROM	DUE TO		
	General Fund	Sanitation Fund	Storm Water Fund
Water and Sewer Fund	\$ 645,879	\$ 5,363	\$ 2,068
Storm Water Fund	63,090	-	-
Total	<u>\$ 708,969</u>	<u>\$ 5,363</u>	<u>\$ 2,068</u>

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

D. INTERFUND TRANSACTIONS - Continued

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

Interfund transfers are attributable to the budgeted allocation of resources from one fund to another. Transfers for the year ended June 30, 2018 included \$199,354 from the Water and Sewer Fund to the General Fund and \$91,636 from the Water and Sewer Fund to the Storm Water Fund. The purpose of the transfer from the Water and Sewer Fund to the General Fund was to make payments in lieu of property taxes on the water and sewer plant. The purpose of the transfer from the Water and Sewer Fund to the Storm Water Fund was to clear paid escrow amounts previously having accruals allocated between the funds.

E. RESTRICTED ASSETS

Restricted assets consist primarily of cash on deposit in savings accounts and include funds for construction projects and other purposes. Restricted assets as of June 30, 2018, are as follows:

General Fund:	
Unspent debt proceeds	\$ 233,989
Escrow agreement	337,508
Special Revenue Funds:	
Drug enforcement and education	104,901
Roads and streets	399,907
Water and Sewer Fund:	
Capital projects - water capacity fees	1,927,220
Capital projects - development fees	1,976,875
	<hr/>
	\$ 4,980,400
	<hr/> <hr/>

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

F. CAPITAL ASSETS

A summary of changes in governmental activities capital assets for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
<i>Capital assets, not being depreciated -</i>				
Land	\$ 2,118,029	\$ 1,046,980	\$ -	\$ 3,165,009
Construction in progress	24,439	693,289	24,439	693,289
Subtotal	<u>2,142,468</u>	<u>1,740,269</u>	<u>24,439</u>	<u>3,858,298</u>
<i>Capital assets, being depreciated -</i>				
Building and improvements	8,285,363	8,070,970	-	16,356,333
Equipment	13,177,311	859,980	-	14,037,291
Infrastructure	16,705,784	2,635,891	-	19,341,675
Subtotal	<u>38,168,458</u>	<u>11,566,841</u>	<u>-</u>	<u>49,735,299</u>
<i>Accumulated depreciation -</i>				
Building and improvements	2,791,207	413,217	-	3,204,424
Equipment	10,570,021	1,181,714	-	11,751,735
Infrastructure	2,910,664	690,145	-	3,600,809
Subtotal	<u>16,271,892</u>	<u>2,285,076</u>	<u>-</u>	<u>18,556,968</u>
Capital assets, being depreciated, net	<u>21,896,566</u>	<u>9,281,765</u>	<u>-</u>	<u>31,178,331</u>
Capital assets, net	<u>\$ 24,039,034</u>	<u>\$ 11,022,034</u>	<u>\$ 24,439</u>	<u>\$ 35,036,629</u>

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

F. CAPITAL ASSETS - Continued

A summary of changes in business-type activities capital assets for the year ended June 30, 2018 is presented below:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Utility, plant and equipment				
<i>Capital assets, not being depreciated -</i>				
Land	\$ 685,955	\$ -	\$ -	\$ 685,955
Easements	299,843	-	-	299,843
Construction in progress	613,664	317,751	694,575	236,840
Subtotal	<u>1,599,462</u>	<u>317,751</u>	<u>694,575</u>	<u>1,222,638</u>
<i>Capital assets, being depreciated -</i>				
Utility system in operation	79,508,549	3,408,452	-	82,917,001
Equipment	4,511,355	169,761	-	4,681,116
Subtotal	<u>84,019,904</u>	<u>3,578,213</u>	<u>-</u>	<u>87,598,117</u>
<i>Accumulated depreciation -</i>				
Utility system in operation	16,333,372	1,767,391	-	18,100,763
Equipment	2,358,218	286,926	-	2,645,144
Subtotal	<u>18,691,590</u>	<u>2,054,317</u>	<u>-</u>	<u>20,745,907</u>
Utility, plant and equipment, being depreciated, net	<u>65,328,314</u>	<u>1,523,896</u>	<u>-</u>	<u>66,852,210</u>
Total utility, plant and equipment, net	<u>\$ 66,927,776</u>	<u>\$ 1,841,647</u>	<u>\$ 694,575</u>	<u>\$ 68,074,848</u>

Depreciation expense was charged to function/programs for the year ended June 30, 2018 as follows:

Governmental Activities:

General government and administration	\$ 465,760
Public safety	1,001,623
Public works	501,109
Culture and recreation	316,584
Total	<u>\$ 2,285,076</u>

Business-Type Activities:

Water and sewer	\$ 1,971,804
Storm water	82,513
Total	<u>\$ 2,054,317</u>

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

G. LONG-TERM LIABILITIES

During the year ended June 30, 2018, the changes in long-term liabilities were as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due within one year
Governmental Activities					
TN Municipal Bond Fund loan	\$ -	\$ 8,259,080	\$ -	\$ 8,259,080	\$ 464,000
2016 Capital Outlay Note	1,365,350	-	70,350	1,295,000	175,000
2014 General Obligation Bonds	7,995,000	-	345,000	7,650,000	355,000
2014 Note Payable	132,847	-	52,994	79,853	79,853
Note Payable-Williamson Cty	3,341,000	-	301,000	3,040,000	320,000
Equipment Note Payable	1,329	-	1,329	-	-
Total Governmental Activities					
Long-term Liabilities	<u>\$ 12,835,526</u>	<u>\$ 8,259,080</u>	<u>\$ 770,673</u>	<u>\$ 20,323,933</u>	<u>\$ 1,393,853</u>
Business-type Activities					
TN Municipal Bond Fund loan	\$ 3,286,000	\$ -	\$ 261,000	\$ 3,025,000	\$ 274,000
State of Tenn loan program	901,897	-	260,532	641,365	267,336
2016 Capital Outlay Note	1,124,650	-	439,650	685,000	340,000
Clean Water State					
Revolving Fund Loan 1	6,284,218	-	351,540	5,932,678	360,852
Clean Water State					
Revolving Fund Loan 2	5,625,544	-	262,416	5,363,128	269,376
Total Business-type Activities					
Long-term Liabilities	<u>\$ 17,222,309</u>	<u>\$ -</u>	<u>\$ 1,575,138</u>	<u>\$ 15,647,171</u>	<u>\$ 1,511,564</u>

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

G. LONG-TERM LIABILITIES - Continued

Amounts payable at June 30, 2018 consist of the following:

Governmental Activities:

Public improvement bonds:

A “draw loan/line of credit” from the Public Building Authority of the City of Clarksville, Tennessee through the Tennessee Municipal Bond Fund Loan program. Proceeds are drawn as needed. As of June 30, 2018, \$8,259,080 of the total available loan amount of \$13,180,000 had actually been drawn. The note is for the purchase of/improvements to the Northfield Facility and bears a fixed interest rate of 3.55%. The bond requires monthly payments of interest and an annual payment of principal each year through September 2037. \$ 8,259,080

Capital outlay note payable:

The City issued a Capital Outlay Note in the amount of \$3,000,000, of which \$1,645,000 is to be used for general fund transportation. The note bears a fixed interest rate of 1.76%. The note requires annual payments of principal and interest through April 2025. \$ 1,295,000

Notes payable:

Interlocal agreement with Williamson County for one half the cost of the Community Recreation Center located in Williamson County in the amount of \$5,385,000. The related notes bear interest between 2.50% and 5.00% and mature in fiscal year 2027. The City does not have an asset recorded related to this agreement as the property is owned and maintained by Williamson County. 3,040,000

The City obtained a loan from SunTrust Bank for the purchase of a Tyler Technologies ERP System and Police Dispatch equipment. The note is payable in semi-annual installments of \$52,128 through February 2019, at a rate of 1.53%. 79,853

Public improvement bonds:

The City issued Public Improvement Bonds in the amount of \$8,650,000. The bonds bear interest fixed at rates of 2.50% to 3.30% and require annual payments of principal and interest through September 2034. 7,650,000

Total governmental activities debt \$20,323,933

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

G. LONG-TERM LIABILITIES - Continued

Business-type Activities:

Public improvement bonds:

The City obtained a loan from the Tennessee Municipal Bond Fund for the construction of a water treatment plant in the amount of \$6,000,000. The note bears a variable interest rate. The interest rate at June 30, 2018 was 1.51%. The bond requires monthly payments of interest and an annual payment of principal each year through May 2027. \$ 3,025,000

State of Tennessee loan program:

The City obtained a loan through the State of Tennessee loan program for the construction of a sewer plant in the amount of \$4,406,838. The note bears an interest rate of 2.58% and matures in 2021, with monthly payments of \$23,481 including interest. 641,365

Clean Water State Revolving Fund:

The City obtained a loan from the State of Tennessee for the construction of waste water treatment plant in the amount of \$10,000,000, of which \$2,000,000 was forgiven. The note bears an interest rate of 2.62% and matures in 2032, with monthly payments of \$42,861 including interest. 5,932,678

The City obtained a loan from the State of Tennessee for the construction of waste water treatment plant in the amount of \$7,200,000. The note bears an interest rate of 2.62% and matures in 2034, with monthly payments of \$33,936 5,363,128

Capital outlay notes payable:

The City issued a Capital Outlay Note in the amount of \$3,000,000, of which \$1,000,000 is to be used for the construction of Hardins Landing Tank. The note bears a fixed interest rate of 1.76%. The note requires annual payments of principal and interest through April 2025. 505,536

The City issued a Capital Outlay Note in the amount of \$3,000,000, of which \$355,000 is to be used for stormwater projects. The note bears a fixed interest rate of 1.76%. The note requires annual payments of principal and interest through April 2025. 179,464

Total business-type activities debt \$15,647,171

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

G. LONG-TERM LIABILITIES - Continued

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

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

Debt Service Requirements

The annual debt service requirements to maturity for all long-term obligations outstanding as of June 30, 2018, are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,393,853	\$ 939,123	\$ 1,511,564	\$ 438,828	\$ 2,905,417	\$ 1,377,951
2020	1,350,000	813,060	1,554,264	398,172	2,904,264	1,211,232
2021	1,392,000	766,650	1,065,813	358,104	2,457,813	1,124,754
2022	1,440,000	718,619	999,720	326,284	2,439,720	1,044,903
2023	1,498,000	667,461	1,033,792	295,492	2,531,792	962,953
2024-2028	6,849,000	2,532,981	5,296,368	975,012	12,145,368	3,507,993
2029-2033	6,013,000	1,491,431	3,706,714	297,207	9,719,714	1,788,638
2034-2038	5,309,000	438,337	478,936	8,846	5,787,936	447,183
Totals	\$ 25,244,853	\$ 8,367,662	\$ 15,647,171	\$ 3,097,945	\$ 40,892,024	\$ 11,465,607
Less, amount not drawn	(4,920,920)				(4,920,920)	
Balance at June 30, 2018	\$ 20,323,933				\$ 35,971,104	

H. RETIREMENT SYSTEM AND PENSION PLAN

General Information about the Pension Plan:

Plan Description

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

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

Benefits Provided

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

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

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	189
Active employees	<u>224</u>
	<u>438</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ending June 30, 2018, the actuarially determined contribution ("ADC") for the City was \$528,737 based on a rate of 6.26% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

Net Pension Liability:

The City's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.45% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25%

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

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of Assumptions

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent.

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	Long-Term Expected <u>Real Rate of Return</u>	Target <u>Allocation</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	<u>1%</u>
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

Changes in the Net Pension Liability (Asset):

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2016 (measurement date)	\$ 12,139,205	\$ 10,788,564	\$ 1,350,641
Changes for the year:			
Service cost	750,217	-	750,217
Interest	955,426	-	955,426
Differences between expected and actual experience	45,493	-	45,493
Changes in assumptions	338,904	-	338,904
Contributions-employer	-	606,207	(606,207)
Contributions-employees	-	484,192	(484,192)
Net investment income	-	1,266,416	(1,266,416)
Benefit payments, including of employee contributions	(300,807)	(300,807)	-
Administrative expense	-	(18,722)	18,722
Net changes	<u>1,789,233</u>	<u>2,037,286</u>	<u>(248,053)</u>
Balance at June 30, 2017 (measurement date)	<u>\$ 13,928,438</u>	<u>\$ 12,825,850</u>	<u>\$ 1,102,588</u>

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

The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.25 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's net pension liability (asset)	\$3,636,729	\$1,102,588	\$(917,739)

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

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

Pension Expense

For the year ended June 30, 2018, the City recognized pension expense of \$488,840.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 656,924	\$ 13,758
Changes in assumptions	301,248	-
Net difference between projected and actual earnings on pension plan investments	-	18,463
Contributions subsequent to the measurement date of June 30, 2017	<u>687,813</u>	<u>-</u>
	<u>\$ 1,645,985</u>	<u>\$ 32,221</u>

The amount shown above for “contributions subsequent to the measurement date of June 30, 2017,” will be recognized as a reduction of the pension liability in the following measurement period.

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

Year Ended June 30 ,

2019	\$ 86,715
2020	224,206
2021	141,750
2022	42,814
2023	128,487
Thereafter	301,979

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

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

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

The pension related activity has been allocated to the individual funds of the primary government by use of an allocation ratio of the fiscal year 2018 pension contributions by fund. This ratio dictates that 75.80% of the pension related activity belongs to the General Government, 21.91% is attributed to the Water and Sewer Funds, and the remaining 2.29% is attributed to the Storm Water Fund.

A summary of the pension related activity by fund follows:

	General Government	Water and Sewer Fund	Storm Water Fund
Net Pension Liability	\$ 835,762	\$ 241,577	\$ 25,249
Deferred Inflows	24,423	7,060	738
Deferred Outflows	1,247,657	360,635	37,693

Payable to the Pension Plan:

At June 30, 2018, the City did not have a payable relating to contributions to the Plan required for the year ended June 30, 2018.

I. COMMITMENTS AND CONTINGENCIES

Litigation

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

Commitments

The City has contractual commitments for construction projects, including engineering and design, at June 30, 2018. The value of the commitments were approximately \$1,244,000.

J. RISK MANAGEMENT

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

CITY OF SPRING HILL, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

J. RISK MANAGEMENT - Continued

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

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

K. TAX ABATEMENTS

In accordance with GASB Statement No. 77, *Tax Abatement Disclosures*, City property tax revenues were reduced by \$352,131 in fiscal year 2018 under three (3) in lieu of property tax agreements. The related agreements are with the City, County, and the Industrial Development Board.

The amount is comprised of:

<u>Name</u>	<u>Estimated Property Tax</u>	<u>In Lieu of Tax Payment</u>	<u>Difference</u>
General Motors (previously Saturn) ¹	\$ 555,504	\$250,000	\$305,504
Magna Seating ²	16,148	-	16,148
Comprehensive Logistics ³	30,479	-	30,479

¹ The estimated property tax amount for the General Motors facility was developed from Real Estate Assessment Data from the State of TN Comptroller of the Treasury. The In Lieu of Tax Distribution Agreement was approved in 1985 and is in place for 40 years from its adoption.

² The estimated property tax amount for the Magna Seating facility was developed from Real Estate Assessment Data from the State of TN Comptroller of the Treasury. The Resolution of Intent to Participate in the Tax Abatement Agreement was approved in August 2014 and is based upon investment in the facility and job creation. Abatements are as follows:

- 0% tax years 2014-2019 (100% savings)
- 20% tax year 2020 (80% savings)
- 40% tax year 2021 (60% savings)
- 100% tax years 2022 and beyond

³ The estimated property tax amount for the Comprehensive Logistics facility was developed from Real Estate Assessment Data from the State of TN Comptroller of the Treasury. The Resolution of Intent to Participate in the Tax Abatement Agreement was approved in August 2014 and is based upon investment in the facility and job creation. Abatements are as follows:

- 0% tax years 2014-2019 (100% savings)
- 20% tax year 2020 (80% savings)
- 40% tax year 2021 (60% savings)
- 100% tax years 2022 and beyond

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

L. DEFICIT FUND BALANCES

For the fiscal year ended June 30, 2018, there were no instances of deficit fund balance in any funds.

M. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 28, 2018, which is the date the financial statement were available to be issued. Management noted that there were four items requiring disclosure.

On June 18, 2018 the Board of Mayor and Aldermen approved Resolution 18-85, an intent to participate in a tax abatement agreement for “Project Field of Dreams.” Anticipated capital investment in the project is \$35 million, with abatements on real and personal property as follows:

Year 1	50% abatement
Year 2	50% abatement
Year 3	50% abatement
Year 4	25% abatement
Year 5	25% abatement
Year 6	0% abatement

As of June 30, 2018, construction had not yet commenced on the facility. This abatement will be reported in the fiscal year 2018-2019 report.

In August 2018, the City accepted a Nashville Metropolitan Planning Organization (MPO) Active Transportation Program (ATP) grant for planning, preliminary engineering and environmental studies and right of way acquisition for the Harvey Park Greenway Phase 1 Project. Awarded funds in the amount of \$598,008 will require a \$149,502 match. Those funds will be programmed within the City’s fiscal year 2019-2020 budget. Additionally, the City is pursuing a fiscal year 2019 Transportation Alternatives grant in the amount of approximately \$1.2 million for construction of this project, which will require a match of \$299,000 should the grant be awarded.

For fiscal year 2018-19, the City created a new “Northfield Fund” to segregate revenues and expenditures for the Northfield Facility. A portion of the building is rented out, and project design is underway to relocate the Library and Police Department to the facility. Additionally, Codes and Planning will be moving to the building in late December 2018.

In December 2018, the City received notice that it had received a \$25 million federal grant to help fund the construction of a new I-65 interchange exit and extension of Buckner Road to connect the new interchange. The federal grant is part of the U.S. Department of Transportation’s Better Utilizing Investments to Leverage Development (BUILD) program. Total project cost is estimated at \$48 million. Contracts with the Department of Transportation must be executed by September 2020 and funds must be expended by September 2020.

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

N. RECENT ACCOUNTING PRONOUNCEMENTS

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

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, required for fiscal periods beginning after June 15, 2018, fiscal year 2019 for the City. This Statement enhances comparability of financial statements among governments by establishing uniform criteria for recognizing and measuring certain asset retirement obligations (ARO's) and enhances the usefulness of information by requiring disclosures related to ARO's.

The GASB issued Statement No. 84, *Fiduciary Activities*, required for fiscal periods beginning after December 15, 2018, fiscal year 2020 for the City. This Statement enhances consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

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

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, required for fiscal periods beginning after June 15, 2018, in fiscal year 2019 for the City. This Statement improves the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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

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

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF SPRING HILL, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS - PENSION PLAN
JUNE 30, 2018
(UNAUDITED)

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

Notes to Schedule:

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

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

See independent auditor's report.

CITY OF SPRING HILL, TENNESSEE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION PLAN
 JUNE 30, 2018
 (UNAUDITED)

<u>Fiscal Year Ended</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution in Relation to the Actuarially Determined Contributions</u>	<u>Contribution (Excess) Deficiency</u>	<u>Covered Payroll</u>	<u>Contribution as a Percent of Covered Payroll</u>
June 30, 2018	\$687,813	\$687,813	\$ -	\$10,987,428	6.26%
June 30, 2017	\$528,737	\$606,207	\$(77,470)	\$9,683,823	6.26%
June 30, 2016	\$479,022	\$479,022	\$ -	\$8,773,028	5.46%
June 30, 2015	\$431,925	\$431,925	\$ -	\$7,909,506	5.46%
June 30, 2014	\$385,342	\$385,342	\$ -	\$7,122,761	5.41%

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

See independent auditor's report.

CITY OF SPRING HILL, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN
JUNE 30, 2018
(UNAUDITED)

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2018 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Various by year
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation
Investment rate of return	7.50%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.50%

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

See independent auditor's report.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



SPECIAL REVENUE FUNDS

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

City of Spring Hill, Tennessee
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018

	Special Revenue Funds						Total
	Library Fund	Drug Fund	Impact Fees Fund	Fire Belle Restoration Fund	State Street Aid Fund	Tourism Fund	
Assets							
Cash and cash equivalents	\$ 66,852	\$ -	\$ 1,370,756	\$ 3,947	\$ -	\$ 142,040	\$ 1,583,595
Accounts receivable	-	2,225	-	-	-	-	2,225
Due from other governments	-	-	-	-	116,556	-	116,556
Taxes receivable	-	-	-	-	-	54,025	54,025
Restricted assets:							
Cash and cash equivalents	-	104,901	-	-	399,907	-	504,808
Total assets	<u>\$ 66,852</u>	<u>\$ 107,126</u>	<u>\$ 1,370,756</u>	<u>\$ 3,947</u>	<u>\$ 516,463</u>	<u>\$ 196,065</u>	<u>\$ 2,261,209</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	\$ 9,653	\$ -	\$ 3,946	\$ 3,909	\$ 42,163	\$ 59,671
Total liabilities	<u>-</u>	<u>9,653</u>	<u>-</u>	<u>3,946</u>	<u>3,909</u>	<u>42,163</u>	<u>59,671</u>
Fund Balances							
Restricted	-	97,473	-	-	512,554	-	610,027
Committed	66,852	-	1,370,756	1	-	153,902	1,591,511
Total fund balances	<u>66,852</u>	<u>97,473</u>	<u>1,370,756</u>	<u>1</u>	<u>512,554</u>	<u>153,902</u>	<u>2,201,538</u>
Total liabilities and fund balances	<u>\$ 66,852</u>	<u>\$ 107,126</u>	<u>\$ 1,370,756</u>	<u>\$ 3,947</u>	<u>\$ 516,463</u>	<u>\$ 196,065</u>	<u>\$ 2,261,209</u>

See independent auditor's report.

City of Spring Hill, Tennessee
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds						Total
	Library Fund	Drug Fund	Impact Fees Fund	Fire Belle Restoration Fund	State Street Aid Fund	Tourism Fund	
Revenues:							
Intergovernmental and taxes:							
Room occupancy tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,795	\$ 170,795
Gasoline and motor fuel tax	-	-	-	-	707,871	-	707,871
Three cent tax	-	-	-	-	208,804	-	208,804
Gas 1989 tax	-	-	-	-	112,689	-	112,689
Petroleum special	-	-	-	-	73,603	-	73,603
Gas 2017	-	-	-	-	173,589	-	173,589
Other	-	-	-	-	29,350	-	29,350
Impact fees	-	-	742,859	-	-	-	742,859
Charges for services	-	1,669	-	-	-	91,668	93,337
Contributions	53,648	3,450	-	-	-	-	57,098
Fines and forfeitures	-	41,234	-	-	-	-	41,234
Interest revenue	-	25	218	-	116	28	387
Other	175	-	-	-	2,490	-	2,665
Total revenues	53,823	46,378	743,077	-	1,308,512	262,491	2,414,281
Expenditures:							
Current:							
Public Safety:							
Police	-	18,979	-	-	-	-	18,979
Public Works:							
Streets	-	-	-	-	654,532	-	654,532
Culture:							
Library	25,677	-	-	-	-	-	25,677
Tourism	-	-	-	-	-	190,189	190,189
Debt Service	-	-	-	-	363,132	-	363,132
Total expenditures	25,677	18,979	-	-	1,017,664	190,189	1,252,509
Net change in fund balance	28,146	27,399	743,077	-	290,848	72,302	1,161,772
Fund Balance - Beginning of Year, as Reclassified	38,706	70,074	627,679	1	221,706	81,600	1,039,766
Fund Balance - Ending of Year	\$ 66,852	\$ 97,473	\$ 1,370,756	\$ 1	\$ 512,554	\$ 153,902	\$ 2,201,538

See independent auditor's report.

City of Spring Hill, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Library Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
REVENUES:				
Contributions	\$ 25,000	\$ 29,000	\$ 53,648	\$ 24,648
Other	-	-	175	175
Total revenues	<u>25,000</u>	<u>29,000</u>	<u>53,823</u>	<u>24,823</u>
EXPENDITURES:				
Culture:				
Library:				
Programs	16,100	16,100	15,180	(920)
Travel	-	-	148	148
Operating supplies	1,600	1,600	3,561	1,961
Educational supplies	1,300	1,300	133	(1,167)
Other services	1,000	1,000	700	(300)
Repairs and maintenance	500	4,500	4,110	(390)
Capital outlay	-	-	-	-
Miscellaneous	2,700	2,700	1,845	(855)
Total expenditures	<u>23,200</u>	<u>27,200</u>	<u>25,677</u>	<u>(1,523)</u>
Change in fund balance	1,800	1,800	28,146	26,346
Fund balance - beginning	<u>38,706</u>	<u>38,706</u>	<u>38,706</u>	<u>-</u>
Fund balance - ending	<u>\$ 40,506</u>	<u>\$ 40,506</u>	<u>\$ 66,852</u>	<u>\$ 26,346</u>

See independent auditor's report.

City of Spring Hill, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Drug Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
REVENUES:				
Charges for services	\$ -	\$ -	\$ 1,669	\$ 1,669
Fines and forfeitures	25,000	25,000	41,234	16,234
Sale of property	5,000	5,000	-	(5,000)
Contributions	300	300	3,450	3,150
Interest	100	100	25	(75)
Total revenues	<u>30,400</u>	<u>30,400</u>	<u>46,378</u>	<u>15,978</u>
EXPENDITURES:				
Public Safety:				
Police Department:				
Operating supplies	25,000	25,000	16,798	(8,202)
Travel	500	500	2,181	1,681
Total expenditures	<u>25,500</u>	<u>25,500</u>	<u>18,979</u>	<u>(6,521)</u>
Change in fund balance	4,900	4,900	27,399	22,499
Fund balance - beginning	<u>70,074</u>	<u>70,074</u>	<u>70,074</u>	<u>-</u>
Fund balance - ending	<u>\$ 74,974</u>	<u>\$ 74,974</u>	<u>\$ 97,473</u>	<u>\$ 22,499</u>

See independent auditor's report.

City of Spring Hill, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Impact Fees Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
REVENUES:				
Impact fees	\$ 300,000	\$ 400,000	\$ 742,859	\$ 342,859
Interest	-	-	218	218
Total Revenues	<u>300,000</u>	<u>400,000</u>	<u>743,077</u>	<u>343,077</u>
EXPENDITURES:				
Capital outlay	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>
Change in fund balance	(200,000)	(100,000)	743,077	843,077
Fund balance - beginning	<u>627,679</u>	<u>627,679</u>	<u>627,679</u>	<u>-</u>
Fund balance - ending	<u>\$ 427,679</u>	<u>\$ 527,679</u>	<u>\$ 1,370,756</u>	<u>\$ 843,077</u>

See independent auditor's report.

City of Spring Hill, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Fire Belle Restoration Fund
For the Year Ended June 30, 2018

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

See independent auditor's report.

City of Spring Hill, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - State Street Aid Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
REVENUES:				
Intergovernmental	\$ 1,287,600	\$ 1,287,600	\$ 1,305,906	\$ 18,306
Interest	200	200	116	(84)
Other	-	-	2,490	2,490
Total revenues	<u>1,287,800</u>	<u>1,287,800</u>	<u>1,308,512</u>	<u>20,712</u>
EXPENDITURES:				
Public Safety:				
Streets:				
Services	240,000	240,000	65,174	(174,826)
Postage	1,500	1,500	-	(1,500)
Professional services	65,000	65,000	3,523	(61,477)
Repairs and maintenance	550,000	550,000	462,898	(87,102)
Operating supplies	-	125,000	122,937	(2,063)
Debt service	269,900	269,900	271,721	1,821
Interest	95,000	95,000	91,411	(3,589)
Capital outlay	50,000	-	-	-
Total expenditures	<u>1,271,400</u>	<u>1,346,400</u>	<u>1,017,664</u>	<u>(328,736)</u>
Change in fund balance	16,400	(58,600)	290,848	349,448
Fund balance - beginning	<u>221,706</u>	<u>221,706</u>	<u>221,706</u>	<u>-</u>
Fund balance - ending	<u>\$ 238,106</u>	<u>\$ 163,106</u>	<u>\$ 512,554</u>	<u>\$ 349,448</u>

See independent auditor's report.

City of Spring Hill, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Tourism Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
REVENUES:				
Taxes	\$ -	\$ 140,000	\$ 170,795	\$ 30,795
Charges for services	-	55,000	91,668	36,668
Interest revenue	-	-	28	28
Total revenues	<u>-</u>	<u>195,000</u>	<u>262,491</u>	<u>67,491</u>
EXPENDITURES:				
Culture:				
Tourism:				
Other services	-	143,400	146,328	2,928
Office supplies and materials	-	14,600	14,460	(140)
Insurnace	-	1,000	1,058	58
Utilities	-	31,000	28,133	(2,867)
Miscellaneous	-	500	210	(290)
Capital outlay	<u>-</u>	<u>4,500</u>	<u>-</u>	<u>(4,500)</u>
Total expenditures	<u>-</u>	<u>195,000</u>	<u>190,189</u>	<u>(4,811)</u>
Change in fund balance	-	-	72,302	72,302
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>81,600</u>	<u>81,600</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,902</u>	<u>\$ 153,902</u>

See independent auditor's report.

SUPPLEMENTAL INFORMATION



CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018

GRANTOR AGENCY	FEDERAL CFDA NUMBER	GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2017	RECEIPTS	EXPENDITURES	ADJUSTMENTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2018
Federal Awards								
<u>U.S. Department of Justice</u>								
Passed through Tennessee State Department of Finance and Administration								
Violence Against Women Formula Grants - STOP Grant								
	16.588	26697	\$ 37,728	\$ -	\$ 37,728	\$ 37,728	\$ -	\$ -
Direct Assistance								
Bulletproof Vest Partnership Program Grant (2016)								
	16.607	N/A	4,212	-	-	2,380	-	2,380
Total U.S. Department of Justice			41,940	-	37,728	40,108	-	2,380
<u>U.S. Department of Transportation</u>								
Direct Assistance								
Highway Planning and Construction - Tanyard Springs Trail								
	20.205	114960	68,544	60,947	60,947	-	-	-
Highway Planning and Construction - Duplex Road								
	20.205	80167	38,161,516	162,063	162,063	-	48,560	48,560
Total program 20.205			38,230,060	223,010	223,010	-	48,560	48,560
Passed through Tennessee State Department of Safety and Homeland Security								
State and Community Highway Safety -GHSO Grant								
	20.600	Z17THS071	14,998	-	-	-	-	-
State and Community Highway Safety -GHSO Grant								
	20.600	Z18THS297	15,000	-	-	9,545	-	9,545
Total program 20.600			29,998	-	-	9,545	-	9,545
Total U.S. Department of Transportation			38,260,058	223,010	223,010	9,545	48,560	58,105
<u>Institute of Museum and Library Services</u>								
Passed through Tennessee Secretary of State - Library and Archives								
2018 Tech Grant TSLA - Grants to States								
	45.310	30501-00118-105	2,147	-	2,147	2,147	-	-
Total Federal Awards			\$ 38,304,145	\$ 223,010	\$ 262,885	\$ 51,800	\$ 48,560	\$ 60,485
State Financial Assistance								
<u>Tennessee Department of Finance and Administration</u>								
Passed through the Metropolitan Government of Nashville and Davidson County								
Internet Crimes Against Children FY 17-18								
	NA	NA	\$ 15,000	\$ -	\$ 14,898	\$ 14,898	\$ -	\$ -
Internet Crimes Against Children FY 16-17								
	NA	NA	20,000	19,898	19,898	-	-	-
Tennessee Department of Finance and Administration			35,000	19,898	34,796	14,898	-	-

See independent auditor's report.

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018

GRANTOR AGENCY	FEDERAL CFDA NUMBER	GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2017	RECEIPTS	EXPENDITURES	ADJUSTMENTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2018
<u>State Financial Assistance - Continued</u>								
<u>Tennessee Department of Transportation</u>								
Direct Assistance								
1990 Bridge Grant Program - John Lunn Bridge	NA	BG 60-B561-0.57	442,373	-	365,285	372,499	-	7,214
Beechcroft - Water Relocation (117319.01)	NA	8594	257,604	-	10,729	1,376	10,729	1,376
Beechcroft - Water Easement (117319.01)	NA	8595	17,500	-	921	-	921	-
Beechcroft - Sewer Relocation (117319.01)	NA	8596	204,064	-	7,835	1,054	7,835	1,054
Beechcroft - Sewer Easement (117319.01)	NA	8597	8,500	-	8,500	-	8,500	-
Project Shotgun - Sewer Relocation (121394.00)	NA	8598	247,696	-	12,689	1,269	12,689	1,269
Project Shotgun - Sewer Easement (121394.00)	NA	8599	13,000	-	12,343	-	12,343	-
Project Shotgun - Water Relocation (121394.00)	NA	8600	340,528	-	12,005	941	12,005	941
Project Shotgun - Water Easement (121394.00)	NA	8601	6,500	-	6,500	-	6,500	-
Total Tennessee Department of Transportation			<u>1,537,765</u>	<u>-</u>	<u>436,807</u>	<u>377,139</u>	<u>71,522</u>	<u>11,854</u>
<u>Tennessee Secretary of State - Library and Archives</u>								
Direct Assistance								
Library Technology Training Grant	NA	30504-02017-41	9,787	-	7,520	7,520	-	-
<u>Tennessee Department of Environment and Conservation</u>								
Direct Assistance								
Clean Tennessee Energy Grant Program	NA	32701-02808	26,410	-	26,410	26,410	-	-
Total State Financial Assistance			<u>\$ 1,608,962</u>	<u>\$ 19,898</u>	<u>\$ 505,533</u>	<u>\$ 425,967</u>	<u>\$ 71,522</u>	<u>\$ 11,854</u>
Total Federal Awards and State Financial Assistance			<u>\$ 39,913,107</u>	<u>\$ 242,908</u>	<u>\$ 768,418</u>	<u>\$ 477,767</u>	<u>\$ 120,082</u>	<u>\$ 72,339</u>

Basis of Presentation:

Note 1: The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the City of Spring Hill under programs of the federal and state governments for the year ended June 30, 2018. The schedule is presented using the accrual basis of accounting.

Note 2: There were no amounts passed through to subrecipients during the year ended June 30, 2018.

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2018

Tax Year	Balance July 1, 2017	Levy and Changes in Assessment	Collections	Balance June 30, 2018
2017	\$ -	\$ 5,839,481	\$ (5,783,246)	\$ 56,235
2016	44,096	-	(18,033)	26,063
2015	23,461	(4,613)	(18,848)	-
Total	<u>\$ 67,557</u>	<u>\$ 5,834,868</u>	<u>\$ (5,820,127)</u>	82,298
Estimated 2018 tax levy				7,718,445
Less allowance for estimated uncollectible				<u>(252,128)</u>
Total taxes receivable, net				<u>\$ 7,548,615</u>

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
JUNE 30, 2018**

Governmental Activities													
For the Year Ended June 30,	Public Improvement Bonds (TN Municipal Bond Fund)		Williamson County Notes		Capital Outlay Note		Equipment Financing Notes		Public Improvement Bonds, 2014		Total Governmental Activities		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 464,000	\$ 542,834	\$ 320,000	\$ 143,625	\$ 175,000	\$ 22,792	\$ 79,853	\$ 1,222	\$ 355,000	\$ 228,650	\$ 1,393,853	\$ 939,123	
2020	480,000	442,898	325,000	132,450	180,000	19,712	-	-	365,000	218,000	1,350,000	813,060	
2021	497,000	425,556	340,000	117,500	180,000	16,544	-	-	375,000	207,050	1,392,000	766,650	
2022	515,000	407,593	355,000	101,850	185,000	13,376	-	-	385,000	195,800	1,440,000	718,619	
2023	533,000	388,991	375,000	84,100	190,000	10,120	-	-	400,000	184,250	1,498,000	667,461	
2024	552,000	369,733	390,000	65,350	190,000	6,776	-	-	410,000	172,250	1,542,000	614,109	
2025	572,000	349,782	415,000	45,850	195,000	3,432	-	-	425,000	159,950	1,607,000	559,014	
2026	592,000	329,121	430,000	25,100	-	-	-	-	435,000	147,200	1,457,000	501,421	
2027	613,000	307,732	90,000	3,600	-	-	-	-	445,000	136,325	1,148,000	447,657	
2028	635,000	285,580	-	-	-	-	-	-	460,000	125,200	1,095,000	410,780	
2029	657,000	262,647	-	-	-	-	-	-	470,000	113,125	1,127,000	375,772	
2030	680,000	238,915	-	-	-	-	-	-	480,000	100,200	1,160,000	339,115	
2031	705,000	214,331	-	-	-	-	-	-	495,000	85,800	1,200,000	300,131	
2032	730,000	188,860	-	-	-	-	-	-	510,000	70,950	1,240,000	259,810	
2033	756,000	162,483	-	-	-	-	-	-	530,000	54,120	1,286,000	216,603	
2034	782,000	135,184	-	-	-	-	-	-	545,000	36,630	1,327,000	171,814	
2035	810,000	106,926	-	-	-	-	-	-	565,000	18,645	1,375,000	125,571	
2036	839,000	77,656	-	-	-	-	-	-	-	-	839,000	77,656	
2037	869,000	47,339	-	-	-	-	-	-	-	-	869,000	47,339	
2038	899,000	15,957	-	-	-	-	-	-	-	-	899,000	15,957	
	<u>\$ 13,180,000</u>	<u>\$ 5,300,118</u>	<u>\$ 3,040,000</u>	<u>\$ 719,425</u>	<u>\$ 1,295,000</u>	<u>\$ 92,752</u>	<u>\$ 79,853</u>	<u>\$ 1,222</u>	<u>\$ 7,650,000</u>	<u>\$ 2,254,145</u>	<u>\$ 25,244,853</u>	<u>\$ 8,367,662</u>	
Less, amount not drawn	(4,920,920)										(4,920,920)		
Balance at June 30, 2018	<u>\$ 8,259,080</u>										<u>\$ 20,323,933</u>		

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
JUNE 30, 2018**

Business-Type Activities

Year	Public Improvement Bonds		State of Tennessee Loan		Clean Water Revolving Fund		Clean Water Revolving Fund		Capital Outlay Notes		Total Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 274,000	\$ 121,000	\$ 267,336	\$ 14,436	\$ 360,852	\$ 153,480	\$ 269,376	\$ 137,856	\$ 340,000	\$ 12,056	\$ 1,511,564	\$ 438,828
2020	288,000	110,040	274,308	7,452	370,428	143,904	276,528	130,704	345,000	6,072	1,554,264	398,172
2021	302,000	98,520	99,721	2,112	380,244	134,088	283,848	123,384	-	-	1,065,813	358,104
2022	318,000	86,440	-	-	390,336	123,996	291,384	115,848	-	-	999,720	326,284
2023	334,000	73,720	-	-	400,680	113,652	299,112	108,120	-	-	1,033,792	295,492
2024	350,000	60,360	-	-	411,312	103,020	307,044	100,188	-	-	1,068,356	263,568
2025	368,000	46,360	-	-	422,220	92,112	315,180	92,052	-	-	1,105,400	230,524
2026	386,000	31,640	-	-	433,416	80,916	323,544	83,688	-	-	1,142,960	196,244
2027	405,000	16,200	-	-	444,900	69,432	332,124	75,108	-	-	1,182,024	160,740
2028	-	-	-	-	456,696	57,636	340,932	66,300	-	-	797,628	123,936
2029	-	-	-	-	468,816	45,516	349,968	57,264	-	-	818,784	102,780
2030	-	-	-	-	481,236	33,096	359,244	47,988	-	-	840,480	81,084
2031	-	-	-	-	494,004	20,328	368,772	38,460	-	-	862,776	58,788
2032	-	-	-	-	417,538	7,227	378,552	28,680	-	-	796,090	35,907
2033	-	-	-	-	-	-	388,584	18,648	-	-	388,584	18,648
2034	-	-	-	-	-	-	398,892	8,340	-	-	398,892	8,340
2035	-	-	-	-	-	-	80,044	506	-	-	80,044	506
	<u>\$ 3,025,000</u>	<u>\$ 644,280</u>	<u>\$ 641,365</u>	<u>\$ 24,000</u>	<u>\$ 5,932,678</u>	<u>\$ 1,178,403</u>	<u>\$ 5,363,128</u>	<u>\$ 1,233,134</u>	<u>\$ 685,000</u>	<u>\$ 18,128</u>	<u>\$ 15,647,171</u>	<u>\$ 3,097,945</u>

See independent auditor's report.

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF INSURANCE COVERAGE
JUNE 30, 2018
(UNAUDITED)

Type of Coverage	Limits of Liability
Municipal Liability and Auto Policy	
Liability	
General	\$300,000/700,000/100,000
Automobile	\$300,000/700,000/100,000
Other losses not covered by tort liability act	\$2,000,000
Automobile physical coverage	
Comprehensive	ACV/\$1,000 Deductible
Collision	ACV/\$1,000 Deductible
Public officials errors and omissions liability	\$2,000,000
Workers' compensation	Statutory
Commercial Property Policy	
Building and Equipment	\$31,988,865
Water/waste water treatment facility	\$55,180,631
Public Employees Blanket Bond	\$150,000
Employee bonds	
City Recorder	\$400,000

See independent auditor's report.

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS
TEN YEAR SUMMARY
JUNE 30, 2018
(UNAUDITED)

Fiscal Year	Tax Year	County	Tax Rate*	Assessed Value
2018	2017	Maury	0.5927	\$ 327,847,927
		Williamson	0.5381	725,992,768
2017	2016	Maury	0.5427	285,228,701
		Williamson	0.4881	674,308,155
2016	2015	Maury	0.5767	260,082,996
		Williamson	0.5903	540,260,607
2015	2014	Maury	0.59	261,565,296
		Williamson	0.59	538,817,290
2014	2013	Maury	0.59	242,932,640
		Williamson	0.59	511,464,115
2013	2012	Maury	0.59	228,823,286
		Williamson	0.59	487,062,781
2012	2011	Maury	0.59	207,961,965
		Williamson	0.59	458,312,983
2011	2010	Maury	0.57	202,551,970
		Williamson	0.60	457,439,932
2010	2009	Maury	0.60	196,199,392
		Williamson	0.60	446,203,175
2009	2008	Maury	0.60	172,794,346
		Williamson	0.60	431,132,201

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

* Per \$100 of assessed valuation

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE
 SCHEDULE OF UTILITY RATES
 JUNE 30, 2018
 (UNAUDITED)**

WATER RATES

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

Number of customers at June 30, 2018 - 15,355

SEWER RATES

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

Number of customers at June 30, 2018 - 15,355

See independent auditor's report.

COMPLIANCE AND INTERNAL CONTROL



CITY OF SPRING HILL, TENNESSEE
 AWWA REPORTING WORKSHEET
 JUNE 30, 2018
 (UNAUDITED)

AWWA Free Water Audit Software: Reporting Worksheet				WAS v5.0 American Water Works Association, Copyright © 2014, All Rights Reserved.
<input type="button" value="Click to access definition"/> <input type="button" value="Click to add a comment"/>		Water Audit Report for: <u>City of Spring Hill (0000667)</u>		
		Reporting Year: <u>2018</u> <u>7/2017 - 6/2018</u>		
<p>Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades</p> <p style="text-align: center; color: red;">All volumes to be entered as: MILLION GALLONS (US) PER YEAR</p>				
<p>To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.</p>				
WATER SUPPLIED			Master Meter and Supply Error Adjustments	
<----- Enter grading in column 'E' and 'J' ----->				
Volume from own sources:	<input type="button" value="+ ?"/> 9	<input type="text" value="984.128"/> MG/Yr	<input type="button" value="+ ?"/> <input type="button" value="↺"/> <input type="button" value="↻"/>	<input type="text" value=""/> MG/Yr
Water imported:	<input type="button" value="+ ?"/> 9	<input type="text" value="149.628"/> MG/Yr	<input type="button" value="+ ?"/> <input type="button" value="↺"/> <input type="button" value="↻"/>	<input type="text" value=""/> MG/Yr
Water exported:	<input type="button" value="+ ?"/> 9	<input type="text" value="13.607"/> MG/Yr	<input type="button" value="+ ?"/> <input type="button" value="↺"/> <input type="button" value="↻"/>	<input type="text" value=""/> MG/Yr
WATER SUPPLIED:		1,120.149 MG/Yr		
AUTHORIZED CONSUMPTION				
Billed metered:	<input type="button" value="+ ?"/> 10	<input type="text" value="837.562"/> MG/Yr		
Billed unmetered:	<input type="button" value="+ ?"/> 9	<input type="text" value="0.428"/> MG/Yr		
Unbilled metered:	<input type="button" value="+ ?"/> n/a	<input type="text" value="0.000"/> MG/Yr		
Unbilled unmetered:	<input type="button" value="+ ?"/> 9	<input type="text" value="1.800"/> MG/Yr		
AUTHORIZED CONSUMPTION:		839.790 MG/Yr		
WATER LOSSES (Water Supplied - Authorized Consumption)				
		280.359 MG/Yr		
Apparent Losses				
Unauthorized consumption:	<input type="button" value="+ ?"/> 5	<input type="text" value="2.800"/> MG/Yr		
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed				
Customer metering inaccuracies:	<input type="button" value="+ ?"/> 9	<input type="text" value="17.093"/> MG/Yr		
Systematic data handling errors:	<input type="button" value="+ ?"/> 10	<input type="text" value="0.001"/> MG/Yr		
Apparent Losses:		19.894 MG/Yr		
Real Losses (Current Annual Real Losses or CARL)				
Real Losses = Water Losses - Apparent Losses:	<input type="button" value="+ ?"/> 9	<input type="text" value="260.465"/> MG/Yr		
WATER LOSSES:		280.359 MG/Yr		
NON-REVENUE WATER				
NON-REVENUE WATER:		282.159 MG/Yr		
= Water Losses + Unbilled Metered + Unbilled Unmetered				
SYSTEM DATA				
Length of mains:	<input type="button" value="+ ?"/> 10	<input type="text" value="246.0"/> miles		
Number of <u>active AND inactive</u> service connections:	<input type="button" value="+ ?"/> 9	<input type="text" value="14,362"/>		
Service connection density:	<input type="button" value="+ ?"/> 9	<input type="text" value="58"/> conn./mile main		
Are customer meters typically located at the curbstop or property line?	<input type="button" value="+ ?"/> 9	<input type="text" value="Yes"/>		
Average length of customer service line:	<input type="button" value="+ ?"/> 9	<input type="text" value="75.0"/> (length of service line, <u>beyond</u> the property boundary, that is the responsibility of the utility)		
Average length of customer service line has been set to zero and a data grading score of 10 has been applied				
Average operating pressure:	<input type="button" value="+ ?"/> 9	<input type="text" value="75.0"/> psi		
COST DATA				
Total annual cost of operating water system:	<input type="button" value="+ ?"/> 9	<input type="text" value="\$7,519,476"/> \$/Year		
Customer retail unit cost (applied to Apparent Losses):	<input type="button" value="+ ?"/> 9	<input type="text" value="\$9.07"/> \$/1000 gallons (US)		
Variable production cost (applied to Real Losses):	<input type="button" value="+ ?"/> 9	<input type="text" value="\$1,133.00"/> \$/Million gallons	<input type="checkbox"/> Use Customer Retail Unit Cost to value real losses	
WATER AUDIT DATA VALIDITY SCORE:				
*** YOUR SCORE IS: 90 out of 100 ***				
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score				
PRIORITY AREAS FOR ATTENTION:				
Based on the information provided, audit accuracy can be improved by addressing the following components:				
1: Volume from own sources				
2: Unauthorized consumption				
3: Billed unmetered				

See independent auditor's report.

CITY OF SPRING HILL, TENNESSEE
 AWWA REPORTING WORKSHEET
 JUNE 30, 2018
 (UNAUDITED)

AWWA Free Water Audit Software: System Attributes and Performance Indicators		WAS v5.0 American Water Works Association. Copyright © 2014. All Rights Reserved.
Water Audit Report for: City of Spring Hill (0000667)		
Reporting Year: 2018 7/2017 - 6/2018		
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 90 out of 100 ***		
System Attributes:		
	Apparent Losses:	19.894 MG/Yr
	+	Real Losses: 260.465 MG/Yr
	=	Water Losses: 280.359 MG/Yr
?	Unavoidable Annual Real Losses (UARL):	95.41 MG/Yr
	Annual cost of Apparent Losses:	\$180,443
	Annual cost of Real Losses:	\$295,106 Valued at Variable Production Cost
Return to Reporting Worksheet to change this assumption		
Performance Indicators:		
Financial:	{	Non-revenue water as percent by volume of Water Supplied: 25.2%
		Non-revenue water as percent by cost of operating system: 6.4% Real Losses valued at Variable Production Cost
Operational Efficiency:	{	Apparent Losses per service connection per day: 3.80 gallons/connection/day
		Real Losses per service connection per day: 49.69 gallons/connection/day
		Real Losses per length of main per day*: N/A
		Real Losses per service connection per day per psi pressure: 0.66 gallons/connection/day/psi
		From Above, Real Losses = Current Annual Real Losses (CARL): 260.46 million gallons/year
?	Infrastructure Leakage Index (ILI) [CARL/UARL]:	2.73
* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline		

See independent auditor's report.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spring Hill, Tennessee (the “City”) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 28, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. We consider the deficiency described in the accompanying schedule of findings and responses as item 2018-001 to be a material weaknesses.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, but one other matter that is required to be reported under the State of Tennessee Audit Manual is referenced as 2018-002 in the accompanying Schedule of Findings and Questioned Costs.

The City's Response to Findings

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

Purpose of This Report

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

Crosslin, PLLC

Nashville, Tennessee
December 28, 2018

CITY OF SPRING HILL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS

2018-001 - Capital Assets

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

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

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

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

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

CITY OF SPRING HILL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS - CONTINUED

2018-001 - Capital Assets - Continued

Views of Responsible Officials and Planned Corrective Actions:

City staff concurs with this finding. Capital assets were previously being recorded manually by the City's former auditor. City staff recognized the need for capital assets to be maintained by the City and responded by preparing an updated Excel spreadsheet of capital assets to support the audit process. As noted above, City staff prepared the related entries for fixed assets for fiscal year 2017/18 prior to closing the books.

City staff understands the need to have accurate fixed asset data and realizes that we are carrying fully depreciated items on the books that we likely no longer have. Staff would be interested in having some form of asset valuation performed to give us a good starting point for the future. Upon obtaining that information, City staff will work with the Tyler software vendor to convert the manually prepared fixed asset spreadsheet to the capital asset module of the Tyler software system utilized by the City or will explore other fixed asset programs available to handle that function.

City staff will undertake additional training as needed to become proficient in the use of the fixed asset module or software package. Once City assets have been properly recorded and placed into the fixed asset module, procedures will be developed and implemented to track, record and reconcile capital assets on a regular basis. City staff believes that once accurate information has been obtained and entered into the related software package, existing Finance Department staff will be able to maintain the database and generate the required entries annually.

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

2018-002 - Employee Fraud

Condition, Criteria, Cause, Questioned Costs, and Effect: During the period October 2017 through January 2018, a former City employee stole at least \$800. Cash payments were withheld from daily deposits and when a spreadsheet was used to post payments to customer accounts, there were amounts in the spreadsheet that did not tie back to the daily deposits. The employee was confronted with the documents and confessed to taking the money. Staff continued evaluating other missing cash items and asked the Comptroller's Investigative Division to get involved. City officials accepted the resignation of the employee on February 8, 2018. The former employee agreed to make restitution by forfeiting that amount from their final paycheck. After the \$800 was withheld from the employee's last paycheck, the City considered that portion of the theft to be resolved. Subsequently, an additional \$300 was uncovered, and staff is working to identify other potential missing cash amounts. Again, the Comptroller's Investigative Division is involved.

CITY OF SPRING HILL
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

2018-002 - Employee Fraud - Continued

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

Views of Responsible Officials and Planned Corrective Actions:

This matter has already been investigated by City. The employee suspected of taking the missing money confessed, resigned, and paid full restitution on \$800 of the \$1,100. Since full restitution on the \$800 has been made and the employee resigned, the City considers this matter to be partially resolved and closed. The City is working to identify other potential missing cash amounts.

CITY OF SPRING HILL
 SCHEDULE OF PRIOR YEAR FINDINGS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Schedule of Disposition of Prior Year Findings

Finding Number	Finding Title	Status
2017-001	Accounting System, Fiscal Management, and Accounting Discipline	Corrected
2017-002	Capital Assets (See 2018-001)	Repeated
2017-003	Federal and State Grant Funds	Corrected
2017-004	Information Technology ("TI") Environment	Corrected
2017-005	Formal Purchasing/Gas Card/Credit Card Policies	Corrected
2017-006	Reconciliation of Payroll Liability Accounts	Corrected
2017-007	Reconciliation of Insurance Premiums with Individuals	Corrected
2017-008	Human Resource ("HR") Forms	Corrected