

**CITY OF SPRING HILL, TENNESSEE**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

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

## INTRODUCTORY SECTION

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**CITY OF SPRING HILL, TENNESSEE**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**CITY OF SPRING HILL, TENNESSEE  
ROSTER OF OFFICIALS  
JUNE 30, 2020**

**Board of Mayor and Aldermen**

Mayor  
Aldermen

Rick Graham  
Amy Wurth, Vice Mayor  
John Canepari  
Matt Fitterer  
Jeff Graves  
Dan Allen  
Kevin Gavigan  
Hazel Nieves  
Vincent Fuqua

**City Officials**

City Administrator  
Assistant City Administrator  
Finance Director  
Chief of Police  
City Planner  
City Recorder  
Codes Director  
Communications Officer  
Dispatch Director  
Fire Chief  
GIS/IT  
Human Resources Director  
Infrastructure Director  
Library Director  
Parks & Recreation Director  
Public Works Director  
Wastewater Treatment Plant Director  
Water Treatment Plant Director

Victor Lay  
Chuck Downham  
Tonya Travis  
Don Brite  
Steve Foote  
April Goad  
Chris Brooks  
Vacant  
Brandi Smith  
Terry Hood  
John Pewitt  
Shelley Taylor  
Vacant  
Dana Juriew  
Kayce Williams  
Tyler Scroggins  
Travis Massey  
Jeremy Vanderford

**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Spring Hill, Tennessee (the "City")**, as of and for the fiscal year ended June 30, 2020, 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.

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## ***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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison information of the General Fund and Adequate Facilities/Development 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 the Management's Discussion and Analysis, the Schedule of Changes in the City's Net Pension Liability and Related Ratios, and the Schedule of City Contributions on pages 4 through 14, 54, and 55 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 fund statements and schedules, the schedule of expenditures of federal and state awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Audits, and the other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

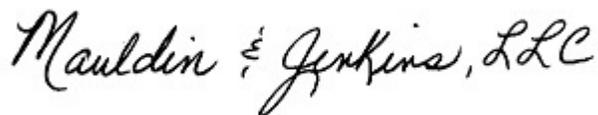
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The combining and individual fund statements and schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used 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 fund statements and schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the other supplementary information, as listed in the table of contents, 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 January 26, 2021 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 to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Spring Hill, Tennessee's internal control over financial reporting and compliance.



Chattanooga, Tennessee  
January 26, 2021

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020

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, 2020. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

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

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the City of Spring Hill exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$146,753,924 (total net position).
- The government's total net position increased by \$24,038,327.
- As of the close of the current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$30,098,863, which is an increase of \$9,526,452 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance in the general fund was 71.79% 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, 2020

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

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

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

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

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

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

The City of Spring Hill maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Adequate Facilities / Development 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 56 of this report.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020

The City of Spring Hill adopts an annual appropriated budget for its General Fund and Major Special Revenue Fund - Adequate Facilities / Development 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 – 24 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 25 – 27 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 28 – 53 of this report.

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

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and budgetary comparison statements can be found on pages 60 – 69 of this report.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020

**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 \$146,753,924.

**Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets:</b>						
Current assets	\$ 44,815,876	\$ 34,148,518	\$ 31,947,242	\$ 24,782,440	\$ 76,763,118	\$ 58,930,958
Capital assets - net	39,070,555	35,913,753	78,093,914	75,107,339	117,164,469	111,021,092
Total assets	\$ 83,886,431	\$ 70,062,271	\$ 110,041,156	\$ 99,889,779	\$ 193,927,587	\$ 169,952,050
Deferred outflows of resources	1,737,905	1,679,844	538,201	536,309	2,276,106	2,216,153
<b>Liabilities</b>						
Current liabilities	\$ 1,749,722	\$ 2,391,867	\$ 851,009	\$ 558,779	\$ 2,600,731	\$ 2,950,646
Long-term liabilities (net)	20,724,066	20,490,273	13,052,571	14,536,090	33,776,637	35,026,363
Total liabilities	\$ 22,473,788	\$ 22,882,140	\$ 13,903,580	\$ 15,094,869	\$ 36,377,368	\$ 37,977,009
Deferred inflows of resources	13,027,537	11,451,396	44,864	24,201	13,072,401	11,475,597
<b>Net Position</b>						
Net investment in capital assets	\$ 20,647,154	\$ 17,541,619	\$ 65,441,017	\$ 63,948,607	\$ 86,088,171	\$ 81,490,226
Restricted	4,659,492	1,539,878	1,871,475	1,295,535	6,530,967	2,835,413
Unrestricted	24,816,365	18,327,082	29,318,421	20,062,876	54,134,786	38,389,958
Total net position	\$ 50,123,011	\$ 37,408,579	\$ 96,630,913	\$ 85,307,018	\$ 146,753,924	\$ 122,715,597

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. During fiscal year 2019, the City performed a physical capital asset inventory, based on a prior year material weakness finding, to ensure accurate accounting for the City's capital assets. Once the physical capital asset inventory was completed, the information was entered into the City's accounting software and an entry to beginning balances was necessary to record the adjustments. The City continues track inventories throughout fiscal year 2020. 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, 2020

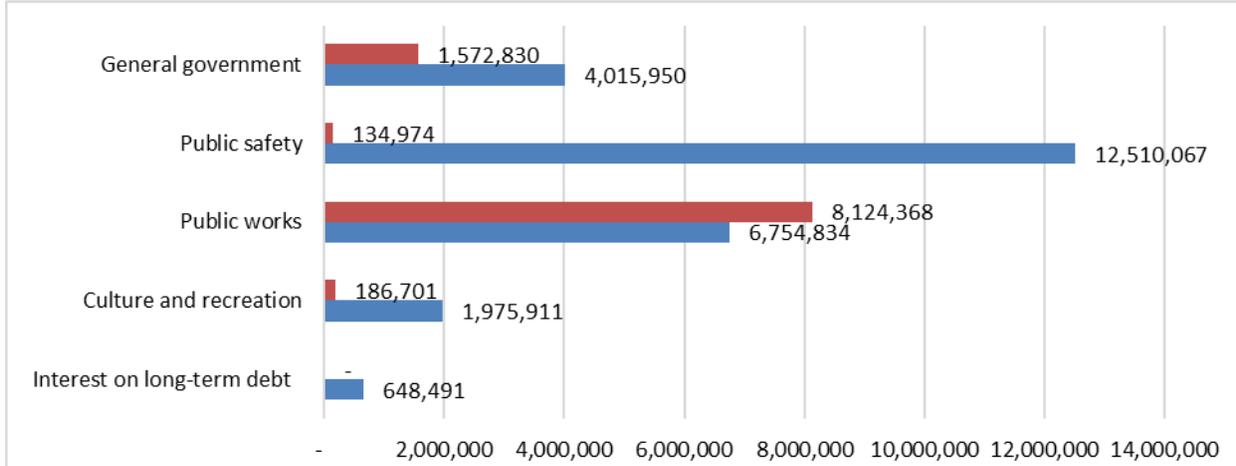
**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 6,843,995	\$ 7,263,801	\$ 12,919,099	\$ 11,065,430	\$ 19,763,094	\$ 18,329,231
Operating Grants & Contributions	270,798	1,959,073	-	-	270,798	1,959,073
Capital Grants & Contributions	2,904,080	1,896,053	10,441,027	11,963,465	13,345,107	13,859,518
General Revenues:						
Taxes	26,499,247	17,854,888	-	-	26,499,247	17,854,888
Intergovernmental revenues	706,350	4,282,232	-	181,562	706,350	4,463,794
Unrestricted Interest	93,134	125,294	176,027	223,345	269,161	348,639
Sales of materials	34,461	21,522	-	242,562	34,461	264,084
Miscellaneous	1,267,620	1,365,467	-	197,281	1,267,620	1,562,748
<b>Total Revenues</b>	<b>\$ 38,619,685</b>	<b>\$ 34,768,330</b>	<b>\$ 23,536,153</b>	<b>\$ 23,873,645</b>	<b>\$ 62,155,838</b>	<b>\$ 58,641,975</b>
<b>Expenses:</b>						
General Government	\$ 4,015,950	\$ 4,244,835	\$ -	\$ -	\$ 4,015,950	\$ 4,244,835
Public Safety	12,510,067	11,024,249	-	-	12,510,067	11,024,249
Public Works	6,754,834	7,042,826	-	-	6,754,834	7,042,826
Culture and Recreation	1,975,911	1,711,219	-	-	1,975,911	1,711,219
Interest on Long-Term Debt	648,491	650,390	-	-	648,491	650,390
Water and Sewer	-	-	11,360,781	11,328,701	11,360,781	11,328,701
Storm Water	-	-	851,477	624,519	851,477	624,519
<b>Total Expenses:</b>	<b>\$ 25,905,253</b>	<b>\$ 24,673,519</b>	<b>\$ 12,212,258</b>	<b>\$ 11,953,220</b>	<b>\$ 38,117,511</b>	<b>\$ 36,626,739</b>
Increase in net position before transfers	\$ 12,714,432	\$ 10,094,811	\$ 11,323,895	\$ 11,920,425	\$ 24,038,327	\$ 22,015,236
Transfers	-	167,000	-	(167,000)	-	-
Increase in net position	12,714,432	10,261,811	11,323,895	11,753,425	24,038,327	22,015,236
Net Position - beginning	37,408,579	27,146,768	85,377,018	73,623,593	122,785,597	100,770,361
Net Position - ending	\$ 50,123,011	\$ 37,408,579	\$ 96,700,913	\$ 85,377,018	\$ 146,823,924	\$ 122,785,597

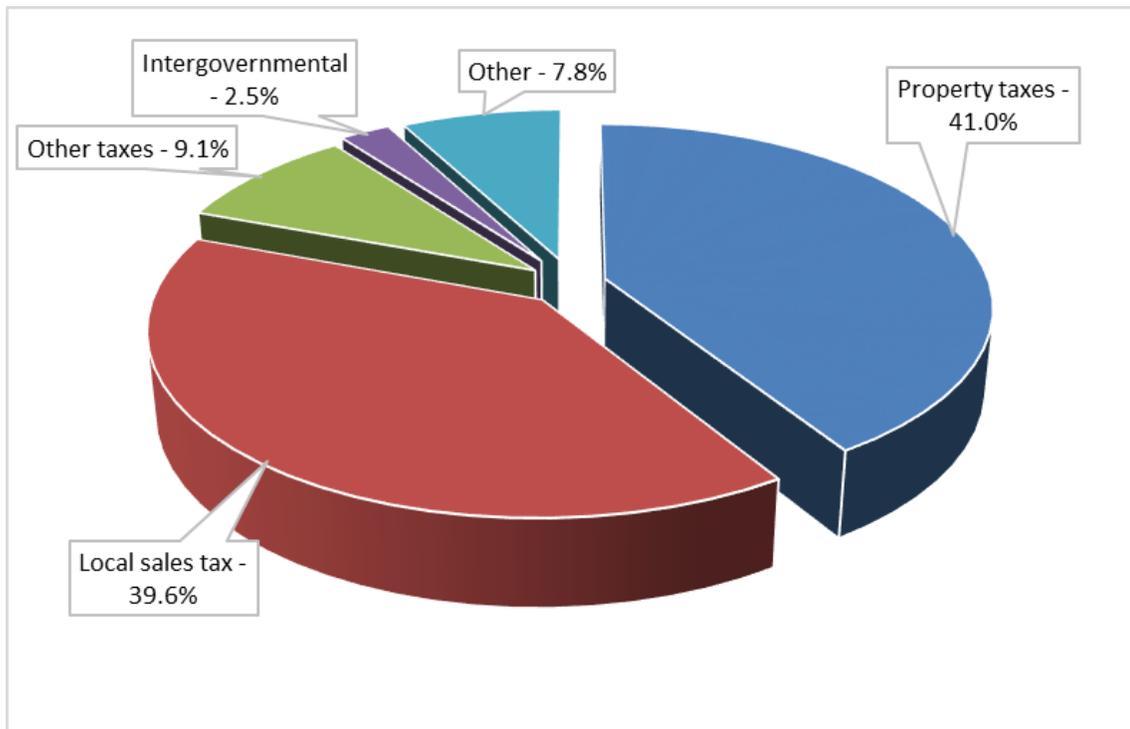
CITY OF SPRING HILL, TENNESSEE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED JUNE 30, 2020

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, 80.6% of governmental revenues were provided by property taxes and local sales taxes. Intergovernmental revenues totaling 2.5% were predominately state-shared sales tax and TVA payments in lieu of tax, with other taxes providing 9.1%. Other governmental revenues totaled 7.8%.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020

**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**

	2020	2019
<b>Total assets</b>	<b><u>\$ 44,962,967</u></b>	<b><u>\$ 34,148,518</u></b>
Total liabilities	<u>1,896,813</u>	<u>2,200,515</u>
Deferred inflows of resources	<u>12,967,291</u>	<u>11,375,592</u>
Fund balances:		
Nonspendable	-	10,226
Restricted	5,191,171	2,097,824
Committed	586,015	6,508,997
Assigned	3,226,936	-
Unassigned	<u>21,094,741</u>	<u>11,955,364</u>
Total fund balances	<u>30,098,863</u>	<u>20,572,411</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 44,962,967</u></b>	<b><u>\$ 34,148,518</u></b>

As of the end of the current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$30,098,863, which is an increase of \$9,526,452 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 \$16,069,148.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020

**Changes in Fund Balance  
Total Governmental Funds**

	2020	2019
<b>Revenues:</b>		
Taxes	\$ 22,673,340	\$ 17,854,888
License, permits and fees	1,316,020	1,381,821
Intergovernmental	6,700,400	6,602,764
Impact fees	2,698,361	2,879,789
Charges for services	2,504,696	2,726,413
Contributions	37,563	44,552
Fines and forfeitures	324,918	275,778
Insurance recovery	-	39,657
Interest revenue	93,134	125,294
Miscellaneous	1,267,620	1,365,467
Total revenues	37,616,052	33,296,423
 <b>Expenditures:</b>		
General government	3,704,526	3,976,202
Public safety	11,656,824	10,687,079
Public works	5,287,444	5,720,908
Culture and recreation	1,732,231	1,631,106
Capital outlay	5,118,443	2,098,650
Debt service	1,999,593	3,946,472
Total expenditures	29,499,061	28,060,417
 Excess of revenues over expenditures	8,116,991	5,236,006
 <b>Other Financing Sources (Uses)</b>		
Proceeds from sale of property	34,461	21,522
Issuance of long-term debt	1,375,000	-
Transfers in	4,150,083	167,000
Transfers out	(4,150,083)	-
Total other financing sources (uses)	1,409,461	188,522
 Net change in fund balance	9,526,452	5,424,528
 <b>Fund Balance, beginning</b>	20,572,411	15,147,883
<b>Fund Balance, end</b>	\$ 30,098,863	\$ 20,572,411

The fund balances of the City's governmental funds increased by over \$9.5 million during the current fiscal year. This increase was predominantly a result of increased revenues, including:

- Increased property tax, sales tax and building permit revenues (including both General Fund permits and impact fees), and
- Rental income in the amount of \$911,000 from the Northfield facility.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020

- Governmental fund balances reflecting increases included General Fund (\$4 million), Impact Fees (\$247,000), State Street Aid (\$550,000), Northfield (\$146,000), Adequate Facilities (\$823,000), Sanitation (\$470,000), and Capital Projects (\$3.2 million).

*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 \$29,318,421. Restricted net position in these funds at the end of the year amounted to \$1,871,475. Net investment in capital assets at the end of year amounted to \$65,441,017. The total increase in net position for the proprietary funds was \$11,523,451. 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 \$4,842,846. Total assessed valuation for property taxes increased approximately 7% by \$90 million. Property tax budget increased over \$3.9 million (53%). Property tax rates were also increased from fiscal year 2019 to fiscal year 2020 by \$0.26. The tax rate increase represents a 45% increase on the Maury County side of Spring Hill and a 39% increase on the Williamson County. Budgeted revenues for Local Option Sales Tax increase 7.5% from \$6,325,000 to \$6,800,000 an increase of \$475,000.

The amount of budgeted expenditures increased by 7.2% from \$24 million to \$25.7 million (an increase of \$1.7 million). During FY 2019-20, \$1.3 million was expended for the purchase of a ladder truck in the fire department.

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

Actual revenues were more than final budgeted amounts by nearly \$1.9 million, driven by property taxes (\$204,719), Local Sales Tax (\$866,119), State Sales Tax (\$169,970) and Building Permits (\$170,042).

Actual expenditures were \$3,396,219 lower than budgeted amounts. Nearly \$840,000 was related to salary/benefit savings from staff transitions and reduced health insurance compared to budget during the year throughout all General Fund departments. \$330,000 was budgeted in principal payments toward the debt of the Ladder Truck in the Fire Department. The note issued during fiscal year 2020 did not require a principal payment only one interest payment. This was a savings between budget and actual. Within Parks and Recreation, \$657,986 budgeted for development of trails and greenway was not fully expended at fiscal yearend (project budget was reallocated in FY 2020-21). Approximately \$111,000 was left between Police and Legislative for outstanding purchase orders at June 30<sup>th</sup> for which goods/services had not been received. Those items were reappropriated within the fiscal year 2020-21 budget. Approximately \$200,000 remained within Public Works for right of way acquisitions not conducted during the year.

Other financing sources were budgeted at \$250,000 in transfers out to the Northfield Fund for facility improvements didn't move forward.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020

**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, 2020 amounts to \$117,164,469 (net of accumulated depreciation), an increase of \$6,143,377. Depreciation charges for the fiscal year totaled \$4,639,127. 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:

- Crossing Circle North bridge, road and sidewalk was transferred from construction in process and placed into service during fiscal year 2020 (\$2,024,024).
- During the year, acquisitions of equipment and vehicles included Fire vehicle and equipment (\$104,586), Police vehicles and equipment (\$440,377), Public works vehicles/equipment (\$144,958). Turn lanes at Highway 31 and Common Wealth were completed and placed into service (\$200,366).
- Infrastructure additions within governmental funds totaled \$884,546 for accepted streets and sidewalks during the fiscal year.
- CIP projects in process at year-end included several road improvements projects (interchange approaches, turn lane improvements, Buckner Lane East and West, and design services for the Police Department and Library).

Within business-type activities, plant and equipment increased:

- \$1.2 million in donated water lines, \$2 million in donated sewer lines and \$1.8 million in stormwater improvements.
- Stormwater infrastructure of \$59,337 was added at Crossing Circle North.
- \$37,450 in flowmeter acquisitions for sewer.
- CIP projects in progress at fiscal year-end included water and sewer line relocations for Duplex Road, Cleburne Road, Saturn Parkway and Project Shotgun.

**Capital Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Construction in Progress	\$ 3,963,905	\$ 2,706,068	\$ 860,188	\$ 566,793	\$ 4,824,093	\$ 3,272,861
Land and easements	3,134,006	3,134,006	985,798	985,798	4,119,804	4,119,804
Buildings and Improvements	21,267,317	21,520,631	63,962,781	63,962,781	85,230,098	85,483,412
Plant and Equipment	11,416,210	10,688,974	1,484,704	1,447,254	12,900,914	12,136,228
Infrastructure	16,176,715	12,920,354	51,390,007	46,142,468	67,566,722	59,062,822
Less accumulated depreciation	(16,887,598)	(15,056,280)	(40,589,564)	(37,997,755)	(57,477,162)	(53,054,035)
<b>Total</b>	<u>\$ 39,070,555</u>	<u>\$ 35,913,753</u>	<u>\$ 78,093,914</u>	<u>\$ 75,107,339</u>	<u>\$ 117,164,469</u>	<u>\$ 111,021,092</u>

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

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020

***Long-term Debt***

At the end of the current fiscal year, the City of Spring Hill's governmental activities had total long-term debt outstanding of \$18,955,080. The business-type activities had total long-term debt of \$12,652,897.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Notes payable	\$ 12,025,000	\$ 11,635,080	\$ 12,652,897	\$ 14,135,607	\$ 24,677,897	\$ 25,770,687
Bonds payable	6,930,080	7,295,000	-	-	6,930,080	7,295,000
Total	<u>\$ 18,955,080</u>	<u>\$ 18,930,080</u>	<u>\$ 12,652,897</u>	<u>\$ 14,135,607</u>	<u>\$ 31,607,977</u>	<u>\$ 33,065,687</u>

The City of Spring Hill's total long-term debt decreased by \$1,457,710 during the current fiscal year (a \$25,000 increase in governmental activities and \$1,482,710 decrease in business-type activities). Principal payments totaled \$2,904,264 and there were additions of new debt during fiscal year 2020 of \$1,375,00 for an Aerial Ladder Fire Truck. Additional information on the City of Spring Hill's long-term debt can be found in Note 8 of this report.

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

- The City of Spring Hill continues to see rapid growth. Calendar year 2020 continued to reflect a record number of new residential permits. This growth serves to build the property tax base and increase the sales tax collections, building permits and impact fees. However, it also increases the need for police, fire, sanitation and water and sewer services and presents a continuing challenge in existing infrastructure.
- Several major road projects are in progress throughout the City, including a new I-65 interchange and related East and West approaches. A property tax increase was approved, with the associated funds designated for specific capital improvements. Design work on the Northfield Building to provide new physical locations for the Library and Police Departments is on hold pending the sale of the Northfield Building. New rate structures have been approved for water and sewer to assist with operating and infrastructure needs.

These factors were considered in preparing the 2021 fiscal year budget for the City of Spring Hill.

**REQUESTS FOR INFORMATION**

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

City of Spring Hill  
Attn: Tonya Travis, Finance Director  
P.O. Box 789  
Spring Hill, Tennessee 37174

# CITY OF SPRING HILL, TENNESSEE

## STATEMENT OF NET POSITION JUNE 30, 2020

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 21,387,192	\$ 18,138,162	\$ 39,525,354
Investments	6,174,794	10,291,262	16,466,056
Receivables, net	434,518	1,293,090	1,727,608
Due from other governments	1,788,318	94,200	1,882,518
Taxes receivable, net	12,967,291	-	12,967,291
Internal balances	(115,186)	115,186	-
Inventories	-	141,716	141,716
Prepaid items	-	2,151	2,151
Restricted cash	2,178,949	1,871,475	4,050,424
Capital assets, nondepreciable	7,097,911	1,845,986	8,943,897
Capital assets, depreciable, net of accumulated depreciation	31,972,644	76,247,928	108,220,572
Total assets	83,886,431	110,041,156	193,927,587
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	1,737,905	538,201	2,276,106
Total deferred outflows of resources	1,737,905	538,201	2,276,106
<b>LIABILITIES</b>			
Accounts payable	1,154,623	645,067	1,799,690
Accrued liabilities	472,099	205,942	678,041
Accrued interest	190,250	-	190,250
Unearned revenue	123,000	-	123,000
Noncurrent liabilities due within one year			
Compensated absences payable	390,625	122,958	513,583
Note payable	1,573,000	1,087,524	2,660,524
Bonds payable	497,000	-	497,000
Noncurrent liabilities due in more than one year			
Compensated absences payable	294,567	-	294,567
Note payable	10,452,000	11,565,373	22,017,373
Bonds payable	6,433,080	-	6,433,080
Net pension liability	893,544	276,716	1,170,260
Total liabilities	22,473,788	13,903,580	36,377,368
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	144,872	44,864	189,736
Deferred revenues - property taxes	12,882,665	-	12,882,665
Total deferred inflows of resources	13,027,537	44,864	13,072,401
<b>NET POSITION</b>			
Net investment in capital assets	20,647,154	65,441,017	86,088,171
Restricted for:			
Roads and streets	836,064	-	836,064
Drug enforcement	149,273	-	149,273
Capital projects	3,674,155	1,871,475	5,545,630
Unrestricted	24,816,365	29,318,421	54,134,786
Total net position	\$ 50,123,011	\$ 96,630,913	\$ 146,753,924

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

**CITY OF SPRING HILL, TENNESSEE**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 4,015,950	\$ 1,569,830	\$ 3,000	\$ -	\$ (2,443,120)	\$ -	\$ (2,443,120)
Public safety	12,510,067	72,858	62,116	-	(12,375,093)	-	(12,375,093)
Public works	6,754,834	5,200,767	19,521	2,904,080	1,369,534	-	1,369,534
Culture and recreation	1,975,911	540	186,161	-	(1,789,210)	-	(1,789,210)
Interest on long-term debt	648,491	-	-	-	(648,491)	-	(648,491)
Total governmental activities	<u>25,905,253</u>	<u>6,843,995</u>	<u>270,798</u>	<u>2,904,080</u>	<u>(15,886,380)</u>	<u>-</u>	<u>(15,886,380)</u>
Business-type activities:							
Water and sewer	11,360,781	11,899,186	-	8,555,889	-	9,094,294	9,094,294
Storm Water	851,477	1,019,913	-	1,885,138	-	2,053,574	2,053,574
Total business-type activities	<u>12,212,258</u>	<u>12,919,099</u>	<u>-</u>	<u>10,441,027</u>	<u>-</u>	<u>11,147,868</u>	<u>11,147,868</u>
Total primary government	<u>\$ 38,117,511</u>	<u>\$ 19,763,094</u>	<u>\$ 270,798</u>	<u>\$ 13,345,107</u>	<u>(15,886,380)</u>	<u>11,147,868</u>	<u>(4,738,512)</u>
General revenues:							
Property tax					11,725,531	-	11,725,531
Sales tax					11,336,089	-	11,336,089
Wholesale beer and liquor tax					1,170,585	-	1,170,585
Business tax					645,093	-	645,093
Franchise tax					553,606	-	553,606
Room occupancy tax					137,218	-	137,218
Other taxes					931,125	-	931,125
Intergovernmental					706,350	-	706,350
Unrestricted investment earnings					93,134	176,027	269,161
Miscellaneous					1,267,620	-	1,267,620
Gain on sale of capital assets					34,461	-	34,461
Total general revenues					<u>28,600,812</u>	<u>176,027</u>	<u>28,776,839</u>
Change in net position					<u>12,714,432</u>	<u>11,323,895</u>	<u>24,038,327</u>
Net position, beginning of year					<u>37,408,579</u>	<u>85,307,018</u>	<u>122,715,597</u>
Net position, end of year					<u>\$ 50,123,011</u>	<u>\$ 96,630,913</u>	<u>\$ 146,753,924</u>

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

# CITY OF SPRING HILL, TENNESSEE

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2020

ASSETS	General Fund	Adequate Facilities/ Development Fund	Nonmajor Governmental Funds	Total
Cash and cash equivalents	\$ 12,690,550	\$ 2,152,480	\$ 6,544,162	\$ 21,387,192
Investments	3,087,397	3,087,397	-	6,174,794
Taxes receivable, net	12,967,291	-	-	12,967,291
Accounts receivable, net	205,064	-	229,454	434,518
Due from other governments	1,580,772	42,857	164,689	1,788,318
Due from other funds	22,345	-	9,560	31,905
Restricted cash	531,679	-	1,647,270	2,178,949
<b>Total assets</b>	<b>\$ 31,085,098</b>	<b>\$ 5,282,734</b>	<b>\$ 8,595,135</b>	<b>\$ 44,962,967</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 924,627	\$ 134,141	\$ 95,855	\$ 1,154,623
Accrued liabilities	467,607	-	4,492	472,099
Unearned revenue	-	123,000	-	123,000
Due to other funds	124,746	-	22,345	147,091
<b>Total liabilities</b>	<b>1,516,980</b>	<b>257,141</b>	<b>122,692</b>	<b>1,896,813</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	12,882,665	-	-	12,882,665
Unavailable revenue - property taxes	84,626	-	-	84,626
<b>Total deferred inflows of resources</b>	<b>12,967,291</b>	<b>-</b>	<b>-</b>	<b>12,967,291</b>
<b>FUND BALANCES</b>				
Fund balances:				
Restricted				
Roads and streets	-	-	836,064	836,064
Drug enforcement	-	-	149,273	149,273
Capital projects	531,679	-	3,674,155	4,205,834
Committed				
Library operations	-	-	99,596	99,596
Tourism	-	-	163,535	163,535
Operation of Northfield building	-	-	317,784	317,784
Public safety	-	-	5,100	5,100
Assigned for capital projects	-	-	3,226,936	3,226,936
Unassigned	16,069,148	5,025,593	-	21,094,741
<b>Total fund balances</b>	<b>16,600,827</b>	<b>5,025,593</b>	<b>8,472,443</b>	<b>30,098,863</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 31,085,098</b>	<b>\$ 5,282,734</b>	<b>\$ 8,595,135</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	39,070,555
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows in the governmental funds.	84,626
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(19,830,522)
The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds.	699,489

Net position of governmental activities

\$ 50,123,011

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

**CITY OF SPRING HILL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Adequate Facilities/ Development Fund	Nonmajor Governmental Funds	Total
<b>Revenues:</b>				
Taxes	\$ 22,536,122	\$ -	\$ 137,218	\$ 22,673,340
Licenses, permits, fees	1,316,020	-	-	1,316,020
Intergovernmental	4,680,866	508,529	1,511,005	6,700,400
Impact fees	-	1,574,841	1,123,520	2,698,361
Charges for services	23,944	-	2,480,752	2,504,696
Contributions	-	-	37,563	37,563
Fines and forfeitures	246,869	-	78,049	324,918
Interest revenue	43,731	39,845	9,558	93,134
Other	353,055	-	914,565	1,267,620
Total revenues	<u>29,200,607</u>	<u>2,123,215</u>	<u>6,292,230</u>	<u>37,616,052</u>
<b>Expenditures:</b>				
General government	2,935,884	-	768,642	3,704,526
Public safety	11,575,795	63,724	17,305	11,656,824
Public works	2,650,012	-	2,637,432	5,287,444
Culture and recreation	1,503,055	-	229,176	1,732,231
Capital outlay	3,565,447	498,115	1,054,881	5,118,443
Debt Service:				
Principal	85,448	502,225	762,327	1,350,000
Interest	66,453	235,641	347,499	649,593
Total expenditures	<u>22,382,094</u>	<u>1,299,705</u>	<u>5,817,262</u>	<u>29,499,061</u>
Excess of revenues over expenditures	6,818,513	823,510	474,968	8,116,991
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	34,461	-	-	34,461
Proceeds from note payable	1,375,000	-	-	1,375,000
Transfers in	-	-	4,150,083	4,150,083
Transfers out	(4,150,083)	-	-	(4,150,083)
Total other financing sources (uses):	<u>(2,740,622)</u>	<u>-</u>	<u>4,150,083</u>	<u>1,409,461</u>
Net change in fund balances	4,077,891	823,510	4,625,051	9,526,452
<b>Fund balances, beginning of year</b>	<u>12,522,936</u>	<u>4,202,083</u>	<u>3,847,392</u>	<u>20,572,411</u>
<b>Fund balances, end of year</b>	<u>\$ 16,600,827</u>	<u>\$ 5,025,593</u>	<u>\$ 8,472,443</u>	<u>\$ 30,098,863</u>

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

# CITY OF SPRING HILL, TENNESSEE

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Net change in fund balances - total governmental funds	\$	9,526,452
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		2,277,256
The net effect of various miscellaneous transactions involving capital assets (i.e. donations and disposals) is to increase net position.		879,546
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		84,626
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(25,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(28,448)</u>
Change in net position - governmental activities	\$	<u>12,714,432</u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes:				
Real and personal property	\$ 11,136,186	\$ 11,436,186	\$ 11,640,905	\$ 204,719
Utility taxes	60,000	60,000	121,557	61,557
Interest and penalty on taxes	11,000	11,000	16,064	5,064
Payments in lieu of taxes	576,707	576,707	612,092	35,385
Local sales tax	6,800,000	6,800,000	7,666,119	866,119
Wholesale beer tax	600,000	600,000	646,927	46,927
Wholesale liquor tax	350,000	350,000	523,658	173,658
Business tax	600,000	600,000	645,093	45,093
Franchise tax	490,000	490,000	553,606	63,606
Mixed drink taxes	110,000	110,000	110,101	101
Total Taxes	<u>20,733,893</u>	<u>21,033,893</u>	<u>22,536,122</u>	<u>1,502,229</u>
Licenses and Permits:				
Beer permit applications	14,000	14,000	15,500	1,500
Alarm registratins	10,000	10,000	11,370	1,370
Building permits	1,100,000	1,100,000	1,270,042	170,042
Solicitation permits	900	900	545	(355)
Sign permits	12,000	12,000	17,763	5,763
Firework permits	10,500	10,500	-	(10,500)
Other permits	1,000	1,000	800	(200)
Total Licenses and Permits	<u>1,148,400</u>	<u>1,148,400</u>	<u>1,316,020</u>	<u>167,620</u>
Intergovernmental:				
Grants	598,008	642,432	134,670	(507,762)
TVA payments in lieu of taxes	465,000	465,000	497,339	32,339
Fire department incentive pay	27,000	42,400	42,400	-
State sales tax	3,500,000	3,500,000	3,669,970	169,970
State income tax	40,000	40,000	142,492	102,492
State beer tax	20,000	20,000	18,941	(1,059)
Corporate excise tax	11,000	11,000	71,311	60,311
Other state revenue allocations	28,400	44,400	47,578	3,178
Library revenue	56,165	56,165	56,165	-
Total Intergovernmental	<u>4,745,573</u>	<u>4,821,397</u>	<u>4,680,866</u>	<u>(140,531)</u>
Charges for Services:				
Other charges for services	9,800	9,800	23,944	14,144
Total Charges for Services	<u>9,800</u>	<u>9,800</u>	<u>23,944</u>	<u>14,144</u>
Fines and forfeitures:				
City court fines and costs	125,000	125,000	200,688	75,688
County court fines and costs	50,000	50,000	43,014	(6,986)
Hazmat Reimbursements	-	2,425	2,425	-
Other revenues	4,000	4,000	742	(3,258)
Total Fines and Forfeitures	<u>179,000</u>	<u>181,425</u>	<u>246,869</u>	<u>65,444</u>
Interest Revenue:				
General	50,000	50,000	43,731	(6,269)
Total Interest Revenue	<u>50,000</u>	<u>50,000</u>	<u>43,731</u>	<u>(6,269)</u>
Other Revenues:				
Contributions	-	10,000	-	(10,000)
Insurance recoveries	10,000	23,252	55,554	32,302
Miscellaneous revenues	21,898	21,898	297,501	275,603
Total Other Revenues	<u>31,898</u>	<u>55,150</u>	<u>353,055</u>	<u>297,905</u>
Total revenues	<u>26,898,564</u>	<u>27,300,065</u>	<u>29,200,607</u>	<u>1,900,542</u>

(continued)

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures:</b>				
General Government:				
City Council				
Personal services	430,577	430,577	370,797	59,780
Services	525,500	565,560	422,279	143,281
Supplies	32,300	29,190	10,106	19,084
Other charges	61,000	64,050	64,049	1
Grants, contributions, indemnities, and other	125,600	133,700	93,546	40,154
Total City Council	1,174,977	1,223,077	960,777	262,300
City Court:				
Personal services	30,300	30,300	30,170	130
Services	1,100	1,100	1,495	(395)
Supplies	600	600	114	486
Total Judicial	32,000	32,000	31,779	221
Financial Administration:				
Personal services	367,830	367,830	314,778	53,052
Services	138,500	138,500	110,018	28,482
Supplies	15,000	15,000	9,747	5,253
Other charges	2,400	2,400	735	1,665
Grants, contributions, indemnities, and other	-	-	623	(623)
Total Financial Administration	523,730	523,730	435,901	87,829
Information Management System:				
Personal services	191,230	191,230	144,683	46,547
Services	327,534	337,534	286,288	51,246
Supplies	104,500	94,500	43,680	50,820
Other charges	2,200	2,200	2,929	(729)
Grants, contributions, indemnities, and other	187,500	187,500	-	187,500
Total Information Management System	812,964	812,964	477,580	335,384
Buildings and Codes:				
Personal services	522,940	522,940	473,293	49,647
Services	92,275	92,275	80,116	12,159
Supplies	15,000	15,000	7,225	7,775
Other charges	18,000	18,000	11,143	6,857
Grants, contributions, indemnities, and other	11,275	11,275	663	10,612
Total Buildings and Codes	659,490	659,490	572,440	87,050
Planning and Zoning				
Personal services	240,862	240,862	180,880	59,982
Services	45,650	45,650	6,847	38,803
Supplies	10,450	10,450	861	9,589
Other charges	500	500	-	500
Grants, contributions, indemnities, and other	6,000	6,000	308	5,692
Total building and grounds	303,462	303,462	188,896	114,566
General Government Building - City Hall Building:				
Personal services	177,230	167,230	143,921	23,309
Services	109,800	118,925	106,760	12,165
Supplies	11,500	11,500	10,575	925
Other charges	4,500	8,000	7,255	745
Total General Government Building	303,030	305,655	268,511	37,144
Total General Government	3,809,653	3,860,378	2,935,884	924,494

(continued)

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Public Safety:				
Dispatch:				
Services	31,730	31,730	10,046	21,684
Supplies	364,000	364,000	364,000	-
Other charges	-	-	530	(530)
Total Dispatch	<u>395,730</u>	<u>395,730</u>	<u>374,576</u>	<u>21,154</u>
Police Department:				
Personal services	4,948,843	4,964,843	4,711,381	253,462
Services	449,598	454,813	384,440	70,373
Supplies	466,900	508,091	378,863	129,228
Other charges	274,200	280,200	280,429	(229)
Grants, contributions, indemnities, and other	7,000	7,000	5,626	1,374
Debt services	-	-	239	(239)
Capital outlay	30,000	23,500	-	23,500
Total Police Department	<u>6,176,541</u>	<u>6,238,447</u>	<u>5,760,978</u>	<u>477,469</u>
Fire:				
Personal Services	4,784,033	4,799,433	4,705,146	94,287
Services	348,671	366,260	354,261	11,999
Supplies	258,522	245,616	256,584	(10,968)
Other charges	115,000	122,200	124,150	(1,950)
Grants, contributions, indemnities, and other	2,500	2,500	100	2,400
Total Fire	<u>5,508,726</u>	<u>5,536,009</u>	<u>5,440,241</u>	<u>95,768</u>
Total Public Safety	<u>12,080,997</u>	<u>12,170,186</u>	<u>11,575,795</u>	<u>594,391</u>
Public Works:				
Streets and Highways:				
Personal Services	1,406,997	1,414,272	1,271,526	142,746
Services	1,143,950	1,202,950	1,064,573	138,377
Supplies	196,400	279,050	198,900	80,150
Other charges	93,000	94,650	107,518	(12,868)
Grants, contributions, indemnities, and other	-	201,366	7,495	193,871
Capital outlay	131,065	131,065	-	131,065
Total highway and streets	<u>2,971,412</u>	<u>3,323,353</u>	<u>2,650,012</u>	<u>673,341</u>
Total Public Works	<u>2,971,412</u>	<u>3,323,353</u>	<u>2,650,012</u>	<u>673,341</u>
Culture and Recreation:				
Parks and Recreation:				
Personal services	392,520	392,520	379,376	13,144
Services	111,000	99,000	101,602	(2,602)
Supplies	45,300	60,300	65,495	(5,195)
Other charges	16,000	16,000	16,819	(819)
Grants, contributions, indemnities, and other	16,000	16,000	3	15,997
Total Parks and Recreation	<u>580,820</u>	<u>583,820</u>	<u>563,295</u>	<u>20,525</u>
Economic Development:				
Personal services	79,520	79,520	57,495	22,025
Services	27,800	27,400	27,352	48
Supplies	1,300	1,600	1,380	220
Other charges	-	100	96	4
Grants, contributions, indemnities, and other	1,000	1,000	165	835
Total Economic Development	<u>109,620</u>	<u>109,620</u>	<u>86,488</u>	<u>23,132</u>
Library:				
Personal services	661,862	661,862	639,526	22,336
Services	87,000	97,000	116,294	(19,294)
Supplies	107,600	97,600	91,680	5,920
Other charges	5,000	5,000	4,678	322
Grants, contributions, indemnities, and other	1,000	1,000	1,094	(94)
Total Library	<u>862,462</u>	<u>862,462</u>	<u>853,272</u>	<u>9,190</u>
Total Culture and Recreation	<u>1,552,902</u>	<u>1,555,902</u>	<u>1,503,055</u>	<u>52,847</u>

(continued)

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Capital outlay:	2,907,510	4,345,694	3,565,447	780,247
Total Capital outlay	2,907,510	4,345,694	3,565,447	780,247
Debt Services:				
Principal	415,600	415,600	85,448	330,152
Interest	107,200	107,200	66,453	40,747
Total Debt Service	522,800	522,800	151,901	370,899
Total Expenditures	23,845,274	25,778,313	22,382,094	3,396,219
Excess of revenues over expenditures	3,053,290	1,521,752	6,818,513	5,296,761
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	10,000	10,000	34,461	24,461
Proceeds from note payable	1,400,000	1,400,000	1,375,000	(25,000)
Transfers in	149,502	149,502	-	(149,502)
Transfers out	(4,370,404)	(4,670,404)	(4,150,083)	520,321
Total other financing sources (uses)	(2,810,902)	(3,110,902)	(2,740,622)	370,280
Net change in fund balances	242,388	(1,589,150)	4,077,891	5,667,041
<b>Fund balance, beginning</b>	12,522,936	12,522,936	12,522,936	-
<b>Fund balance, ending</b>	<u>\$ 12,765,324</u>	<u>\$ 10,933,786</u>	<u>\$ 16,600,827</u>	<u>\$ 5,667,041</u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental:				
Capital improvements	\$ 420,000	\$ 420,000	\$ 508,529	\$ 88,529
Total intergovernmental	<u>420,000</u>	<u>420,000</u>	<u>508,529</u>	<u>88,529</u>
Impact fees:				
Roads	400,000	400,000	476,525	76,525
Other	1,200,000	1,200,000	1,098,316	(101,684)
Total impact fees	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,574,841</u>	<u>(25,159)</u>
Interest	<u>11,000</u>	<u>11,000</u>	<u>39,845</u>	<u>28,845</u>
Total revenues	<u>2,031,000</u>	<u>2,031,000</u>	<u>2,123,215</u>	<u>92,215</u>
<b>Expenditures:</b>				
Public works:				
Repairs and maintenance	809,502	811,831	63,724	748,107
Capital outlay	3,590,750	4,029,052	498,115	3,530,937
Debt service				
Principal	502,300	502,300	502,225	75
Interest	238,350	238,350	235,641	2,709
Total expenditures	<u>5,140,902</u>	<u>5,581,533</u>	<u>1,299,705</u>	<u>4,281,828</u>
Net change in fund balances	(3,109,902)	(3,550,533)	823,510	(4,189,613)
Fund balance, beginning of year	4,202,083	4,202,083	4,202,083	-
Fund balance, ending of year	<u>\$ 1,092,181</u>	<u>\$ 651,550</u>	<u>\$ 5,025,593</u>	<u>\$ (4,189,613)</u>

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

# CITY OF SPRING HILL, TENNESSEE

## STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2020

	Water and Sewer	Nonmajor Storm Water	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 17,149,692	\$ 988,470	\$ 18,138,162
Investments	10,291,262	-	10,291,262
Intergovernmental receivable	90,759	3,441	94,200
Receivables, net	1,207,235	85,855	1,293,090
Due from other funds	107,477	18,991	126,468
Prepaid items	2,151	-	2,151
Inventory	141,716	-	141,716
Restricted cash	1,871,475	-	1,871,475
Total current assets	30,861,767	1,096,757	31,958,524
Noncurrent assets:			
Capital assets:			
Capital assets, not being depreciated	1,845,986	-	1,845,986
Capital assets, being depreciated	111,497,050	5,340,442	116,837,492
Less accumulated depreciation	(40,198,297)	(391,267)	(40,589,564)
Total noncurrent assets	73,144,739	4,949,175	78,093,914
Total assets	104,006,506	6,045,932	110,052,438
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	475,885	62,316	538,201
Total deferred outflows of resources	475,885	62,316	538,201
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	633,670	11,397	645,067
Accrued liabilities	188,446	17,496	205,942
Due to other funds	11,282	-	11,282
Compensated absences	104,822	18,136	122,958
Notes payable, due within one year	1,087,524	-	1,087,524
Total current liabilities	2,025,744	47,029	2,072,773
Long-term liabilities:			
Notes payable, long term	11,565,373	-	11,565,373
Net pension liability	244,676	32,040	276,716
Total long-term liabilities	11,810,049	32,040	11,842,089
Total liabilities	13,835,793	79,069	13,914,862
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	39,670	5,194	44,864
Total deferred inflows of resources	39,670	5,194	44,864
<b>NET POSITION</b>			
Net investment in capital assets	60,491,842	4,949,175	65,441,017
Restricted for capital development	1,871,475	-	1,871,475
Unrestricted	28,243,611	1,074,810	29,318,421
Total net position	\$ 90,606,928	\$ 6,023,985	\$ 96,630,913

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

**CITY OF SPRING HILL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Water and Sewer	Nonmajor	
		Storm Water	Total
<b>OPERATING REVENUES</b>			
Water sales for service	\$ 5,570,979	\$ -	\$ 5,570,979
Sewer charges	5,564,967	-	5,564,967
Stormwater fees	-	1,006,995	1,006,995
Penalties and service charges	208,766	-	208,766
Other fees	554,474	12,918	567,392
Total operating revenues	<u>11,899,186</u>	<u>1,019,913</u>	<u>12,919,099</u>
<b>OPERATING EXPENSES</b>			
Salaries and administration	3,699,404	499,143	4,198,547
Supplies	2,308,287	44,496	2,352,783
Repairs and maintenance	619,921	7,098	627,019
Utility Services	806,815		806,815
Professional fees	542,776	138,129	680,905
Other operating expenses	533,407	24,871	558,278
Depreciation	2,455,684	136,125	2,591,809
Total operating expenses	<u>10,966,294</u>	<u>849,862</u>	<u>11,816,156</u>
Operating income	932,892	170,051	1,102,943
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental	121,364	3,441	124,805
Investment earnings	175,763	264	176,027
Loss on disposal of capital assets	(1,500)	-	(1,500)
Interest expense	(392,987)	(1,615)	(394,602)
Total nonoperating revenues (expenses)	<u>(97,360)</u>	<u>2,090</u>	<u>(95,270)</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	835,532	172,141	1,007,673
Capital contributions	3,204,710	1,881,697	5,086,407
Tap and development fees	5,229,815	-	5,229,815
Change in net position	9,270,057	2,053,838	11,323,895
<b>NET POSITION, beginning of year</b>	<u>81,336,871</u>	<u>3,970,147</u>	<u>85,307,018</u>
<b>NET POSITION, end of year</b>	<u>\$ 90,606,928</u>	<u>\$ 6,023,985</u>	<u>\$ 96,630,913</u>

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

# CITY OF SPRING HILL, TENNESSEE

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Water and Sewer	Storm Water	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 11,855,530	\$ 1,014,117	\$ 12,869,647
Payments to suppliers and service providers	(7,734,465)	(153,211)	(7,887,676)
Payments to employees	(616,019)	(556,976)	(1,172,995)
Net cash provided by operating activities	3,505,046	303,930	3,808,976
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(119,575)	-	(119,575)
Investment earnings	175,763	264	176,027
Net cash provided by investing activities	56,188	264	56,452
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(491,977)	-	(491,977)
Tap and development fees received	5,229,815	-	5,229,815
Intergovernmental receipts	133,529	-	133,529
Payments on long-term liabilities	(1,463,877)	(90,387)	(1,554,264)
Interest and fiscal charges paid	(321,430)	(1,618)	(323,048)
Net cash provided by (used in) capital and related financing activities	3,086,060	(92,005)	2,994,055
Increase in cash	6,647,294	212,189	6,859,483
<b>Cash:</b>			
Beginning of year	12,373,873	776,281	13,150,154
End of year	\$ 19,021,167	\$ 988,470	\$ 20,009,637
<b>Cash per Statement of Net Position:</b>			
Cash and cash equivalents	\$ 17,149,692	\$ 988,470	\$ 18,138,162
Restricted cash	1,871,475	-	1,871,475
Total cash and cash equivalents	\$ 19,021,167	\$ 988,470	\$ 20,009,637
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 932,892	\$ 170,051	\$ 1,102,943
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,455,684	136,125	2,591,809
Increase in accounts receivable	(43,656)	(5,796)	(49,452)
Increase in due from other funds	(107,477)	(10,263)	(117,740)
Decrease in prepaids	787	-	787
Increase in inventory	(9,150)	-	(9,150)
(Increase) decrease in pension related deferred outflows of resources	9,674	(11,566)	(1,892)
Increase (decrease) in accounts payable	153,802	(1,829)	151,973
Increase in accrued expenses	49,465	3,792	53,257
Decrease in due to other funds	(20,413)	-	(20,413)
Increase in pension related deferred inflows of resources	17,759	2,904	20,663
Increase in compensated absences	104,822	18,136	122,958
Increase (decrease) in net pension asset/liability	(39,143)	2,376	(36,767)
Net cash provided by operating activities	\$ 3,505,046	\$ 303,930	\$ 3,808,976
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	\$ 3,204,710	\$ 1,881,697	\$ 5,086,407
Total noncash capital and related financing activities	\$ 3,204,710	\$ 1,881,697	\$ 5,086,407

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

**CITY OF SPRING HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

**A. Reporting Entity**

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

**Related Organizations**

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

#### D. Budget

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

#### E. Deposits and Investments

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

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

#### F. Receivables and Payables

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

## NOTES TO FINANCIAL STATEMENTS

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

#### G. Inventories

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

#### H. Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 (\$50,000 for infrastructure projects) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

#### J. Compensated Absences

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

## NOTES TO FINANCIAL STATEMENTS

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

#### K. Long-Term Obligations

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

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

#### L. Fund Equity

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

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

Fund balances are classified as follows:

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

#### L. Fund Equity (Continued)

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

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

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

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

#### M. Pensions

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

## NOTES TO FINANCIAL STATEMENTS

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

#### N. Management Estimates

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

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

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$19,830,522 difference are as follows:

Notes payable	\$ (12,025,000)
Bonds payable	(6,930,080)
Accrued interest	(190,250)
Compensated absences	<u>(685,192)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (19,830,522)</u></u>

Another element of that reconciliation states that “deferred outflows of resources, deferred inflows of resources, and the net pension liability are not expected to be liquidated with expendable available resources and therefore are not reported in the funds.” The details of this \$699,489 difference are as follows:

Net pension liability	\$ (893,544)
Deferred outflows of resources - pension items	1,737,905
Deferred inflows of resources - pension items	<u>(144,872)</u>
Net adjustment to increase <i>fund balance- total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 699,489</u></u>

## NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$2,277,256 difference are as follows:

Capital outlay	\$ 4,324,574
Depreciation expense	<u>(2,047,318)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ 2,277,256</u>

An element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e. donations and disposals) is to increase net position.” The details of this \$879,546 difference are as follows:

Donated roads	\$ 884,546
Asset disposals	<u>(5,000)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ 879,546</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$28,448 difference are as follows:

Compensated absences	\$ (106,900)
Accrued interest	1,102
Pension expense	<u>77,350</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ (28,448)</u>

## NOTES TO FINANCIAL STATEMENTS

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

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

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$25,000 difference are as follows:

Issuance of note payable	\$ (1,375,000)
Principal payment on bonds	365,000
Principal payment on notes payable	<u>985,000</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u><u>\$ (25,000)</u></u>

### NOTE 3. LEGAL COMPLIANCE – BUDGETS

#### Budgets and Budgetary Accounting

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

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. DEPOSITS AND INVESTMENTS

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

**Custodial credit risk.** The City's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. At June 30, 2020, all deposits were covered by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

At June 30, 2020, the City's only investments are held in U.S. treasuries.

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

At June 30, 2020, information on the credit risk and interest rate risk related to the City's investments is disclosed as follows:

Investment	Weighted Average Maturity (Years)	Credit Rating	Fair Value
Federated Hermes Government Obligations Fund	N/A	AAA	\$ 11,859
United States Treasuries	0.58	AAA	16,454,197
			<u>\$ 16,466,056</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. DEPOSITS AND INVESTMENTS

**Fair Value Measurements.** The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2020:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Federated Hermes Government Obligations Fund	\$ 11,859	\$ -	\$ -	\$ 11,859
United States Treasuries	16,454,197	-	-	16,454,197
	<u>\$ 16,466,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,466,056</u>

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

### NOTE 5. RECEIVABLES

Receivables at June 30, 2020, for the City's individual major funds and nonmajor funds in the aggregate are as follows:

	<u>General Fund</u>	<u>Adequate Facilities /Development Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water Fund</u>	<u>Stormwater Fund</u>
Receivables:					
Taxes	\$ 13,378,440	\$ -	\$ -	\$ -	\$ -
Other governments	1,580,772	42,857	164,689	90,759	3,441
Accounts	205,064	-	243,875	1,252,148	90,677
Gross receivables	15,164,276	42,857	408,564	1,342,907	94,118
Less allowance for uncollectibles	(411,149)	-	(14,421)	(44,913)	(4,822)
Net receivables	<u>\$ 14,753,127</u>	<u>\$ 42,857</u>	<u>\$ 394,143</u>	<u>\$ 1,297,994</u>	<u>\$ 89,296</u>

Property taxes are recognized as of the date when an enforceable legal claim to the taxable property arises. This is January 1 in the State of Tennessee and is referred to as the lien date. Revenues are recognized in the period for which the taxes are levied. Property taxes for the 2020 fiscal year were levied in January 2019, with property values assessed as of January 1, 2019. Bills were payable on or before February 2020, after which the applicable property is subject to penalties and interest being assessed.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 3,134,006	\$ -	\$ -	\$ -	\$ 3,134,006
Construction in progress	<u>2,706,068</u>	<u>3,939,491</u>	<u>(5,000)</u>	<u>(2,676,654)</u>	<u>3,963,905</u>
Total capital assets, not being depreciated	<u>5,840,074</u>	<u>3,939,491</u>	<u>(5,000)</u>	<u>(2,676,654)</u>	<u>7,097,911</u>
Capital assets, being depreciated:					
Buildings and improvements	21,267,317	-	-	-	21,267,317
Equipment	10,942,288	689,922	(216,000)	-	11,416,210
Infrastructure	<u>12,920,354</u>	<u>579,707</u>	<u>-</u>	<u>2,676,654</u>	<u>16,176,715</u>
Total capital assets, being depreciated	<u>45,129,959</u>	<u>1,269,629</u>	<u>(216,000)</u>	<u>2,676,654</u>	<u>48,860,242</u>
Less accumulated depreciation for:					
Buildings and improvements	(5,938,448)	(582,204)	-	-	(6,520,652)
Equipment	(6,073,402)	(900,073)	216,000	-	(6,757,475)
Infrastructure	<u>(3,044,430)</u>	<u>(565,041)</u>	<u>-</u>	<u>-</u>	<u>(3,609,471)</u>
Total accumulated depreciation	<u>(15,056,280)</u>	<u>(2,047,318)</u>	<u>216,000</u>	<u>-</u>	<u>(16,887,598)</u>
Total capital assets, being depreciated, net	<u>30,073,679</u>	<u>(777,689)</u>	<u>-</u>	<u>2,676,654</u>	<u>31,972,644</u>
Governmental activities capital assets, net	<u>\$ 35,913,753</u>	<u>\$ 3,161,802</u>	<u>\$ (5,000)</u>	<u>\$ -</u>	<u>\$ 39,070,555</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>					
Capital assets, not being depreciated:					
Land and easements	\$ 985,798	\$ -	\$ -	\$ -	\$ 985,798
Construction in progress	566,793	441,032	-	(147,637)	860,188
Total capital assets, not being depreciated	<u>1,552,591</u>	<u>441,032</u>	<u>-</u>	<u>(147,637)</u>	<u>1,845,986</u>
Capital assets, being depreciated:					
Buildings	63,962,781	-	-	-	63,962,781
Infrastructure	46,142,468	5,099,902	-	147,637	51,390,007
Equipment	1,447,254	37,450	-	-	1,484,704
Total capital assets, being depreciated	<u>111,552,503</u>	<u>5,137,352</u>	<u>-</u>	<u>147,637</u>	<u>116,837,492</u>
Less accumulated depreciation for:					
Buildings	(28,787,693)	(1,366,945)	-	-	(30,154,638)
Infrastructure	(8,421,841)	(1,099,799)	-	-	(9,521,640)
Equipment	(788,221)	(125,065)	-	-	(913,286)
Total accumulated depreciation	<u>(37,997,755)</u>	<u>(2,591,809)</u>	<u>-</u>	<u>-</u>	<u>(40,589,564)</u>
Total capital assets, being depreciated, net	<u>73,554,748</u>	<u>2,545,543</u>	<u>-</u>	<u>147,637</u>	<u>76,247,928</u>
Business-type activities capital assets, net	<u>\$ 75,107,339</u>	<u>\$ 2,986,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,093,914</u>

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

Governmental activities:	
General government	\$ 307,138
Public safety	760,126
Public works	734,441
Health, welfare, culture, and recreation	245,613
Total depreciation expense - governmental activities	<u>\$ 2,047,318</u>
Business-type activities:	
Water and Sewer Fund	\$ 2,455,684
Stormwater Fund	136,125
Total depreciation expense - business-type activities	<u>\$ 2,591,809</u>

**NOTES TO FINANCIAL STATEMENTS**

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

Interfund receivables and payables for the year ended June 30, 2020 were as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	<u>\$ 22,345</u>
Nonmajor Governmental Funds	General Fund	\$ 1,759
Nonmajor Governmental Funds	Water and Sewer Fund	7,801
		<u>\$ 9,560</u>
Stormwater Fund	General Fund	\$ 15,510
Stormwater Fund	Water and Sewer Fund	3,481
		<u>\$ 18,991</u>
Water and Sewer Fund	General Fund	<u>\$ 107,477</u>

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

Interfund transfers for the year ended June 30, 2020 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	<u>\$ 4,150,083</u>

Transfers are used to move revenues from the General Fund to the Capital Projects Fund for capital outlays and to the Northfield Fund for debt service requirements.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Notes payable from					
direct borrowing	\$ 11,635,080	\$ 1,375,000	\$ (985,000)	\$ 12,025,080	\$ 1,198,000
Bonds payable	7,295,000	-	(365,000)	6,930,000	375,000
Compensated absences	578,292	968,235	(861,335)	685,192	390,625
Net pension liability	981,901	1,871,834	(1,960,191)	893,544	-
Governmental activities long-term liabilities	<u>\$ 20,490,273</u>	<u>\$ 4,215,069</u>	<u>\$ (4,171,526)</u>	<u>\$ 20,533,816</u>	<u>\$ 1,963,625</u>
<b>Business-type Activities:</b>					
Notes payable from					
direct borrowing	\$ 14,135,607	\$ -	\$ (1,482,710)	\$ 12,652,897	\$ 1,087,524
Compensated absences	-	156,646	(33,688)	122,958	122,958
Net pension liability	313,483	579,677	(616,444)	276,716	-
Business-type activities long-term liabilities	<u>\$ 14,449,090</u>	<u>\$ 736,323</u>	<u>\$ (2,132,842)</u>	<u>\$ 13,052,571</u>	<u>\$ 1,210,482</u>

For governmental and business activities, compensated absences are liquidated in the funds from which the employees' salaries are paid, which include the General Fund, Nonmajor Governmental Funds, Water & Sewer Fund, and Stormwater Fund, as applicable. The net pension liability is primarily liquidated by the General Fund for governmental activities. For business-type activities, the net pension liability will be liquidated by all enterprise funds.

#### Governmental Activities

**General Obligation Bonds.** In 2014, the City issued \$8,650,000 of General Obligation Bonds for the purpose of improvements, expansions, extensions, renovations, and the acquisition of equipment for City roads, streets, bridges, and sidewalks and with respect to the construction, acquisition, and development of a new park and fire hall and acquisition of the right of way in connections therewith. The 2014 Series were issued with interest rates of 2.50% to 3.30% and a maturity of September 1, 2030. The bonds are payable on September 1, until 2030, with the remainder of the outstanding balance due in a balloon payment on September 1, 2034. As of June 30, 2020, the outstanding balance is \$6,930,000.

## NOTES TO FINANCIAL STATEMENTS

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

#### Governmental Activities (Continued)

The City's debt service requirements to maturity on the general obligations bonds as reported in the governmental activities are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 375,000	\$ 207,050	\$ 582,050
2022	385,000	195,800	580,800
2023	400,000	184,250	584,250
2024	410,000	172,250	582,250
2025	425,000	159,950	584,950
2026-2030	2,290,000	622,050	2,912,050
2031-2035	2,645,000	266,145	2,911,145
Total	<u>\$ 6,930,000</u>	<u>\$ 1,807,495</u>	<u>\$ 8,737,495</u>

**Notes Payable from Direct Borrowing.** The City has a draw loan line of credit from the Public Building Authority of the City of Clarkesville, Tennessee through the Tennessee Municipal Bond Fund Loan Program. Proceeds are drawn as needed, with a cap of \$13,180,000. The note was procured for the purpose of funding improvements to the Northfield Facility. The note bears a fixed interest rate of 3.55%. The note requires monthly payments of principal and interest until its maturity in September 2037. As of June 30, 2020, the total amount of the note outstanding is \$7,315,080 with \$4,920,920 of funds available to be drawn.

In 2006, the City entered into a note payable through an intergovernmental agreement with Williamson County, Tennessee for \$5,385,000 for the purpose of funding half of the Community Recreation Center. The note bears interest rates of 4.125% to 5.00%. The note requires principal payments on April 1 and interest payments semi-annually until its maturity in April 2027. As of June 30, 2020, the total amount of the note outstanding is \$2,395,000.

In 2016, the City entered into a note payable for \$3,000,000, with \$1,645,000 used for the purpose of general transportation outlays, and the remainder to be used for the construction of Hardin's Landing Tank and stormwater projects. The note bears a fixed interest rate of 1.76%. The note requires monthly payments of principal and interest until its maturity in April 2025. As of June 30, 2020, the total amount of the note outstanding is \$940,000, and is only payable from the governmental activities funds.

In 2019, the City entered into a note payable for \$1,375,000 for the purpose of fire equipment acquisition. The note bears a fixed interest rate of 2.75%. The note requires principal payments on November 1 and interest payments semi-annually until its maturity in November 2026. As of June 30, 2020, the total amount of the note outstanding is \$1,375,000.

## NOTES TO FINANCIAL STATEMENTS

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

#### Governmental Activities (Continued)

#### Notes Payable from Direct Borrowing (Continued).

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

Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,198,000	\$ 594,924	\$ 1,792,924
2022	1,241,000	553,097	1,794,097
2023	1,289,000	508,305	1,797,305
2024	1,328,000	461,631	1,789,631
2025	1,383,000	413,377	1,796,377
2026-2030	4,117,000	1,464,326	5,581,326
2031-2035	3,783,000	807,785	4,590,785
2036-2038	2,607,000	140,953	2,747,953
Total	<u>\$ 16,946,000</u>	<u>\$ 4,944,398</u>	<u>\$ 21,890,398</u>
Less amount not drawn	(4,920,920)		
Total	<u>\$ 12,025,080</u>		

#### Business-type Activities

**Notes Payable from Direct Borrowing.** The City has a draw loan line of credit from the Tennessee Municipal Bond Fund Loan Program. Proceeds are drawn as needed, with a cap of \$6,000,000. The note was procured for the purpose of constructing a water treatment plant. The note bears a fixed interest rate of 1.51%. The note requires monthly payments of principal and interest until its maturity in May 2037. As of June 30, 2020, the total amount of the note outstanding is \$2,463,000 and is completely drawn down.

In 1998, the City entered into a note payable for \$4,406,838 for the purpose of constructing a new sewer plant. The note bears a fixed interest rate of 2.58%. The note requires monthly payments of principal and interest until its maturity in December 2020. As of June 30, 2020, the total amount of the note outstanding is \$121,432.

In 2011, the City entered into a revolving fund loan from the state for \$10,000,000, of which \$2,000,000 was forgiven at issuance, for the purpose of constructing a waste water treatment plant. The note bears a fixed interest rate of 2.62%. The note requires monthly payments of principal and interest until its maturity in June 2032. As of June 30, 2020, the total amount of the note outstanding is \$5,229,373.

In 2011, the City entered into a revolving fund loan from the state for \$7,200,000, for the purpose of constructing a waste water treatment plant. The note bears a fixed interest rate of 2.62%. The note requires monthly payments of principal and interest until its maturity in September 2034. As of June 30, 2020, the total amount of the note outstanding is \$4,839,092.

## NOTES TO FINANCIAL STATEMENTS

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

#### Business-type Activities (Continued)

**Notes Payable from Direct Borrowing (Continued).** The City's debt service requirements to maturity on the business-type notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,087,524	\$ 358,104	\$ 1,445,628
2022	999,720	326,284	1,326,004
2023	1,033,792	295,492	1,329,284
2024	1,068,356	263,568	1,331,924
2025	1,105,400	230,524	1,335,924
2026-2030	4,781,876	664,784	5,446,660
2031-2035	2,576,229	122,189	2,698,418
Total	<u>\$ 12,652,897</u>	<u>\$ 2,260,945</u>	<u>\$ 14,913,842</u>

### NOTE 9. PENSION PLAN

#### Plan Description

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

**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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLAN (CONTINUED)

#### Plan Description (Continued)

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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	231
Active employees	<u>221</u>
Total	<u><u>482</u></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 ended June 30, 2020, the Actuarially Determined Contribution (ADC) for the City was \$757,826 based on a rate of 6.41 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLAN (CONTINUED)

#### Net Pension Liability of the City

The City's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial assumptions.** The total pension liability as of the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.50%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%	
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation	
Cost of living adjustment		2.25%

Mortality rates were based on actual experience including projection of mortality improvement using Scale MP-2017 (static projection to 6 years beyond the valuation date).

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the review of plan experience in conjunction with an experience study conducted as of June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

Asset class	Target allocation	Long-term expected real rate of return
U.S. equity	31%	5.69%
Developed market international equity	14%	5.29%
Emerging market international equity	4%	6.36%
Private equity and strategic lending	20%	5.79%
U.S. fixed income	20%	2.01%
Real estate	10%	4.32%
Short-term securities	1%	—
Total	100%	

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLAN (CONTINUED)

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

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

*Changes in the Net Pension Liability of the City.* The changes in the components of the net pension liability of the City for the fiscal year ended June 30, 2020 were as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
<b>Balances at 6/30/2018</b>	\$ 16,190,010	\$ 14,894,626	\$ 1,295,384
<b>Changes for the year:</b>			
Service cost	919,725	-	919,725
Interest	1,231,831	-	1,231,831
Differences between expected and actual experience	279,623	-	279,623
Changes of assumptions	-	-	-
Contributions—employer	-	842,881	(842,881)
Contributions—employee	-	581,298	(581,298)
Net investment income	-	1,152,456	(1,152,456)
Benefit payments, including refunds of employee contributions	(237,926)	(237,926)	-
Administrative expense	-	(20,332)	20,332
<b>Net changes</b>	<b>2,193,253</b>	<b>2,318,377</b>	<b>(125,124)</b>
<b>Balances at 6/30/2019</b>	<b>\$ 18,383,263</b>	<b>\$ 17,213,003</b>	<b>\$ 1,170,260</b>

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

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9. PENSION PLAN (CONTINUED)**

**Net Pension Liability of the City (Continued)**

**Sensitivity of the net pension liability 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 City's 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)	\$ 4,410,539	\$ 1,170,260	\$ (1,430,803)

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

**Pension expense.** For the year ended June 30, 2020, the City recognized pension expense of \$761,789.

**Deferred outflows of resources and deferred inflows of resources.** For the year ended June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,193,035	\$ 9,173
Changes of assumptions	225,936	-
Net difference between projected and actual earnings of pension plan investments	-	180,563
Contributions	857,135	-
	\$ 2,276,106	\$ 189,736

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLAN (CONTINUED)

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

City contributions subsequent to the measurement date of \$857,135 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2021	\$ 210,914
2022	111,981
2023	197,654
2024	225,616
2025	233,975
Thereafter	249,095
Total	<u>\$ 1,229,235</u>

### NOTE 10. RISK MANAGEMENT

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

#### **Litigation**

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

#### **Grant Contingencies**

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

#### **Outstanding Construction Commitments**

As of June 30, 2020, the City had \$1,397,544 of outstanding construction commitments.

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

On August 7, 2020, the City authorized the issuance of the General Obligation Bonds, Series 2020, in an amount not to exceed \$33,275,000, which shall bear interest at a rate or rates not to exceed 5% per annum.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>						
Service cost	\$ 919,725	\$ 837,507	\$ 750,217	\$ 649,533	\$ 581,698	\$ 575,095
Interest on total pension liability	1,231,831	1,061,413	955,426	819,689	715,535	643,726
Differences between expected and actual experience	279,623	614,173	45,493	529,298	292,587	(22,931)
Assumption changes	-	-	338,904	-	-	-
Benefit payments, including refunds of employee contributions	(237,926)	(251,521)	(300,807)	(277,934)	(259,939)	(230,149)
<b>Net change in total pension liability</b>	<u>2,193,253</u>	<u>2,261,572</u>	<u>1,789,233</u>	<u>1,720,586</u>	<u>1,329,881</u>	<u>965,741</u>
<b>Total pension liability - beginning</b>	<u>16,190,010</u>	<u>13,928,438</u>	<u>12,139,205</u>	<u>10,418,619</u>	<u>9,088,738</u>	<u>8,122,997</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 18,383,263</u>	<u>\$ 16,190,010</u>	<u>\$ 13,928,438</u>	<u>\$ 12,139,205</u>	<u>\$ 10,418,619</u>	<u>\$ 9,088,738</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 842,881	\$ 687,667	\$ 606,207	\$ 479,007	\$ 431,925	\$ 385,342
Contributions - employee	581,298	549,256	484,192	438,652	395,537	356,139
Net investment income	1,152,456	1,104,634	1,266,416	270,749	287,276	1,253,177
Benefit payments, including refunds of member contributions	(237,926)	(251,521)	(300,807)	(277,934)	(259,939)	(230,149)
Administrative expenses	(20,332)	(21,260)	(18,722)	(15,505)	(9,765)	(6,509)
<b>Net change in plan fiduciary net position</b>	<u>2,318,377</u>	<u>2,068,776</u>	<u>2,037,286</u>	<u>894,969</u>	<u>845,034</u>	<u>1,758,000</u>
<b>Plan fiduciary net position - beginning</b>	<u>14,894,626</u>	<u>12,825,850</u>	<u>10,788,564</u>	<u>9,893,595</u>	<u>9,048,561</u>	<u>7,290,561</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 17,213,003</u>	<u>\$ 14,894,626</u>	<u>\$ 12,825,850</u>	<u>\$ 10,788,564</u>	<u>\$ 9,893,595</u>	<u>\$ 9,048,561</u>
<b>City's net pension (asset) liability - ending (a) - (b)</b>	<u>\$ 1,170,260</u>	<u>\$ 1,295,384</u>	<u>\$ 1,102,588</u>	<u>\$ 1,350,641</u>	<u>\$ 525,024</u>	<u>\$ 40,177</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	93.63%	92.00%	92.08%	88.87%	94.96%	99.56%
<b>Covered payroll</b>	\$ 11,625,940	\$ 10,985,100	\$ 9,683,823	\$ 8,773,028	\$ 7,909,506	\$ 7,122,761
<b>City's net pension (asset) liability as a percentage of covered payroll</b>	10.07%	11.79%	11.39%	15.40%	6.64%	0.56%

**Notes to the Schedule:**

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

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

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

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 757,826	\$ 727,784	\$ 687,667	\$ 528,737	\$ 479,022	\$ 431,925	\$ 385,342
Contributions in relation to the actuarially determined contribution	857,135	842,881	687,667	606,207	479,022	431,925	385,342
Contribution deficiency (excess)	<u>\$ (99,309)</u>	<u>\$ (115,097)</u>	<u>\$ -</u>	<u>\$ (77,470)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,371,841	\$ 11,625,940	\$ 10,985,100	\$ 9,683,823	\$ 8,773,028	\$ 7,909,506	\$ 7,122,761
Contributions as a percentage of covered payroll	6.41%	7.25%	6.26%	6.26%	5.46%	5.46%	5.41%

**Notes to the Schedule:**

(1) Actuarial Assumptions:

Valuation Date	June 30, 2018
Cost Method	Entry age normal
Actuarial Asset Valuation Method	10-year smoothed within a 20 percent corridor to market value
Assumed Rate of Return on Investments	7.25%
Projected Salary Increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation
Inflation	2.25%
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	Various

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

**SUPPLEMENTARY INFORMATION**

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## **NONMAJOR GOVERNMENTAL FUNDS**

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### **Special Revenue Funds**

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

**Library Fund** – accounts for the activities and operation of the City’s library system, including the private donations made to support operations.

**Drug Fund** – accounts for the City’s fines and forfeitures related to drug related seizures. The funds are restricted to use in law enforcement activity specifically targeting drug trafficking and prevention.

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

**Fire Belle Restoration Fund** – to account for funds raised to provide repairs to vintage fire engines.

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

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

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

**Northfield** – This fund is used to account for the rental and operation of the Northfield Building.

**Sanitation Fund** – accounts for the activities of the City’s sanitation collection system, which renders those services to the residents and businesses located within the City.

### **Capital Projects Funds**

**Capital Projects Fund** - to account for the construction and acquisition of major capital projects within the City.

**CITY OF SPRING HILL, TENNESSEE**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020**

ASSETS	Special Revenue Funds				
	Library Fund	Drug Fund	Impact Fees Fund	Fire Belle Restoration Fund	State Street Aid Fund
Cash and cash equivalents	\$ 111,066	\$ 12,548	\$ 2,065,715	\$ -	\$ -
Accounts receivable, net	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	2,983	-	-	118,489
Restricted cash	-	146,604	-	-	1,500,666
<b>Total assets</b>	<b>\$ 111,066</b>	<b>\$ 162,135</b>	<b>\$ 2,065,715</b>	<b>\$ -</b>	<b>\$ 1,619,155</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 625	\$ 12,862	\$ 3,920	\$ -	\$ 6,795
Accrued liabilities	845	-	-	-	-
Due to other funds	10,000	-	-	-	-
<b>Total liabilities</b>	<b>11,470</b>	<b>12,862</b>	<b>3,920</b>	<b>-</b>	<b>6,795</b>
<b>FUND BALANCES (DEFICITS)</b>					
Restricted					
Roads and streets	-	-	-	-	-
Drug enforcement	-	149,273	-	-	-
Capital projects	-	-	2,061,795	-	1,612,360
Committed					
Library operations	99,596	-	-	-	-
Tourism	-	-	-	-	-
Operation of Northfield building	-	-	-	-	-
Public safety	-	-	-	-	-
Assigned for capital projects	-	-	-	-	-
<b>Total fund balances</b>	<b>99,596</b>	<b>149,273</b>	<b>2,061,795</b>	<b>-</b>	<b>1,612,360</b>
<b>Total liabilities and fund balances</b>	<b>\$ 111,066</b>	<b>\$ 162,135</b>	<b>\$ 2,065,715</b>	<b>\$ -</b>	<b>\$ 1,619,155</b>

<b>Special Revenue Funds</b>					<b>Total Nonmajor Governmental Funds</b>
<b>Tourism Fund</b>	<b>E-Citations Fund</b>	<b>Northfield Fund</b>	<b>Sanitation Fund</b>	<b>Capital Projects Fund</b>	
\$ 171,595	\$ 3,341	\$ 336,688	\$ 610,213	\$ 3,232,996	\$ 6,544,162
9,693	-	-	219,761	-	229,454
-	1,759	-	7,801	-	9,560
-	-	43,217	-	-	164,689
-	-	-	-	-	1,647,270
<u>\$ 181,288</u>	<u>\$ 5,100</u>	<u>\$ 379,905</u>	<u>\$ 837,775</u>	<u>\$ 3,232,996</u>	<u>\$ 8,595,135</u>
\$ 17,753	\$ -	\$ 46,129	\$ 1,711	\$ 6,060	\$ 95,855
-	-	3,647	-	-	4,492
-	-	12,345	-	-	22,345
<u>17,753</u>	<u>-</u>	<u>62,121</u>	<u>1,711</u>	<u>6,060</u>	<u>122,692</u>
-	-	-	836,064	-	836,064
-	-	-	-	-	149,273
-	-	-	-	-	3,674,155
-	-	-	-	-	99,596
163,535	-	-	-	-	163,535
-	-	317,784	-	-	317,784
-	5,100	-	-	-	5,100
-	-	-	-	3,226,936	3,226,936
<u>163,535</u>	<u>5,100</u>	<u>317,784</u>	<u>836,064</u>	<u>3,226,936</u>	<u>8,472,443</u>
<u>\$ 181,288</u>	<u>\$ 5,100</u>	<u>\$ 379,905</u>	<u>\$ 837,775</u>	<u>\$ 3,232,996</u>	<u>\$ 8,595,135</u>

**CITY OF SPRING HILL, TENNESSEE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Special Revenue Funds</b>				
	<b>Library Fund</b>	<b>Drug Fund</b>	<b>Impact Fees Fund</b>	<b>Fire Belle Restoration Fund</b>	<b>State Street Aid Fund</b>
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	1,511,005
Charges for services	-	-	-	-	-
Impact fees	-	-	1,123,520	-	-
Contributions	31,705	1,906	-	3,952	-
Fines and forfeitures	-	52,731	-	-	-
Interest	-	41	7,358	1	407
Miscellaneous	33	-	-	-	-
<b>Total revenues</b>	<b>31,738</b>	<b>54,678</b>	<b>1,130,878</b>	<b>3,953</b>	<b>1,511,412</b>
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	17,305	-	-	-
Public works	-	-	3,920	-	599,954
Culture & recreation	22,054	-	-	3,955	-
Capital outlay	-	-	879,487	-	-
Debt service					
Principal	-	-	-	-	282,327
Interest	-	-	-	-	79,294
<b>Total expenditures</b>	<b>22,054</b>	<b>17,305</b>	<b>883,407</b>	<b>3,955</b>	<b>961,575</b>
Excess (deficiency) of revenues over (under) expenditures	9,684	37,373	247,471	(2)	549,837
<b>Other Financing Sources</b>					
Transfers in	-	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	9,684	37,373	247,471	(2)	549,837
<b>Fund balances, beginning of year</b>	<b>89,912</b>	<b>111,900</b>	<b>1,814,324</b>	<b>2</b>	<b>1,062,523</b>
<b>Fund balances, end of year</b>	<b>\$ 99,596</b>	<b>\$ 149,273</b>	<b>\$ 2,061,795</b>	<b>\$ -</b>	<b>\$ 1,612,360</b>

Special Revenue Funds					Total Nonmajor Governmental Funds
Tourism Fund	E-Citations Fund	Northfield Fund	Sanitation Fund	Capital Projects Fund	
\$ 137,218	\$ -	\$ -	\$ -	\$ -	\$ 137,218
-	-	-	-	-	1,511,005
-	-	-	2,480,752	-	2,480,752
-	-	-	-	-	1,123,520
-	-	-	-	-	37,563
-	3,664	-	21,654	-	78,049
60	1	77	1,161	452	9,558
-	-	914,532	-	-	914,565
<u>137,278</u>	<u>3,665</u>	<u>914,609</u>	<u>2,503,567</u>	<u>452</u>	<u>6,292,230</u>
-	-	768,642	-	-	768,642
-	-	-	-	-	17,305
-	-	-	2,033,558	-	2,637,432
203,167	-	-	-	-	229,176
-	-	-	-	175,394	1,054,881
-	-	480,000	-	-	762,327
-	-	268,205	-	-	347,499
<u>203,167</u>	<u>-</u>	<u>1,516,847</u>	<u>2,033,558</u>	<u>175,394</u>	<u>5,817,262</u>
(65,889)	3,665	(602,238)	470,009	(174,942)	474,968
-	-	748,205	-	3,401,878	4,150,083
-	-	748,205	-	3,401,878	4,150,083
(65,889)	3,665	145,967	470,009	3,226,936	4,625,051
<u>229,424</u>	<u>1,435</u>	<u>171,817</u>	<u>366,055</u>	<u>-</u>	<u>3,847,392</u>
<u>\$ 163,535</u>	<u>\$ 5,100</u>	<u>\$ 317,784</u>	<u>\$ 836,064</u>	<u>\$ 3,226,936</u>	<u>\$ 8,472,443</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Contributions	\$ 40,000	\$ 40,000	\$ 31,705	\$ (8,295)
Other	-	-	33	33
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>31,738</u>	<u>(8,262)</u>
<b>Expenditures:</b>				
Culture and recreation	38,000	38,000	22,054	15,946
Capital outlay	2,000	2,000	-	2,000
Total expenditures	<u>40,000</u>	<u>40,000</u>	<u>22,054</u>	<u>17,946</u>
Net change in fund balances	-	-	9,684	9,684
<b>Fund balance, beginning of year</b>	<u>89,912</u>	<u>89,912</u>	<u>89,912</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 89,912</u>	<u>\$ 89,912</u>	<u>\$ 99,596</u>	<u>\$ 9,684</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Fines and forfeitures	\$ 25,000	\$ 25,000	\$ 52,731	\$ 27,731
Contributions	300	300	1,906	1,606
Interest	100	100	41	(59)
Total revenues	<u>25,400</u>	<u>25,400</u>	<u>54,678</u>	<u>29,278</u>
<b>Expenditures:</b>				
Public safety	<u>26,300</u>	<u>26,300</u>	<u>17,305</u>	<u>8,995</u>
Total expenditures	<u>26,300</u>	<u>26,300</u>	<u>17,305</u>	<u>8,995</u>
Excess (deficiency) of revenues over expenditures	(900)	(900)	37,373	38,273
<b>Other Financing Sources</b>				
Proceeds from sale of capital assets	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total other financing sources	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Net change in fund balance	4,100	4,100	37,373	33,273
<b>Fund balance, beginning of year</b>	<u>111,900</u>	<u>111,900</u>	<u>111,900</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 116,000</u>	<u>\$ 116,000</u>	<u>\$ 149,273</u>	<u>\$ 33,273</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Impact fees	\$ 800,000	\$ 800,000	\$ 1,123,520	\$ 323,520
Interest	1,000	1,000	7,358	6,358
Total revenues	<u>801,000</u>	<u>801,000</u>	<u>1,130,878</u>	<u>329,878</u>
<b>Expenditures:</b>				
Public works	35,000	35,000	3,920	31,080
Capital outlay	125,000	1,542,685	879,487	663,198
Total expenditures	<u>160,000</u>	<u>1,577,685</u>	<u>883,407</u>	<u>694,278</u>
Net change in fund balance	641,000	(776,685)	247,471	1,024,156
<b>Fund balance, beginning of year</b>	<u>1,814,324</u>	<u>1,814,324</u>	<u>1,814,324</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 2,455,324</u>	<u>\$ 1,037,639</u>	<u>\$ 2,061,795</u>	<u>\$ 1,024,156</u>

**CITY OF SPRING HILL, TENNESSEE  
FIRE BELLE RESTORATION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Contributions	\$ -	\$ -	\$ 3,952	\$ 3,952
Interest	-	-	1	1
Total revenues	-	-	3,953	3,953
<b>Expenditures:</b>				
Culture and recreation	-	3,955	3,955	-
Total expenditures	-	3,955	3,955	-
Net change in fund balance	-	(3,955)	(2)	3,953
<b>Fund balance, beginning of year</b>	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 2</u>	<u>\$ (3,953)</u>	<u>\$ -</u>	<u>\$ 3,953</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 1,498,154	\$ 1,498,154	\$ 1,511,005	\$ 12,851
Interest	150	150	407	257
Total revenues	<u>1,498,304</u>	<u>1,498,304</u>	<u>1,511,412</u>	<u>13,108</u>
<b>Expenditures:</b>				
Public works	691,500	777,220	599,954	177,266
Debt service				
Principal	282,400	282,400	282,327	73
Interest	81,100	81,100	79,294	1,806
Total expenditures	<u>1,055,000</u>	<u>1,140,720</u>	<u>961,575</u>	<u>179,145</u>
Net change in fund balance	443,304	357,584	549,837	192,253
<b>Fund balance, beginning of year</b>	<u>1,062,523</u>	<u>1,062,523</u>	<u>1,062,523</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,505,827</u>	<u>\$ 1,420,107</u>	<u>\$ 1,612,360</u>	<u>\$ 192,253</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 185,000	\$ 185,000	\$ 137,218	\$ (47,782)
Interest	-	-	60	60
Total revenues	<u>185,000</u>	<u>185,000</u>	<u>137,278</u>	<u>(47,722)</u>
<b>Expenditures:</b>				
Culture and recreation	220,000	251,768	203,167	48,601
Capital outlay	60,000	60,000	-	60,000
Total expenditures	<u>280,000</u>	<u>311,768</u>	<u>203,167</u>	<u>108,601</u>
Net change in fund balance	(95,000)	(126,768)	(65,889)	60,879
<b>Fund balance, beginning of year</b>	<u>229,424</u>	<u>229,424</u>	<u>229,424</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 134,424</u>	<u>\$ 102,656</u>	<u>\$ 163,535</u>	<u>\$ 60,879</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Fines and forfeitures	\$ 2,000	\$ 2,000	\$ 3,664	\$ 1,664
Interest	-	-	1	1
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>3,665</u>	<u>1,665</u>
<b>Expenditures:</b>				
Public safety	2,000	2,000	-	2,000
Total expenditures	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Net change in fund balance	-	-	3,665	3,665
<b>Fund balance, beginning of year</b>	<u>1,435</u>	<u>1,435</u>	<u>1,435</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,435</u>	<u>\$ 1,435</u>	<u>\$ 5,100</u>	<u>\$ 3,665</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Interest	\$ -	\$ -	\$ 77	\$ 77
Miscellaneous	853,500	853,500	914,532	61,032
Total revenues	<u>853,500</u>	<u>853,500</u>	<u>914,609</u>	<u>61,109</u>
<b>Expenditures:</b>				
General government building	1,097,251	1,098,706	768,642	330,064
Capital outlay	6,700,000	6,700,000	-	6,700,000
Debt service				
Principal	480,000	480,000	480,000	-
Interest	442,898	442,898	268,205	174,693
Total expenditures	<u>8,720,149</u>	<u>8,721,604</u>	<u>1,516,847</u>	<u>7,204,757</u>
Deficiency of revenues over expenditures	(7,866,649)	(7,868,104)	(602,238)	7,265,866
<b>Other Financing Sources</b>				
Issuance of debt	6,700,000	6,700,000	-	(6,700,000)
Transfers in	1,241,218	1,241,218	748,205	(493,013)
Total other financing sources	<u>7,941,218</u>	<u>7,941,218</u>	<u>748,205</u>	<u>(7,193,013)</u>
Net change in fund balance	74,569	73,114	145,967	72,853
<b>Fund balance, beginning of year</b>	<u>171,817</u>	<u>171,817</u>	<u>171,817</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 246,386</u>	<u>\$ 244,931</u>	<u>\$ 317,784</u>	<u>\$ 72,853</u>

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 2,086,244	\$ 2,086,244	\$ 2,480,752	\$ 394,508
Fines and forfeitures	16,000	16,000	21,654	5,654
Interest	500	500	1,161	661
Total revenues	<u>2,102,744</u>	<u>2,102,744</u>	<u>2,503,567</u>	<u>400,823</u>
<b>Expenditures:</b>				
Public works:				
Refuse collection and disposal service	2,094,700	2,094,700	2,033,558	61,142
Total expenditures	<u>2,094,700</u>	<u>2,094,700</u>	<u>2,033,558</u>	<u>61,142</u>
Net change in fund balances	8,044	8,044	470,009	461,965
<b>Fund balance, beginning of year</b>	<u>366,055</u>	<u>366,055</u>	<u>366,055</u>	<u>-</u>
<b>Fund balance, ending of year</b>	<u>\$ 374,099</u>	<u>\$ 374,099</u>	<u>\$ 836,064</u>	<u>\$ 461,965</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Interest	\$ -	\$ -	\$ 452	\$ 452
Total revenues	-	-	452	452
<b>Expenditures:</b>				
Capital outlay	3,129,186	3,129,186	175,394	2,953,792
Debt service				
Issuance costs	-	125,000	-	125,000
Total expenditures	3,129,186	3,254,186	175,394	3,078,792
Deficiency of revenues over expenditures	(3,129,186)	(3,254,186)	(174,942)	3,079,244
<b>Other Financing Sources</b>				
Issuance of debt	-	125,000	-	(125,000)
Transfers in	3,129,186	3,429,186	3,401,878	(27,308)
Total other financing sources	3,129,186	3,554,186	3,401,878	(152,308)
Net change in fund balance	-	300,000	3,226,936	2,926,936
<b>Fund balance, beginning of year</b>	-	-	-	-
<b>Fund balance, end of year</b>	\$ -	\$ 300,000	\$ 3,226,936	\$ 2,926,936

**OTHER SUPPLEMENTARY INFORMATION**

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**CITY OF SPRING HILL, TENNESSEE**

**COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE  
Year Ended June 30, 2020**

<b>Tax Year</b>	<b>Balance July 1, 2019</b>	<b>Levy and Changes in Assessment</b>	<b>Collections and Adjustments</b>	<b>Property Taxes Receivable Balance June 30, 2020</b>
2019	\$ -	\$ 11,669,651	\$ 10,860,432	\$ 809,219
2018	45,430	58,931	39,834	64,527
2017	10,240	-	2,654	7,586
2016 and prior	13,203	-	690	12,513
<b>Totals</b>	<b>\$ 68,873</b>	<b>\$ 11,728,582</b>	<b>\$ 10,903,610</b>	<b>893,845</b>
Estimated 2020 tax levy				12,484,595
Less allowance for estimated uncollectible				(411,149)
<b>Total taxes receivable, net</b>				<b>\$ 12,967,291</b>

**CITY OF SPRING HILL, TENNESSEE**

**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE  
AS OF JUNE 30, 2020**

<b>GOVERNMENTAL ACTIVITIES:</b>	<b>Original Amount of Issue</b>	<b>Interest Rate</b>	<b>Date of Issue</b>	<b>Last Maturity Date</b>	<b>Outstanding 7/1/2019</b>	<b>Adjustments</b>	<b>Issued During Period</b>	<b>Paid and/or Matured During Period</b>	<b>Outstanding 6/30/2020</b>
<b>Bonds Payable:</b>									
Public Improvement Bonds, 2014	\$ 8,650,000	2.500-3.300%	8/21/2014	9/1/2034	\$ 7,295,000	\$ -	\$ -	\$ 365,000	\$ 6,930,000
<b>Total Bonds Payable</b>					<u>\$ 7,295,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 365,000</u>	<u>\$ 6,930,000</u>
<b>Notes Payable:</b>									
Public Improvement Bonds (TN Municipal Bond Fund)	\$ 13,180,000	3.55%	12/26/2017	9/1/2037	\$ 7,795,080	\$ -	\$ -	\$ 480,000	\$ 7,315,080
Williamson County Notes	5,385,000	2.500%-5.000%	3/15/2006	4/1/2027	2,720,000	-	-	325,000	2,395,000
2016 Capital Outlay Note	3,000,000	1.760%	6/29/2016	4/1/2025	1,120,000	-	-	180,000	940,000
2019 Capital Outlay Note	1,375,000	2.750%	10/21/2019	11/1/2026	-	-	1,375,000	-	1,375,000
<b>Total Notes Payable</b>					<u>\$ 11,635,080</u>	<u>\$ -</u>	<u>\$ 1,375,000</u>	<u>\$ 985,000</u>	<u>\$ 12,025,080</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>									
<b>Notes Payable:</b>									
Public Improvement Bonds	\$ 6,000,000	1.510%	4/25/2003	5/25/2027	\$ 2,751,000	\$ -	\$ -	\$ 288,000	\$ 2,463,000
State of Tennessee Loan	4,406,838	2.580%	6/1/2003	7/1/2021	374,029	21,711	-	274,308	121,432
Clean Water Revolving Fund Loan 1	10,000,000	2.620%	2/28/2011	3/1/2032	5,571,826	27,975	-	370,428	5,229,373
Clean Water Revolving Fund Loan 2	7,200,000	2.620%	2/28/2011	3/1/2025	5,093,752	21,868	-	276,528	4,839,092
Capital Outlay Notes	3,000,000	1.760%	6/29/2016	4/1/2025	345,000	-	-	345,000	-
					<u>\$ 14,135,607</u>	<u>\$ 71,554</u>	<u>\$ -</u>	<u>\$ 1,554,264</u>	<u>\$ 12,652,897</u>

**CITY OF SPRING HILL, TENNESSEE**

**SCHEDULE OF DEBT SERVICE REQUIREMENTS  
June 30, 2020**

Governmental Activities										
For the Year Ended June 30,	Public Improvements Bonds (TN Municipal Bond Fund)		Williamson County Notes		Capital Outlay Notes		Public Improvements Bonds, 2014		Total Government Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 497,000	\$ 425,556	\$ 340,000	\$ 117,500	\$ 361,000	\$ 51,868	\$ 375,000	\$ 207,050	\$ 1,573,000	\$ 801,974
2022	515,000	407,593	355,000	101,850	371,000	43,654	385,000	195,800	1,626,000	748,897
2023	533,000	388,991	375,000	84,100	381,000	35,214	400,000	184,250	1,689,000	692,555
2024	552,000	369,733	390,000	65,350	386,000	26,549	410,000	172,250	1,738,000	633,882
2025	572,000	349,782	415,000	45,850	396,000	49,046	425,000	159,950	1,808,000	604,628
2026	592,000	329,121	430,000	25,100	207,000	11,633	435,000	147,200	1,664,000	513,054
2027	613,000	307,732	90,000	3,600	213,000	-	445,000	136,325	1,361,000	447,657
2028	635,000	285,580	-	-	-	-	460,000	125,200	1,095,000	410,780
2029	657,000	262,647	-	-	-	-	470,000	113,125	1,127,000	375,772
2030	680,000	238,915	-	-	-	-	480,000	100,200	1,160,000	339,115
2031	705,000	214,331	-	-	-	-	495,000	85,800	1,200,000	300,131
2032	730,000	188,860	-	-	-	-	510,000	70,950	1,240,000	259,810
2033	756,000	162,483	-	-	-	-	530,000	54,120	1,286,000	216,603
2034	782,000	135,184	-	-	-	-	545,000	36,630	1,327,000	171,814
2035	810,000	106,926	-	-	-	-	565,000	18,645	1,375,000	125,571
2036	839,000	77,656	-	-	-	-	-	-	839,000	77,656
2037	869,000	47,339	-	-	-	-	-	-	869,000	47,339
2038	899,000	15,957	-	-	-	-	-	-	899,000	15,957
	<u>\$ 12,236,000</u>	<u>\$ 4,314,386</u>	<u>\$ 2,395,000</u>	<u>\$ 443,350</u>	<u>\$ 2,315,000</u>	<u>\$ 217,964</u>	<u>\$ 6,930,000</u>	<u>\$ 1,807,495</u>	<u>\$ 23,876,000</u>	<u>\$ 6,783,195</u>
Less, amount not drawn	(4,920,920)								(4,920,920)	
Balance at June 30, 2020	<u>\$ 7,315,080</u>								<u>\$ 18,955,080</u>	

Business-Type Activities										
For the Year Ended June 30,	Public Improvement Bonds		State of Tennessee Loan		Clean Water Revolving Fund 1		Clean Water Revolving Fund 2		Total Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 302,000	\$ 98,520	\$ 121,432	\$ 2,112	\$ 380,244	\$ 134,088	\$ 283,848	\$ 123,384	\$ 1,087,524	\$ 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	-	-	-	-	464,004	20,328	368,772	38,460	832,776	58,788
2032	-	-	-	-	475,513	7,227	378,552	28,680	854,065	35,907
2033	-	-	-	-	-	-	388,584	18,648	388,584	18,648
2034	-	-	-	-	-	-	398,892	8,340	398,892	8,340
2035	-	-	-	-	-	-	101,912	506	101,912	506
	<u>\$ 2,463,000</u>	<u>\$ 413,240</u>	<u>\$ 121,432</u>	<u>\$ 2,112</u>	<u>\$ 5,229,373</u>	<u>\$ 881,019</u>	<u>\$ 4,839,092</u>	<u>\$ 964,574</u>	<u>\$ 12,652,897</u>	<u>\$ 2,260,945</u>

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF INSURANCE COVERAGE**  
**Year Ended June 30, 2020**  
**(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 lossees 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	\$50,324,012
Water/waste water treatment facility	\$71,603,925
Public Employees Blanket Bond	\$150,000
Employee bonds	
City Recorder	\$400,000

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS**  
**Year Ended June 30, 2020**  
**(UNAUDITED)**

Fiscal Year	Tax Year	County	Tax Rate	Assessed Valuation
2020	2019	Maury	0.8600	496,720,823
		Williamson	0.9169	806,833,053
2019	2018	Maury	0.5927	442,116,176
		Williamson	0.6569	771,159,713
2018	2017	Maury	0.5927	327,847,927
		Williamson	0.5381	725,992,768
2017	2016	Maury	0.5427	285,228,701
		Williamson	0.4881	674,308,155
2016	2015	Maury	0.5767	260,082,996
		Williamson	0.5903	540,260,607
2015	2014	Maury	0.5900	261,565,296
		Williamson	0.5900	538,817,296
2014	2013	Maury	0.5900	242,932,640
		Williamson	0.5900	511,464,115
2013	2012	Maury	0.5900	228,823,286
		Williamson	0.5900	487,062,781
2012	2011	Maury	0.5900	207,961,965
		Williamson	0.5900	458,312,983
2011	2010	Maury	0.5700	202,551,970
		Williamson	0.6000	457,439,932

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF UTILITY RATES**  
**June 30, 2020**  
**(UNAUDITED)**

<u>Rates Effective July 1, 2019</u>	<u>WATER RATES</u>		Rates Per
	Gallons		1,000
	Per Month		Gallons
Inside City	First 2,000	Minimum	\$9.80
	Over 2,000		3.69
Maury County Water System	First 2,000		\$18.47
	Over 2,000		3.69

<u>Rates Effective October 15, 2019</u>			Rates Per
	Gallons		1,000
	Per Month		Gallons
Inside City	First 1,000	Minimum	\$9.80
	Over 1,000		3.69

Number of customers at June 30, 2020 - 17,349

<u>Rates Effective July 1, 2019</u>	<u>SEWER RATES</u>		Rates Per
	Gallons		1,000
	Per Month		Gallons
Inside City	First 2,000	Minimum	\$12.07
	Over 2,000		4.52

<u>Rates Effective October 15, 2019</u>			Rates Per
	Gallons		1,000
	Per Month		Gallons
Inside City	First 1,000	Minimum	\$12.07
	Over 1,000		4.52

Number of customers at June 30, 2020 - 15,850

CITY OF SPRING HILL, TENNESSEE

SCHEDULE OF UNACCOUNTED FOR WATER  
Year Ended June 30, 2020  
(All Amounts in Gallons)

AWWA Free Water Audit Software:  
Reporting Worksheet

WAS v6.0  
American Water Works Association.  
Copyright © 2014, All Rights Reserved.

Water Audit Report for: City of Spring Hill (0000667)  
Reporting Year: 2020 7/2019 - 6/2020

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

---

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below

**WATER SUPPLIED**

<----- Enter grading in column 'E' and 'J' ----->

Volume from own sources:	+	?	9	1,148.798	MG/Yr
Water imported:	+	?	8	205.036	MG/Yr
Water exported:	+	?	8	10.813	MG/Yr

**WATER SUPPLIED:** 1,343.021 MG/Yr

**Master Meter and Supply Error Adjustments**

Pcnt:	+	?	9	Value:	
	+	?	8	Value:	
	+	?	8	Value:	

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

---

**AUTHORIZED CONSUMPTION**

Billed metered:	+	?	9	1,091.901	MG/Yr
Billed unmetered:	+	?	8	0.189	MG/Yr
Unbilled metered:	+	?	8	1.111	MG/Yr
Unbilled unmetered:	+	?	9	1.717	MG/Yr

**AUTHORIZED CONSUMPTION:** 1,094.918 MG/Yr

Click here: ? for help using option buttons below

Pcnt: 0.25% Value: 1.717 MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: 0.25% Value:  MG/Yr

2.00%  MG/Yr

0.001 MG/Yr

---

**WATER LOSSES (Water Supplied - Authorized Consumption)** 248.103 MG/Yr

**Apparent Losses**

Unauthorized consumption: 3.358 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: 22.306 MG/Yr

Systematic data handling errors: 0.001 MG/Yr

**Apparent Losses:** 25.665 MG/Yr

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

Real Losses = Water Losses - Apparent Losses: 222.438 MG/Yr

**WATER LOSSES:** 248.103 MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: 0.25% Value:  MG/Yr

2.00%  MG/Yr

0.001 MG/Yr

---

**NON-REVENUE WATER**

NON-REVENUE WATER: 250.931 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

---

**SYSTEM DATA**

Length of mains: 251.0 miles

Number of active AND inactive service connections: 18,170

Service connection density: 72 conn./mile main

Are customer meters typically located at the curbside or property line? Yes (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: 75.0 psi

---

**COST DATA**

Total annual cost of operating water system: \$5,465.655 \$/Year

Customer retail unit cost (applied to Apparent Losses): \$10.10 \$/1000 gallons (US)

Variable production cost (applied to Real Losses): \$1,185.26 \$/Million gallons  Use Customer Retail Unit Cost to value real losses

---

WATER AUDIT DATA VALIDITY SCORE: **\*\*\* YOUR SCORE IS: 86 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

76

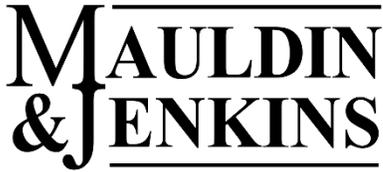
CITY OF SPRING HILL, TENNESSEE

SCHEDULE OF UNACCOUNTED FOR WATER  
 Year Ended June 30, 2020  
 (All Amounts in Gallons)

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: <input type="text" value="City of Spring Hill (0000667)"/>		
Reporting Year: <input type="text" value="2020"/> <input type="text" value="7/2019 - 6/2020"/>		
<b>*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 86 out of 100 ***</b>		
<b>System Attributes:</b>		
	Apparent Losses:	<input type="text" value="25.665"/> MG/Yr
	+ Real Losses:	<input type="text" value="222.438"/> MG/Yr
	= <b>Water Losses:</b>	<input type="text" value="248.103"/> MG/Yr
	<input type="text" value="111.78"/> Unavoidable Annual Real Losses (UARL):	<input type="text" value="111.78"/> MG/Yr
	Annual cost of Apparent Losses:	<input type="text" value="\$259,216"/>
	Annual cost of Real Losses:	<input type="text" value="\$263,647"/> Valued at <b>Variable Production Cost</b> Return to Reporting Worksheet to change this assumption
<b>Performance Indicators:</b>		
Financial:	Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="18.7%"/>
	Non-revenue water as percent by cost of operating system:	<input type="text" value="9.6%"/> Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	<input type="text" value="3.87"/> gallons/connection/day
	Real Losses per service connection per day:	<input type="text" value="33.54"/> gallons/connection/day
	Real Losses per length of main per day*:	<input type="text" value="N/A"/>
	Real Losses per service connection per day per psi pressure:	<input type="text" value="0.45"/> gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	<input type="text" value="222.44"/> million gallons/year
	<input type="text" value="1.99"/> Infrastructure Leakage Index (ILI) [CARL/UARL]:	<input type="text" value="1.99"/>
* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline		

## COMPLIANCE SECTION

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CPAs & ADVISORS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spring Hill, Tennessee (the "City"), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 26, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

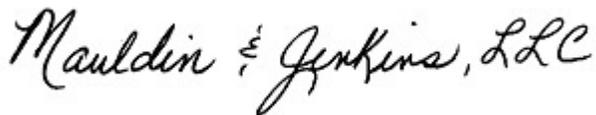
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### **Compliance and Other Matters**

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

### **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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Chattanooga, Tennessee  
January 26, 2021

**CITY OF SPRING HILL, TENNESSEE  
SCHEDULE OF FEDERAL AND STATE AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2020**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or pass- through Grantor Number	Expenditures	
			Federal	State
<b>FEDERAL AWARDS</b>				
<b>U.S. Department of Justice</b>				
Bulletproof Vest Partnership Program Grant	14.239	2018	\$ 4,524	\$ -
Bulletproof Vest Partnership Program Grant	14.239	2019	260	-
<b>Total U.S. Department of Justice</b>			<u>4,784</u>	<u>-</u>
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 4,784</b>	<b>\$ -</b>
<b>STATE AWARDS</b>				
<b>Tennessee Department of Transportation</b>				
Beechcroft - Water Relocation (117319.01)	N/A	8594	\$ -	\$ 5,617
Beechcroft - Sewer Relocation (117319.01)	N/A	8596	-	3,410
Project Shotgun - Sewer Relocation (121394.00)	N/A	8598	-	8,674
Project Shotgun - Water Relocation (121394.00)	N/A	8600	-	2,047
Duplex Rd - Water Relocation (103169.00)	N/A	8645	-	578
Duplex Rd - Sewer Relocation (103169.00)	N/A	8646	-	637
Saturn Parkway Ext - Water Relocation (123399.00)	N/A	8893	-	14,791
Saturn Parkway Ext - Sewer Relocations (123399.00)	N/A	8892	-	20,488
Harvey Park Greenway (121850.02)	N/A	190380	-	79,433
<b>Total Tennessee Department of Transportation</b>			<u>-</u>	<u>135,675</u>
<b>Tennessee Department of Finance and Administration</b>				
Summer Reading Pilot Program	N/A	N/A	-	10,000
Passed through the Metropolitan Government of Nashville and Davidson County Internet Crimes Against Children FY 2019-20	N/A	N/A	-	14,932
<b>Total Tennessee Department of Finance and Administration</b>			<u>-</u>	<u>24,932</u>
<b>TOTAL STATE AWARDS</b>			<b>\$ -</b>	<b>\$ 160,607</b>
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<b>\$ 4,784</b>	<b>\$ 160,607</b>

**NOTES:**

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

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

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

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



**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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

**None reported**

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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**SECTION III**  
**STATUS OF PRIOR AUDIT FINDINGS**

**2019-001 Capital Assets**

**Criteria:** Internal controls should be in place to ensure that capital assets are appropriately recognized and reported in accordance with generally accepted accounting principles ("GAAP").

**Condition:** Internal controls were not sufficient to timely detect material misstatements in the reporting of the City's capital assets.

**Current Status:** Resolved.

**2019-002 Employee Fraud**

**Criteria:** Internal controls should be in place to ensure that assets of the City are not misappropriated.

**Condition:** Internal controls of the City identified and detected the misappropriation of \$1,544 by a former employee.

**Current Status:** Resolved.