

**RESOLUTION 20-77**

**A RESOLUTION TO ACCEPT THE REISSUED ANNUAL AUDIT AND  
FINANCIAL REPORT INCLUDING THE SINGLE AUDIT FOR THE CITY OF  
SPRING HILL FOR FISCAL YEAR 2016-2017 AS PREPARED AND  
PRESENTED BY  
CROSSLIN CERTIFIED PUBLIC ACCOUNTANTS**

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

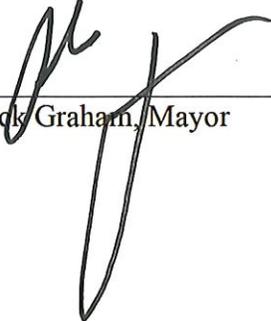
**WHEREAS**, the Board of Mayor and Aldermen of the City of Spring Hill contracted with Crosslin Certified Public Accountants, to perform this Audit for Fiscal Year 2016-2017 which was approved by Resolution 18-56 on May 21, 2018; and

**WHEREAS**, expenditures subsequently reported from the Tennessee Department of Transportation exceeded the single audit threshold and required additional procedures to be performed; and

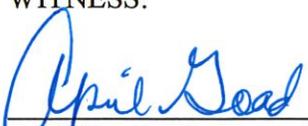
**WHEREAS**, the Board of Mayor and Aldermen of the City of Spring Hill authorized performance of a single audit in Resolution 19-163 on September 16, 2019; and

**NOW, THEREFORE BE IT RESOLVED**, by the Board of Mayor and Aldermen of the City of Spring Hill, the Spring Hill Board of Mayor and Aldermen do hereby accept the reissued Audit and Financial Report including the Single Audit for the City of Spring Hill for Fiscal Year 2016-2017.

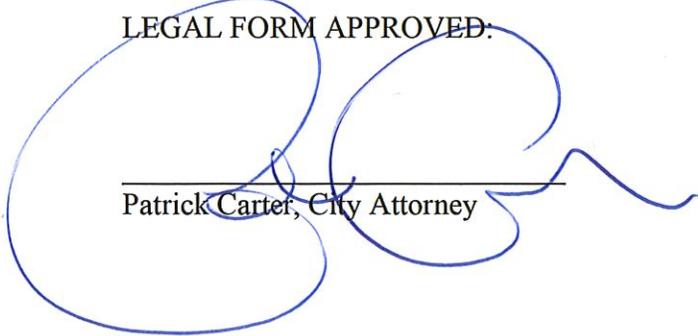
Passed and adopted the 15<sup>th</sup> day of June, 2020.

  
\_\_\_\_\_  
Rick Graham, Mayor

WITNESS:

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

LEGAL FORM APPROVED:

  
\_\_\_\_\_  
Patrick Carter, City Attorney



## City of Spring Hill

### Board of Mayor and Aldermen

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Date: May 28, 2020

Memo to: Board of Mayor and Alderman

From: Tonya Travis, Finance Director

Re: Resolution 20-77, A RESOLUTION TO ACCEPT THE REISSUED ANNUAL AUDIT AND FINANCIAL REPORT INCLUDING THE SINGLE AUDIT FOR THE CITY OF SPRING HILL FOR FISCAL YEAR 2016 – 2017 AS PREPARED BY CROSSLIN CERTIFIED PUBLIC ACCOUNTANTS

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**BACKGROUND INFORMATION:** In April of 2019, the City received notification from TDOT of expenses due to TDOT for various components of the Duplex Road widening project dating from 2008 – 2018 for the NEPA, design and right-of-way phases that the City was responsible for paying 100%. These expenses occurred with other agencies contracted to perform the services related to these three phases.

The amount invoiced from TDOT in April of 2019 totaled \$556,615.39 of which 80% (\$445,292.31) was covered under the Small Cities Surface Transportation Block Grant (STBG). STBG funds are considered federal grant programs and are included in the calculation to determine the requirement of a single audit of federally funded programs. The \$445,292.31 expense was recognized in the 2016 – 2017 fiscal year and the total federal grant funds expended exceeded the \$750,000 threshold for fiscal year 2016 - 2017 requiring a single audit.

The subsequent expenses incurred from the Tennessee Department of Transportation exceeded the single audit threshold and required additional audit work. The BOMA approved the performance of a single audit September 16, 2019 with Resolution 19-163. The services were conducted and the audit has now been reissued including the single audit. No findings were reported.

**ATTACHMENTS:** Resolution 20-77; Fiscal Year 2016 – 2017 Financial Reports (reissued)

**RECOMMENDATION:** Approval of Resolution 20-77.

**CITY OF SPRING HILL, TENNESSEE**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**(AS REISSUED)**

CITY OF SPRING HILL, TENNESSEE  
 FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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CITY OF SPRING HILL, TENNESSEE  
 FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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## INTRODUCTORY SECTION



CITY OF SPRING HILL, TENNESSEE  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2017

**BOARD OF MAYOR AND ALDERMAN**

Mayor	Rick Graham
Vice Mayor and Alderman	Bruce Hull
Alderman	Jonathan Duda
Alderman	Matt Fitterer
Alderman	Kevin Gavigan
Alderman	Jeff Graves
Alderman	Chad Wittenburg
Alderman	Amy Wurth
Alderman	Susan Zemek

**CITY OFFICIALS**

City Administrator	Victor Lay
Finance Director	James Smith
Chief of Police	Don Brite
Codes Director	Chris Brooks
Parks & Recreation Director	Kevin Fischer
City Recorder	April Goad
GIS/IT	John Pewitt
Dispatch Director	Brandi Smith
Fire Chief	Terry Hood
Human Resources Director	Shelley Taylor
Infrastructure Director	Vacant
Public Works Director	Jeff Foster
Water Treatment Plant Director	Caryl Giles
Communications Officer	Jamie Page
Waste Water Treatment Plan Director	Travis Massey
City Planner	Vacant

**FINANCIAL SECTION**





## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spring Hill, Tennessee, (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spring Hill, Tennessee, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Adequate Facilities / Development Fund and Sanitation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note A to the financial statements, the beginning net position for the governmental activities and business-type activities on the statement of activities have been restated to correct a misstatement. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 14, the schedule of changes in the net pension liability and related ratios - pension plan, the schedule of employer contributions - pension plan, and the notes to required supplementary information - pension plan on pages 62 through 64, 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 on pages 65 through 71, and the supplemental schedules on pages 76 through 81, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance on pages 72 through 75 as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee is presented for purposes of additional analysis and is not a required part of the basic financial statements.



The combining and individual fund statements and schedules, the other schedules on pages 76 through 78, and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, the other schedules on pages 76 through 78, and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, as listed in the table of contents, and the other schedules on pages 79 through 83 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 April 30, 2018 on our consideration of the City of Spring Hill, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Spring Hill, Tennessee's internal control over financial reporting and compliance.

*Crosslin, PLLC*

Nashville, Tennessee  
April 30, 2018

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

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, 2017. We encourage readers to consider the information presented here in conjunction with the City's financial statements (beginning on page 15).

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

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Spring Hill exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$88,624,078 (total net position).
- The government's total net position increased by \$10,577,337, which includes the prior year restatement of \$254,560 (See Note A).
- As of the close of the current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$12,313,797, which is a decrease of \$710,709 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance in the general fund was 33.3% 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, 2017

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 eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Adequate Facilities / Development Fund and the Sanitation Fund, which are considered to be major funds. Data for the other non-major governmental funds is provided in the form of combining statements starting on page 65 of this report.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

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

The basic governmental fund financial statements can be found on pages 17 - 29 of this report.

*Proprietary Funds.* The City of Spring Hill maintains three proprietary funds, which include the Water and Sewer Fund, the Storm Water Fund, and the Sewer Expansion 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, Storm Water Fund, and Sewer Expansion Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among a City's various functions. The City of Spring Hill does not use internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, Storm Water Fund, and Sewer Expansion Fund. The basic proprietary fund financial statements can be found on pages 30 - 32 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 33 - 61 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 65 - 71 of this report.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

**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 \$88,624,078.

<b>Net Position - Primary Government</b>						
<b>June 30, 2017 and 2016</b>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 19,953,662	\$ 19,467,140	\$ 16,782,866	\$ 20,237,319	\$ 36,736,528	\$ 39,704,459
Capital assets	24,039,034	19,442,976	66,927,776	59,911,891	90,966,810	79,354,867
Total assets	<u>43,992,696</u>	<u>38,910,116</u>	<u>83,710,642</u>	<u>80,149,210</u>	<u>127,703,338</u>	<u>119,059,326</u>
Deferred outflows of resources	<u>1,227,664</u>	<u>562,701</u>	<u>391,945</u>	<u>179,649</u>	<u>1,619,609</u>	<u>742,350</u>
Other liabilities	4,854,474	3,987,713	2,524,029	2,194,475	7,378,503	6,182,188
Long-term liabilities outstanding	<u>11,793,035</u>	<u>13,338,121</u>	<u>15,856,471</u>	<u>17,294,401</u>	<u>27,649,506</u>	<u>30,632,522</u>
Total liabilities	<u>16,647,509</u>	<u>17,325,834</u>	<u>18,380,500</u>	<u>19,488,876</u>	<u>35,028,009</u>	<u>36,814,710</u>
Deferred inflows of resources	<u>5,666,975</u>	<u>4,915,785</u>	<u>3,885</u>	<u>24,440</u>	<u>5,670,860</u>	<u>4,940,225</u>
Net position:						
Net investment in capital assets	11,872,092	8,418,892	49,705,467	42,641,140	61,577,559	51,060,032
Restricted	291,780	752,898	2,524,737	6,578,653	2,816,517	7,331,551
Unrestricted	<u>10,742,004</u>	<u>8,059,408</u>	<u>13,487,998</u>	<u>11,595,750</u>	<u>24,230,002</u>	<u>19,655,158</u>
Total net position	<u>\$22,905,876</u>	<u>\$17,231,198</u> (1)	<u>\$65,718,202</u>	<u>\$60,815,543</u> (1)	<u>\$88,624,078</u>	<u>\$78,046,741</u> (1)

(1) Restated in 2017. See Note A to the financial statements.

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), less any related debt used to acquire those assets that are still outstanding. The City of Spring Hill uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although City of Spring Hill's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net 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, 2017**

**Changes in Net Position  
For the Years Ended June 30, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for service	\$ 5,898,856	\$ 5,458,247	\$ 9,713,828	\$ 9,320,055	\$ 15,612,684	\$ 14,778,302
Operating grants and contributions	1,333,959	1,245,995	-	-	1,333,959	1,245,995
Capital grants and contributions	5,434,411	4,014,422	8,983,684	7,702,376	14,418,095	11,716,798
General revenues:						
Taxes	14,088,456	12,646,607	-	-	14,088,456	12,646,607
Intergovernmental revenues	3,677,657	3,131,532	-	-	3,677,657	3,131,532
Unrestricted investment earnings	7,902	11,510	26,679	18,873	34,581	30,383
Rent	-	-	95,082	92,919	95,082	92,919
Sales of materials	31,706	36,667	140,873	167,255	172,579	203,922
Miscellaneous	58,019	70,210	549,262	46,838	607,281	117,048
Total revenues	<u>30,530,966</u>	<u>26,615,190</u>	<u>19,509,408</u>	<u>17,348,316</u>	<u>50,040,374</u>	<u>43,963,506</u>
Expenses:						
General government	2,774,497	2,664,007	-	-	2,774,497	2,664,007
Public safety	10,896,502	9,359,981	-	-	10,896,502	9,359,981
Public works	9,872,744	6,439,552	-	-	9,872,744	6,439,552
Culture and recreation	1,755,108	1,812,638	-	-	1,755,108	1,812,638
Interest	99,349	492,426	-	-	99,349	492,426
Business-type activities	-	-	14,319,397	9,159,334	14,319,397	9,159,334
Total expenses	<u>25,398,200</u>	<u>20,768,604</u>	<u>14,319,397</u>	<u>9,159,334</u>	<u>39,717,597</u>	<u>29,927,938</u>
Change in net position before transfers	5,132,766	5,846,586	5,190,011	8,188,982	10,322,777	14,035,568
Transfers	<u>162,000</u>	<u>152,024</u>	<u>(162,000)</u>	<u>(152,024)</u>	<u>-</u>	<u>-</u>
Change in net position	5,294,766	5,998,610	5,028,011	8,036,958	10,322,777	14,035,568
Net position - beginning of year	17,231,198	11,926,781	60,815,543	52,778,585	78,046,741	64,705,366
Prior period adjustment	<u>379,912</u> (2)	<u>(694,193)</u> (3)	<u>(125,352)</u> (2)	<u>-</u>	<u>254,560</u> (2)	<u>(694,193)</u> (3)
Net position - end of year	<u>\$22,905,876</u>	<u>\$17,231,198</u>	<u>\$65,718,202</u>	<u>\$60,815,543</u>	<u>\$88,624,078</u>	<u>\$78,046,741</u>

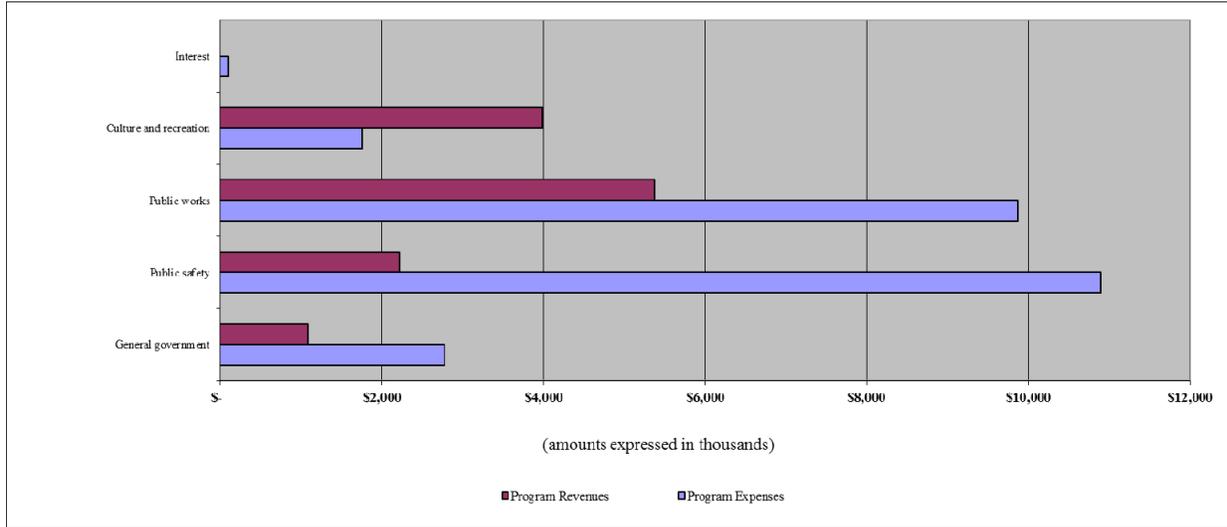
(2) See Note A to the financial statements.

(3) Restated to record compensated absences and accrued interest.

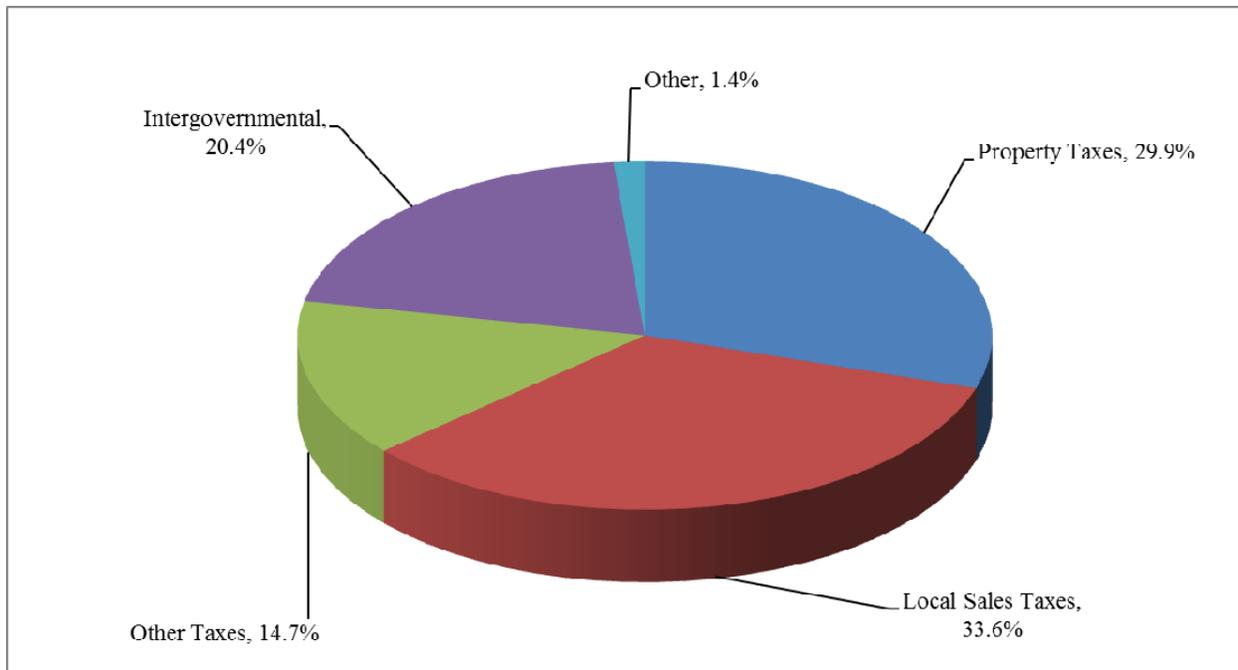
CITY OF SPRING HILL, TENNESSEE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED JUNE 30, 2017

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



CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

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

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

**Balance Sheet**  
**Total Governmental Funds**  
**June 30, 2017 and 2016**

	2017	2016
<b>Total assets</b>	<u>\$ 19,953,662</u>	<u>\$ 19,616,140</u>
Total liabilities	<u>1,985,057</u>	<u>1,692,526</u>
Deferred inflows of resources	<u>5,654,808</u>	<u>4,851,658</u>
Fund balances:		
Nonspendable	113,908	254,031
Restricted	1,224,513	4,402,729
Committed	3,988,919	3,062,757
Unassigned	<u>6,986,457</u>	<u>5,352,439</u>
Total fund balances	<u>12,313,797</u>	<u>13,071,956</u> (4)
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 19,953,662</u>	<u>\$ 19,616,140</u>

(4) Restated in 2017. See Note A to the financial statements.

As of the end of the current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$12,313,797, which is a decrease of \$710,709 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 \$6,986,457.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

**Changes in Fund Balances of Governmental Funds  
For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>		
Taxes	\$ 14,100,880	\$ 12,634,183
Licenses, permits and fees	1,125,337	1,051,918
Intergovernmental	5,958,476	5,192,836
Impact fees	1,859,875	1,677,616
Charges for services	2,006,836	1,937,111
Contributions	52,724	35,636
Fines and forfeitures	376,764	284,887
Recycling fees	530,044	506,714
Interest revenue	7,902	11,510
Sale of property	31,706	36,667
Miscellaneous	<u>58,019</u>	<u>70,210</u>
Total revenues	<u>26,108,563</u>	<u>23,439,288</u>
<b>Expenditures:</b>		
General government	2,627,997	2,315,658
Public safety	9,928,046	8,654,983
Public works	7,270,401	5,783,467
Culture and recreation	1,282,244	1,230,911
Debt service	1,557,781	1,454,771
Capital outlay	<u>4,314,803</u>	<u>3,697,411</u>
Total expenditures	<u>26,981,272</u>	<u>23,137,201</u>
<b>Excess (deficiency) of revenues over (under)         expenditures</b>	(872,709)	302,087
<b>Other Financing Sources (Uses):</b>		
Issuance of new debt	-	1,645,000
Transfers in	<u>162,000</u>	<u>152,024</u>
Total other financing sources (uses)	<u>162,000</u>	<u>1,797,024</u>
<b>Net change in fund balances</b>	(710,709)	2,099,111
<b>Fund balance - beginning, as restated</b>	<u>13,024,506</u> (5)	<u>10,972,845</u>
<b>Fund balance - ending</b>	<u>\$ 12,313,797</u>	<u>\$ 13,071,956</u>

(5) Restated in 2017. See Note A to the financial statements.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

The fund balances of the City of Spring Hill's governmental funds decreased by \$710,709 during the current fiscal year. This decrease was primarily the result of increases in various City expenditures.

*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, Storm Water Fund, and Sewer Expansion Fund at the end of the year amounted to \$13,487,998. Restricted net position in these funds at the end of the year amounted to \$2,524,737. Net investment in capital assets at the end of year amounted to \$49,705,467. The total increase in net position for the proprietary funds was \$5,028,011. 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 \$971,400. The amount of budgeted expenditures decreased by \$4,034,471.

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

Actual revenues and other financing sources were higher than final budgeted amounts by \$2,821,424, primarily due to overall increased tax revenues, increased building permits and state sales tax collections.

Actual expenditures were lower than budgeted amounts in the amount of \$1,267,721.

Overages compared to budget within Police salaries (\$362,000) were offset by variances under budget from:

Lower Fire salaries and benefits (\$103,000), Police benefits (\$80,000), funds for Police vehicles not received in FY 2016-17 (\$275,000), lower amounts from budgeted for Insurance within Police (\$108,000) and Fire (\$73,000), debt service within Police (\$60,000), Fire (\$53,000) and Public Works-Streets (\$31,000) and salaries/benefits, repairs and maintenance and capital outlay for the Public Works-Streets department (\$142,000, 144,000 and \$206,000, respectively).

Other financing sources were budgeted at \$3.5 million for transfers in from right-of-way for Duplex Road and that amount was not realized for fiscal year 2016-17, creating a variance from budget in that category.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

The City's net investment in capital assets for its governmental and business-type activities as June 30, 2017 amounts to \$61,577,559 (net of accumulated depreciation). Depreciation charges for the fiscal year totaled \$3,745,539. 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:

- Right of way acquisition for the Duplex Road project increased governmental-activity land and infrastructure categories by \$3.3 million.
- Acquisitions of Police vehicles and other equipment (mobile data terminals and communication equipment) totaled over \$500,000.
- Within business-type activities, plant and equipment increased:
  - \$3.8 million from Duplex Road water and sewer line relocations,
  - \$1.1 million for the Rutherford Creek sewer extension,
  - \$294,000 for Campbell Station pump station project,
  - \$706,000 for the Buckner Place stormwater project, and
  - \$200,000 for water storage projects.

**Capital Assets**  
**June 30, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,118,029	\$ 449,829	\$ 685,955	\$ 685,955	\$ 2,803,984	\$ 1,135,784
Building and improvements	8,285,363	7,803,493	-	-	8,285,363	7,803,493
Plant and equipment	13,177,311	12,476,202	84,019,904	72,558,203	97,197,215	85,034,405
Infrastructure	16,705,784	13,169,624	-	-	16,705,784	13,169,624
Easements	-	-	299,843	211,755	299,843	211,755
Construction in progress	24,439	24,439	613,664	3,238,010	638,103	3,262,449
Total capital assets	<u>40,310,926</u>	<u>33,923,587</u>	<u>85,619,366</u>	<u>76,693,923</u>	<u>125,930,292</u>	<u>110,617,510</u>
Less: Accumulated depreciation	<u>(16,271,892)</u>	<u>(14,480,611)</u>	<u>(18,691,590)</u>	<u>(16,782,032)</u>	<u>(34,963,482)</u>	<u>(31,262,643)</u>
Capital assets, net	<u>\$ 24,039,034</u>	<u>\$ 19,442,976</u>	<u>\$ 66,927,776</u>	<u>\$ 59,911,891</u>	<u>\$ 90,966,810</u>	<u>\$ 79,354,867</u>

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

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

***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 \$12,835,526. The proprietary funds had total long-term debt of \$17,222,309.

**Outstanding Debt, General Obligation, and Revenue Bonds  
June 30, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Notes payable	\$ 3,475,176	\$ 4,698,915	\$ -	\$ -	\$ 3,475,176	\$ 4,698,915
Capital outlay note	1,365,350	1,645,000	1,124,650	1,355,000	2,490,000	3,000,000
Public improvement bonds	7,995,000	8,330,000	3,286,000	3,535,000	11,281,000	11,865,000
Clean water state loan program	-	-	11,909,762	12,558,800	11,909,762	12,558,800
State of Tennessee loan program	-	-	901,897	1,176,951	901,897	1,176,951
Total	<u>\$12,835,526</u>	<u>\$14,673,915</u>	<u>\$17,222,309</u>	<u>\$18,625,751</u>	<u>\$30,057,835</u>	<u>\$33,299,666</u>

The City of Spring Hill's total long-term debt decreased by \$3,241,831 during the current fiscal year (\$1.8 million in governmental activities and \$1.4 million in business-type activities). Additional information on the City of Spring Hill's long-term debt can be found in Note G of this report.

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

- The City of Spring Hill continues to see rapid growth. This growth serves to increase the sales tax collections, building permits and impact fees. However, it also increases the need for police, fire, sanitation and water and sewer services and presents a continuing challenge in existing infrastructure.
- The City of Spring Hill purchased over \$500,000 in Police vehicles and other public safety equipment and had several capital water/sewer/stormwater improvement projects completed during the year and in process at the end of the year.

These factors were considered in preparing the 2018 fiscal year budget for the City of Spring Hill.

**REQUEST FOR INFORMATION**

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

City of Spring Hill  
Attn: City Administrator  
P.O. Box 789  
Spring Hill, Tennessee 37174

# BASIC FINANCIAL STATEMENTS



**City of Spring Hill, Tennessee**  
**Statement of Net Position**  
**June 30, 2017**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total Primary Government</b>
<b>Assets:</b>			
Cash	\$ 11,320,230	\$ 13,190,773	\$ 24,511,003
Taxes receivable - property tax	5,715,117	-	5,715,117
Accounts and other receivables, net	402,667	919,325	1,321,992
Due from other governments	1,286,530	-	1,286,530
Internal balances	115,508	(115,508)	-
Inventory of supplies, at cost	-	139,156	139,156
Prepaid expenses and other assets	298,248	124,383	422,631
Restricted assets:			
Cash	815,362	2,524,737	3,340,099
Capital assets:			
Capital assets not being depreciated	2,142,468	1,599,462	3,741,930
Capital assets net of accumulated depreciation	21,896,566	65,328,314	87,224,880
<b>Total assets</b>	<b>43,992,696</b>	<b>83,710,642</b>	<b>127,703,338</b>
<b>Deferred Outflows of Resources:</b>			
Pensions	1,227,664	391,945	1,619,609
<b>Liabilities:</b>			
Accounts payable and other current liabilities	2,004,463	794,148	2,798,611
Due to other governments	62,157	37,188	99,345
Net pension liability	1,023,786	326,855	1,350,641
Accrued compensated absences	721,577	-	721,577
Long-term liabilities:			
Due within one year	1,042,491	1,365,838	2,408,329
Due in more than one year	11,793,035	15,856,471	27,649,506
<b>Total liabilities</b>	<b>16,647,509</b>	<b>18,380,500</b>	<b>35,028,009</b>
<b>Deferred Inflows of Resources:</b>			
Pensions	12,167	3,885	16,052
Property taxes	5,654,808	-	5,654,808
<b>Total deferred inflows of resources</b>	<b>5,666,975</b>	<b>3,885</b>	<b>5,670,860</b>
<b>Net Position:</b>			
Net investment in capital assets	11,872,092	49,705,467	61,577,559
Restricted for:			
Roads and streets	221,706	-	221,706
Drug enforcement and education	70,074	-	70,074
Capital projects	-	2,524,737	2,524,737
Unrestricted	10,742,004	13,487,998	24,230,002
<b>Total net position</b>	<b>\$ 22,905,876</b>	<b>\$ 65,718,202</b>	<b>\$ 88,624,078</b>

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

City of Spring Hill, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 2,774,497	\$ 406,379	\$ 170,333	\$ 508,042	\$ (1,689,743)	\$ -	\$ (1,689,743)
Public safety	10,896,502	1,104,392	1,111,162	-	(8,680,948)	-	(8,680,948)
Public works	9,872,744	2,528,210	-	2,848,384	(4,496,150)	-	(4,496,150)
Culture and recreation	1,755,108	1,859,875	52,464	2,077,985	2,235,216	-	2,235,216
Interest	99,349	-	-	-	(99,349)	-	(99,349)
Total governmental activities	<u>25,398,200</u>	<u>5,898,856</u>	<u>1,333,959</u>	<u>5,434,411</u>	<u>(12,730,974)</u>	<u>-</u>	<u>(12,730,974)</u>
Business-type activities:							
Water and Sewer	12,883,936	8,846,688	-	8,983,684	-	4,946,436	4,946,436
Storm Water	743,899	867,140	-	-	-	123,241	123,241
Sewer Expansion	691,562	-	-	-	-	(691,562)	(691,562)
Total business-type activities	<u>14,319,397</u>	<u>9,713,828</u>	<u>-</u>	<u>8,983,684</u>	<u>-</u>	<u>4,378,115</u>	<u>4,378,115</u>
<b>Total primary government</b>	<u>\$ 39,717,597</u>	<u>\$ 15,612,684</u>	<u>\$ 1,333,959</u>	<u>\$ 14,418,095</u>	<u>(12,730,974)</u>	<u>4,378,115</u>	<u>(8,352,859)</u>
General revenues:							
Taxes:							
Property taxes					5,389,673	-	5,389,673
Utility taxes					60,426	-	60,426
Local sales taxes					6,055,510	-	6,055,510
Wholesale beer and liquor taxes					925,766	-	925,766
Business and privilege tax					611,083	-	611,083
Franchise tax					505,365	-	505,365
Room occupancy tax					81,600	-	81,600
Mixed drink tax					199,906	-	199,906
Payment in lieu of taxes					259,127	-	259,127
Intergovernmental:							
State taxes					3,265,491	-	3,265,491
Payment in lieu of taxes					412,166	-	412,166
Unrestricted investment earnings					7,902	26,679	34,581
Rent					-	95,082	95,082
Sales of materials					31,706	140,873	172,579
Miscellaneous					58,019	549,262	607,281
Transfers					162,000	(162,000)	-
Total general revenues and transfers					<u>18,025,740</u>	<u>649,896</u>	<u>18,675,636</u>
Change in net position					5,294,766	5,028,011	10,322,777
Net position - beginning					17,231,198	60,815,543	78,046,741
Restatement (Note A)					379,912	(125,352)	254,560
Net position - ending					<u>\$ 22,905,876</u>	<u>\$ 65,718,202</u>	<u>\$ 88,624,078</u>

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

**City of Spring Hill, Tennessee**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	<b>General Fund</b>	<b>Adequate Facilities/ Development Fund</b>	<b>Sanitation Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>					
Cash	\$ 7,044,905	\$ 3,360,936	\$ 244,058	\$ 670,331	\$ 11,320,230
Receivables (net, where applicable, allowances for uncollectible):					
Taxes	5,715,117	-	-	-	5,715,117
Accounts and grants	164,020	-	238,647	-	402,667
Due from other governments	955,621	68,159	-	262,750	1,286,530
Due from other funds	113,908	-	1,600	-	115,508
Prepaid expenses and other assets	298,248	-	-	-	298,248
Restricted assets:					
Cash	668,584	-	-	146,778	815,362
 Total assets	 <u>\$ 14,960,403</u>	 <u>\$ 3,429,095</u>	 <u>\$ 484,305</u>	 <u>\$ 1,079,859</u>	 <u>\$ 19,953,662</u>
<b>Liabilities:</b>					
Accounts payable	\$ 366,889	\$ 106,562	\$ 220,156	\$ 121,693	\$ 815,300
Accrued liabilities	1,107,600	-	-	-	1,107,600
Due to other governments	62,157	-	-	-	62,157
Total liabilities	<u>1,536,646</u>	<u>106,562</u>	<u>220,156</u>	<u>121,693</u>	<u>1,985,057</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue - taxes	5,654,808	-	-	-	5,654,808
Total deferred inflows of resources	<u>5,654,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,654,808</u>
<b>Fund Balances:</b>					
Nonspendable	113,908	-	-	-	113,908
Restricted:					
Unspent debt proceeds	668,584	-	-	-	668,584
Special revenue funds	-	-	264,149	291,780	555,929
Committed	-	3,322,533	-	666,386	3,988,919
Unassigned	6,986,457	-	-	-	6,986,457
Total fund balances	<u>7,768,949</u>	<u>3,322,533</u>	<u>264,149</u>	<u>958,166</u>	<u>12,313,797</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 14,960,403</u>	 <u>\$ 3,429,095</u>	 <u>\$ 484,305</u>	 <u>\$ 1,079,859</u>	 <u>\$ 19,953,662</u>

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

**City of Spring Hill, Tennessee**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Position**  
**June 30, 2017**

<b>Total fund balances of governmental funds</b>	<b>\$ 12,313,797</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.	24,039,034
Deferred inflows and outflows of resources related to pensions are not financial resources, and therefore, are not reported in the governmental funds.	
Deferred inflows	(12,167)
Deferred outflows	1,227,664
Long-term liabilities, including notes payable, bonds payable, and net pension liability, are not due and payable in the current period, and therefore, are not reported in the governmental funds.	
Long-term debt	(12,835,526)
Net pension liability	(1,023,786)
Compensated absences	(721,577)
Interest on outstanding long-term debt is accrued in the statement of net position, whereas in governmental funds, interest expenditures are reported when due.	(81,563)
<b>Net position of governmental activities</b>	<b><u><u>\$ 22,905,876</u></u></b>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	<b>General Fund</b>	<b>Adequate Facilities/ Development Fund</b>	<b>Sanitation Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Taxes	\$ 14,100,880	\$ -	\$ -	\$ -	\$ 14,100,880
Licenses, permits and fees	1,125,337	-	-	-	1,125,337
Intergovernmental	3,874,730	508,042	-	1,575,704	5,958,476
Impact fees	-	1,388,036	-	471,839	1,859,875
Charges for services	42,300	-	1,964,536	-	2,006,836
Contributions	260	-	-	52,464	52,724
Fines and forfeitures	321,160	-	33,630	21,974	376,764
Recycling fees	-	-	530,044	-	530,044
Interest revenue	5,024	2,443	302	133	7,902
Sale of property	22,666	-	-	9,040	31,706
Miscellaneous	65,519	(7,500)	-	-	58,019
<b>Total revenues</b>	<b>19,557,876</b>	<b>1,891,021</b>	<b>2,528,512</b>	<b>2,131,154</b>	<b>26,108,563</b>
<b>Expenditures:</b>					
Current:					
General government:					
Legislative, executive, and general	1,413,753	-	-	-	1,413,753
Judicial	31,922	-	-	-	31,922
Financial administration	507,446	-	-	-	507,446
Information management system	450,312	-	-	-	450,312
General government building	224,564	-	-	-	224,564
Public safety:					
Police	4,528,663	-	-	50,091	4,578,754
Fire	4,538,017	-	-	-	4,538,017
Building inspection	811,275	-	-	-	811,275
Public works:					
Streets	2,784,249	140,078	-	1,656,271	4,580,598
Sanitation	-	-	2,689,803	-	2,689,803
Culture and recreation:					
Parks and recreation	465,551	-	-	-	465,551
Library	776,298	-	-	40,395	816,693
Debt service	452,585	746,004	-	359,192	1,557,781
Capital outlay	4,026,144	276,299	-	12,360	4,314,803
<b>Total expenditures</b>	<b>21,010,779</b>	<b>1,162,381</b>	<b>2,689,803</b>	<b>2,118,309</b>	<b>26,981,272</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,452,903)</b>	<b>728,640</b>	<b>(161,291)</b>	<b>12,845</b>	<b>(872,709)</b>
<b>Other Financing Sources (Uses):</b>					
Transfers in	162,000	-	-	-	162,000
<b>Total other financing sources (uses)</b>	<b>162,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>162,000</b>
<b>Net change in fund balances</b>	<b>(1,290,903)</b>	<b>728,640</b>	<b>(161,291)</b>	<b>12,845</b>	<b>(710,709)</b>
<b>Fund balance - beginning, as restated</b>	<b>9,059,852</b>	<b>2,593,893</b>	<b>425,440</b>	<b>945,321</b>	<b>13,024,506</b>
<b>Fund balance - ending</b>	<b>\$ 7,768,949</b>	<b>\$ 3,322,533</b>	<b>\$ 264,149</b>	<b>\$ 958,166</b>	<b>\$ 12,313,797</b>

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

**City of Spring Hill, Tennessee**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ (710,709)</b>
<p>Amounts reported for the governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Specifically these items are as follows:</p>	
Capital assets added	1,997,212
Depreciation expense	(1,835,981)
<p>Donations of capital assets increase net position for governmental activities, but do not appear in the governments funds because they are not financial resources.</p>	
	4,434,827
<p>Revenues in the statement of activities that do not provide for current financial resources are not reported as revenues in the funds.</p>	
	(12,424)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Specifically, these items are as follows:</p>	
Payments on debt principal	1,411,026
<p>Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds for:</p>	
Accrued interest	47,406
Changes in the net pension liability and related deferred outflows and inflows of resources	103,530
Compensated absences	<u>(140,121)</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ 5,294,766</u></b>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
<b>REVENUES:</b>				
Taxes:				
Real and personal property	\$ 4,825,000	\$ 5,390,000	\$ 5,394,186	\$ 4,186
Utility taxes	50,000	60,500	60,426	(74)
Interest and penalty on taxes	5,000	8,100	7,911	(189)
Payments in lieu of electric	7,000	7,000	9,127	2,127
Payments in lieu of property taxes	250,000	250,000	250,000	-
Local sales tax	5,978,500	5,940,000	6,055,510	115,510
Wholesale beer tax	525,000	540,000	656,895	116,895
Wholesale liquor tax	240,000	260,000	268,871	8,871
Business tax	481,300	488,300	611,083	122,783
Franchise tax	480,000	441,000	505,365	64,365
Room occupancy tax	-	66,000	81,600	15,600
Mixed drink taxes	150,000	170,000	199,906	29,906
Total taxes	<u>12,991,800</u>	<u>13,620,900</u>	<u>14,100,880</u>	<u>479,980</u>
Licenses and Permits:				
Beer permit applications	20,000	20,000	17,420	(2,580)
Alarm registrations	14,000	14,000	9,040	(4,960)
Building permits	900,000	1,000,000	1,082,418	82,418
Sign permits	15,000	15,500	15,409	(91)
Other permits	1,500	1,500	1,050	(450)
Total licenses and permits	<u>950,500</u>	<u>1,051,000</u>	<u>1,125,337</u>	<u>74,337</u>
Intergovernmental:				
Grants	59,600	102,200	113,908	11,708
TVA payments in lieu of taxes	429,200	400,000	412,166	12,166
Police dispatcher training	11,000	11,000	-	(11,000)
Fire department incentive pay	21,000	27,000	27,000	-
State sales tax	2,958,900	2,900,000	3,030,414	130,414
State income tax	120,000	120,000	87,680	(32,320)
State beer tax	18,200	18,200	17,638	(562)
Other state revenue allocations	22,800	127,400	129,759	2,359
Library revenue	56,200	56,200	56,165	(35)
Total intergovernmental	<u>3,696,900</u>	<u>3,762,000</u>	<u>3,874,730</u>	<u>112,730</u>
Charges for Services:				
Other charges for services	4,200	42,500	42,300	(200)
Total charges for services	<u>4,200</u>	<u>42,500</u>	<u>42,300</u>	<u>(200)</u>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
<b>Fines and Forfeitures:</b>				
Bond forfeitures	-	49,300	49,272	(28)
City court fines and costs	200,000	220,000	226,035	6,035
County court fines and costs	40,000	40,000	42,732	2,732
Police fines and costs	-	-	8	8
Public safety	1,000	21,000	3,113	(17,887)
Total fines and forfeitures	<u>241,000</u>	<u>330,300</u>	<u>321,160</u>	<u>(9,140)</u>
<b>Interest Revenue:</b>				
General	5,000	5,000	5,024	24
Total interest revenue	<u>5,000</u>	<u>5,000</u>	<u>5,024</u>	<u>24</u>
<b>Other Revenues:</b>				
Contributions	2,000	2,000	260	(1,740)
Insurance recoveries	-	29,000	43,655	14,655
Sale of surplus property	10,000	24,000	22,666	(1,334)
Miscellaneous revenues	6,500	12,600	21,864	9,264
Total other revenues	<u>18,500</u>	<u>67,600</u>	<u>88,445</u>	<u>20,845</u>
Total revenues	<u>17,907,900</u>	<u>18,879,300</u>	<u>19,557,876</u>	<u>678,576</u>
<b>EXPENDITURES:</b>				
<b>General Government:</b>				
<b>Legislative, Executive, and General:</b>				
Salaries	374,500	382,500	358,572	(23,928)
Employee benefits	174,300	257,400	278,519	21,119
Board expense	15,000	15,000	4,982	(10,018)
Insurance and bonds	52,900	57,100	20,400	(36,700)
Advertising and publications	13,000	15,500	15,410	(90)
Community development	186,300	163,500	105,339	(58,161)
Memberships and subscriptions	40,250	40,300	29,888	(10,412)
Office supplies	2,700	3,600	3,845	245
Telephone	24,000	4,700	5,301	601
Auditing services	45,000	45,000	27,500	(17,500)
Engineering services	25,000	100,000	131,664	31,664
Other professional services	96,500	116,500	128,960	12,460
Other contractual services	55,000	30,000	25,846	(4,154)
Travel	16,000	16,000	9,412	(6,588)
Donations	23,000	23,000	11,500	(11,500)
Training	-	700	625	(75)
Debt service	62,600	52,600	32,619	(19,981)
Capital outlay	35,500	27,000	23,626	(3,374)
Miscellaneous	21,300	13,100	255,990	242,890
Total legislative, executive, and general	<u>1,262,850</u>	<u>1,363,500</u>	<u>1,469,998</u>	<u>106,498</u>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
<b>Judicial:</b>				
Salaries	38,000	28,000	28,107	107
Employee benefits	2,200	2,200	2,150	(50)
Fines remitted to State	27,500	7,500	-	(7,500)
Miscellaneous	900	2,100	1,665	(435)
<b>Total judicial</b>	<b>68,600</b>	<b>39,800</b>	<b>31,922</b>	<b>(7,878)</b>
<b>Financial Administration:</b>				
Salaries	201,400	178,800	168,755	(10,045)
Employee benefits	78,500	67,300	59,016	(8,284)
Insurance and bonds	2,100	2,400	648	(1,752)
Business taxes	77,000	77,000	99,205	22,205
Advertising and publications	45,000	45,000	45,651	651
Property assessment	20,000	-	-	-
Memberships and subscriptions	6,500	8,000	7,944	(56)
Other professional services	21,000	24,000	24,000	-
Other contractual services	34,000	47,000	62,563	15,563
Telephone	800	1,700	1,876	176
Postage	25,000	25,000	23,867	(1,133)
Printing	2,000	2,000	531	(1,469)
Travel	6,500	5,900	2,301	(3,599)
Office supplies	10,000	10,300	10,339	39
Miscellaneous	2,000	2,000	750	(1,250)
<b>Total financial administration</b>	<b>531,800</b>	<b>496,400</b>	<b>507,446</b>	<b>11,046</b>
<b>Information Management System:</b>				
Salaries	121,800	121,800	121,430	(370)
Employee benefits	54,200	54,400	55,050	650
Insurance and bonds	2,200	2,200	719	(1,481)
GIS and GPS	5,000	5,000	4,224	(776)
Data processing services	80,000	80,000	58,437	(21,563)
Engineering services	2,500	1,000	716	(284)
Other professional services	-	100	52	(48)
Other contractual services	150,000	178,000	162,943	(15,057)
Telephone	76,500	54,500	25,826	(28,674)
Travel	2,700	2,700	1,227	(1,473)
Computer supplies	20,000	15,000	11,700	(3,300)
Office supplies	3,000	3,100	2,274	(826)
Miscellaneous	8,900	8,900	5,714	(3,186)
<b>Total information management system</b>	<b>526,800</b>	<b>526,700</b>	<b>450,312</b>	<b>(76,388)</b>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
General Government Building - City Hall Building:				
Salaries	58,900	61,200	60,295	(905)
Employee benefits	18,755	18,900	16,907	(1,993)
Insurance and bonds	2,800	2,800	911	(1,889)
Stormwater fees	1,100	1,100	1,059	(41)
Other contractual services	3,000	5,000	9,217	4,217
Electric and gas	28,000	28,000	28,008	8
Repairs and maintenance	37,300	22,300	16,752	(5,548)
Telephone	30,000	75,000	84,623	9,623
Operating supplies	9,000	9,000	6,263	(2,737)
Debt service	784,000	100	52	(48)
Miscellaneous	1,000	1,000	529	(471)
Total general government building	<u>973,855</u>	<u>224,400</u>	<u>224,616</u>	<u>216</u>
Total general government	<u>3,363,905</u>	<u>2,650,800</u>	<u>2,684,294</u>	<u>33,494</u>
Public Safety:				
Police Department:				
Salaries	2,448,100	2,235,300	2,597,379	362,079
Employee benefits	1,393,700	1,299,900	1,219,305	(80,595)
Insurance and bonds	137,300	173,000	65,421	(107,579)
Stormwater fees	1,000	1,000	669	(331)
Postage	700	700	550	(150)
Printing	6,000	5,000	2,760	(2,240)
Utilities	18,500	18,500	17,296	(1,204)
Telephone	55,000	60,500	57,263	(3,237)
Travel	28,500	30,500	19,926	(10,574)
Office supplies	15,000	15,000	14,263	(737)
Operating supplies	191,000	194,200	180,087	(14,113)
Gas, oil, and vehicle supplies	137,000	107,000	93,015	(13,985)
Lease and related expenses	60,200	60,600	60,516	(84)
Advertising and publications	11,500	11,500	6,378	(5,122)
Memberships and subscriptions	4,500	4,500	3,890	(610)
Repairs and maintenance	96,500	96,500	80,151	(16,349)
Training	15,000	26,400	20,625	(5,775)
Other professional services	6,500	10,500	8,621	(1,879)
Other contractual services	62,700	62,700	43,284	(19,416)
Debt service	98,400	98,400	49,670	(48,730)
Interest	20,100	14,200	3,112	(11,088)
Capital outlay	482,100	862,300	581,281	(281,019)
Miscellaneous	26,400	46,600	37,264	(9,336)
Total police department	<u>5,315,700</u>	<u>5,434,800</u>	<u>5,162,726</u>	<u>(272,074)</u>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
Fire:				
Salaries	2,500,400	2,691,100	2,639,129	(51,971)
Employee benefits	1,250,500	1,267,500	1,215,720	(51,780)
Fire protection and control	8,400	-	-	-
Insurance and bonds	97,700	110,000	36,648	(73,352)
Operating supplies	307,500	259,000	262,099	3,099
Memberships and subscriptions	5,000	5,000	3,578	(1,422)
Engineering services	10,000	5,000	313	(4,687)
Repairs and maintenance	120,000	206,000	200,091	(5,909)
Postage	100	100	214	114
Utilities	43,000	36,000	25,737	(10,263)
Telephone	39,000	44,000	51,809	7,809
Travel	59,700	67,000	50,620	(16,380)
Office supplies	3,000	3,000	-	(3,000)
Other contractual services	37,600	37,600	17,328	(20,272)
Stormwater fees	800	800	633	(167)
Debt service	374,300	378,200	327,809	(50,391)
Interest	11,600	11,100	8,310	(2,790)
Capital outlay	35,000	40,000	48,541	8,541
Miscellaneous	16,000	34,500	34,098	(402)
Total fire	<u>4,919,600</u>	<u>5,195,900</u>	<u>4,922,677</u>	<u>(273,223)</u>
Building Inspection:				
Salaries	461,100	465,900	443,981	(21,919)
Employee benefits	167,600	166,500	161,215	(5,285)
Insurance and bonds	21,200	23,500	5,195	(18,305)
Memberships and subscriptions	9,000	5,500	1,746	(3,754)
Telephone	2,800	4,600	4,236	(364)
Repairs and maintenance	3,000	2,000	1,670	(330)
Travel	32,800	29,800	26,345	(3,455)
Operating supplies	16,000	16,000	7,858	(8,142)
Training	11,600	7,600	3,155	(4,445)
Other contractual services	263,600	162,100	121,676	(40,424)
Capital outlay	6,000	-	-	-
Miscellaneous	39,300	34,200	34,198	(2)
Total building inspection	<u>1,034,000</u>	<u>917,700</u>	<u>811,275</u>	<u>(106,425)</u>
Total public safety	<u>11,269,300</u>	<u>11,548,400</u>	<u>10,896,678</u>	<u>(651,722)</u>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Public Works:				
Streets and Highways:				
Salaries	1,292,400	1,159,800	1,116,461	(43,339)
Employee benefits	598,600	542,600	443,097	(99,503)
Insurance and bonds	60,300	65,900	21,770	(44,130)
Memberships and subscriptions	4,700	5,400	4,939	(461)
Repairs and maintenance	716,800	997,000	852,936	(144,064)
Utilities	16,500	19,500	21,983	2,483
Telephone	38,200	40,200	36,844	(3,356)
Travel	13,700	9,200	4,618	(4,582)
Office supplies	11,000	8,000	5,180	(2,820)
Operating supplies	123,500	140,500	129,848	(10,652)
Printing	1,000	1,000	462	(538)
Postage	70,000	90,000	94,938	4,938
Other contractual services	63,400	63,400	39,348	(24,052)
Debt service	57,600	57,600	30,523	(27,077)
Interest	4,500	4,500	490	(4,010)
Capital outlay	7,198,000	3,549,000	3,342,942	(206,058)
Miscellaneous	13,600	12,600	11,825	(775)
Total streets and highways	<u>10,283,800</u>	<u>6,766,200</u>	<u>6,158,204</u>	<u>(607,996)</u>
Total public works	<u>10,283,800</u>	<u>6,766,200</u>	<u>6,158,204</u>	<u>(607,996)</u>
Culture and Recreation:				
Parks and Recreation:				
Salaries	279,166	246,100	236,821	(9,279)
Employee benefits	77,900	92,600	82,384	(10,216)
Memberships and subscriptions	500	500	-	(500)
Utilities	33,500	36,500	38,449	1,949
Telephone	11,700	13,000	14,078	1,078
Stormwater fees	3,600	3,600	5,789	2,189
Engineering services	10,000	7,000	2,800	(4,200)
Repairs and maintenance	23,500	27,000	22,312	(4,688)
Travel	3,000	3,000	-	(3,000)
Operating supplies	41,800	41,800	42,939	1,139
Gas, oil, and vehicle supplies	10,000	10,000	4,156	(5,844)
Insurance and bonds	11,800	13,500	4,492	(9,008)
Other contractual services	3,800	11,000	10,727	(273)
Capital outlay	8,000	8,000	-	(8,000)
Miscellaneous	16,000	5,000	604	(4,396)
Total parks and recreation	<u>534,266</u>	<u>518,600</u>	<u>465,551</u>	<u>(53,049)</u>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Library:				
Salaries	441,200	431,900	409,146	(22,754)
Employee benefits	206,000	148,100	131,719	(16,381)
Educational supplies	86,800	86,800	100,800	14,000
Memberships and subscriptions	4,000	4,000	4,428	428
Postage	1,000	1,000	1,112	112
Utilities	29,500	29,500	28,611	(889)
Telephone	13,000	13,000	18,572	5,572
Travel	3,000	3,000	1,424	(1,576)
Stormwater fees	1,100	1,100	1,005	(95)
Repairs and maintenance	8,500	8,500	11,875	3,375
Office supplies	1,400	1,400	11,247	9,847
Operating supplies	15,800	15,800	31,058	15,258
Insurance and bonds	4,600	4,600	1,435	(3,165)
Other contractual services	20,000	20,000	22,809	2,809
Capital outlay	24,800	24,800	29,754	4,954
Miscellaneous	1,000	1,000	1,057	57
Total library	<u>861,700</u>	<u>794,500</u>	<u>806,052</u>	<u>11,552</u>
Total culture and recreation	<u>1,395,966</u>	<u>1,313,100</u>	<u>1,271,603</u>	<u>(41,497)</u>
Total expenditures	<u>26,312,971</u>	<u>22,278,500</u>	<u>21,010,779</u>	<u>(1,267,721)</u>
Other financing sources (uses)				
Capital improvements	8,319,500	3,500,000	-	(3,500,000)
Transfers in	162,000	162,000	162,000	-
Total other financing sources	<u>8,481,500</u>	<u>3,662,000</u>	<u>162,000</u>	<u>(3,500,000)</u>
Net change in fund balance	76,429	262,800	(1,290,903)	(1,553,703)
Fund balance - beginning, as restated	<u>9,059,852</u>	<u>9,059,852</u>	<u>9,059,852</u>	<u>-</u>
Fund balance - ending	<u>\$ 9,136,281</u>	<u>\$ 9,322,652</u>	<u>\$ 7,768,949</u>	<u>\$ (1,553,703)</u>
Local sales tax	5,978,500	5,940,000	6,055,510	115,510

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Adequate Facilities/Development Fund**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>REVENUES:</b>				
Intergovernmental:				
Capital improvements	\$ 250,000	\$ 425,000	\$ 508,042	\$ 83,042
Total intergovernmental	<u>250,000</u>	<u>425,000</u>	<u>508,042</u>	<u>83,042</u>
Impact fees:				
Roads	300,000	365,000	376,025	11,025
Other	750,000	975,000	1,012,011	37,011
Total impact fees	<u>1,050,000</u>	<u>1,340,000</u>	<u>1,388,036</u>	<u>48,036</u>
Interest	1,000	2,300	2,443	143
Miscellaneous revenues	<u>-</u>	<u>7,500</u>	<u>(7,500)</u>	<u>(15,000)</u>
Total revenues	<u>1,301,000</u>	<u>1,774,800</u>	<u>1,891,021</u>	<u>116,221</u>
<b>EXPENDITURES:</b>				
Culture and Recreation:				
Parks and Recreation:				
Debt service	519,700	524,700	462,660	(62,040)
Interest	49,700	49,700	-	(49,700)
Capital outlay	583,000	230,000	276,299	46,299
Total culture and recreation	<u>1,152,400</u>	<u>804,400</u>	<u>738,959</u>	<u>(65,441)</u>
Public Safety:				
Repairs and maintenance	-	140,100	140,078	(22)
Interest	299,800	299,800	283,344	(16,456)
Total expenditures	<u>1,452,200</u>	<u>1,244,300</u>	<u>1,162,381</u>	<u>(81,919)</u>
Net change in fund balance	(151,200)	530,500	728,640	198,140
Fund balance - beginning	<u>2,593,893</u>	<u>2,593,893</u>	<u>2,593,893</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,442,693</u>	<u>\$3,124,393</u>	<u>\$ 3,322,533</u>	<u>\$ 198,140</u>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Sanitation Fund**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>REVENUES:</b>				
Charges for services	\$ 1,740,000	\$1,740,000	\$ 1,964,536	\$ 224,536
Fines and forfeitures	26,000	26,000	33,630	7,630
Recycling fees	490,000	490,000	530,044	40,044
Interest	400	400	302	(98)
Total revenues	<u>2,256,400</u>	<u>2,256,400</u>	<u>2,528,512</u>	<u>272,112</u>
<b>EXPENDITURES:</b>				
Sanitation:				
Refuse collection and disposal service	2,230,000	2,230,000	2,597,987	367,987
Bad debt expense	-	-	91,816	91,816
Total expenditures	<u>2,230,000</u>	<u>2,230,000</u>	<u>2,689,803</u>	<u>459,803</u>
Net change in fund balance	26,400	26,400	(161,291)	(187,691)
Fund balance - beginning	<u>425,440</u>	<u>425,440</u>	<u>425,440</u>	<u>-</u>
Fund balance - ending	<u>\$ 451,840</u>	<u>\$ 451,840</u>	<u>\$ 264,149</u>	<u>\$ (187,691)</u>

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

**City of Spring Hill, Tennessee**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	<u>Water and Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Sewer Expansion Fund</u>	<u>Total</u>
<b>Assets:</b>				
Current assets:				
Cash	\$ 12,084,103	\$ 376,270	\$ 730,400	\$ 13,190,773
Accounts receivable, net of allowances	845,512	73,813	-	919,325
Due from other funds	2,428,368	30,166	-	2,458,534
Inventory of supplies, at cost	139,156	-	-	139,156
Prepaid expenses and other assets	118,891	5,492	-	124,383
Total current assets	<u>15,616,030</u>	<u>485,741</u>	<u>730,400</u>	<u>16,832,171</u>
Restricted assets:				
Cash	<u>2,524,737</u>	-	-	<u>2,524,737</u>
Total restricted assets	<u>2,524,737</u>	-	-	<u>2,524,737</u>
Utility, plant and equipment:				
Utility plant, at cost	64,614,916	-	15,879,431	80,494,347
Equipment, at cost	3,109,327	1,402,028	-	4,511,355
Less accumulated depreciation	<u>(17,114,571)</u>	<u>(324,378)</u>	<u>(1,252,641)</u>	<u>(18,691,590)</u>
Utility, plant and equipment, net	<u>50,609,672</u>	<u>1,077,650</u>	<u>14,626,790</u>	<u>66,314,112</u>
Construction in progress	<u>606,164</u>	<u>7,500</u>	-	<u>613,664</u>
Total assets	<u>69,356,603</u>	<u>1,570,891</u>	<u>15,357,190</u>	<u>86,284,684</u>
<b>Deferred Outflows of Resources:</b>				
Pensions	<u>354,856</u>	<u>37,089</u>	-	<u>391,945</u>
<b>Liabilities:</b>				
Current Liabilities:				
Accounts payable and accrued expenses	760,318	33,830	-	794,148
Current portion of long term-debt	691,532	60,350	613,956	1,365,838
Due to other funds	-	-	2,574,042	2,574,042
Due to other governments	37,188	-	-	37,188
Total current liabilities	<u>1,489,038</u>	<u>94,180</u>	<u>3,187,998</u>	<u>4,771,216</u>
Noncurrent Liabilities:				
Net pension liability	295,925	30,930	-	326,855
Long-term debt, net of current portion	4,326,365	234,300	11,295,806	15,856,471
Total noncurrent liabilities	<u>4,622,290</u>	<u>265,230</u>	<u>11,295,806</u>	<u>16,183,326</u>
Total liabilities	<u>6,111,328</u>	<u>359,410</u>	<u>14,483,804</u>	<u>20,954,542</u>
<b>Deferred Inflows of Resources:</b>				
Pensions	<u>3,517</u>	<u>368</u>	-	<u>3,885</u>
<b>Net Position:</b>				
Net investment in capital assets	46,197,939	790,500	2,717,028	49,705,467
Restricted	2,524,737	-	-	2,524,737
Unrestricted	<u>14,873,938</u>	<u>457,702</u>	<u>(1,843,642)</u>	<u>13,487,998</u>
Total net position	<u>\$ 63,596,614</u>	<u>\$ 1,248,202</u>	<u>\$ 873,386</u>	<u>\$ 65,718,202</u>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenses, and Changes**  
**in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	<u>Water and Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Sewer Expansion Fund</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Water sales	\$ 4,315,580	\$ -	\$ -	\$ 4,315,580
Sewer	4,408,249	-	-	4,408,249
Stormwater fees	-	867,140	-	867,140
Penalties and service charges	122,859	-	-	122,859
Insurance recoveries	31,331	804	500,000	532,135
Rent	95,082	-	-	95,082
Sale of materials	140,873	-	-	140,873
Miscellaneous	15,591	641	-	16,232
Total operating revenues	<u>9,129,565</u>	<u>868,585</u>	<u>500,000</u>	<u>10,498,150</u>
<b>Operating Expenses:</b>				
Salaries	2,051,196	270,829	-	2,322,025
Employee benefits	958,046	116,722	-	1,074,768
Postage	72,451	-	-	72,451
Dues and subscriptions	83,033	1,960	-	84,993
Utility services	832,209	-	-	832,209
Professional fees	495,470	112,091	-	607,561
Repairs and maintenance	4,774,150	44,391	-	4,818,541
Telephone	12,992	3,071	-	16,063
Travel	1,646	1,579	-	3,225
Other contractual services	359,037	53,989	-	413,026
Office supplies and materials	7,075	813	-	7,888
Operating supplies	1,109,687	5,416	-	1,115,103
Uniforms	14,553	2,935	-	17,488
Automobile expenses	50,759	8,320	-	59,079
Insurance	125,251	3,746	-	128,997
State fees	26,833	-	-	26,833
Miscellaneous expense	209,038	39,154	-	248,192
Depreciation	1,519,755	72,214	317,589	1,909,558
Total operating expenses	<u>12,703,181</u>	<u>737,230</u>	<u>317,589</u>	<u>13,758,000</u>
Operating (loss) income	<u>(3,573,616)</u>	<u>131,355</u>	<u>182,411</u>	<u>(3,259,850)</u>
<b>Non-operating Income (Expense):</b>				
Interest income	26,445	234	-	26,679
Interest expense	(180,755)	(6,669)	(373,973)	(561,397)
Gain on sale of property	895	-	-	895
Total non-operating expense	<u>(153,415)</u>	<u>(6,435)</u>	<u>(373,973)</u>	<u>(533,823)</u>
<b>Capital Contributions:</b>				
Tap and development fees	3,381,320	-	-	3,381,320
Contributed infrastructure	5,602,364	-	-	5,602,364
Total capital contributions	<u>8,983,684</u>	<u>-</u>	<u>-</u>	<u>8,983,684</u>
<b>Transfers in (out)</b>	<u>(70,364)</u>	<u>(91,636)</u>	<u>-</u>	<u>(162,000)</u>
Change in net position	5,186,289	33,284	(191,562)	5,028,011
<b>Net position, beginning of year, as restated</b>	<u>58,410,325</u>	<u>1,214,918</u>	<u>1,064,948</u>	<u>60,690,191</u>
<b>Net position, end of year</b>	<u>\$ 63,596,614</u>	<u>\$ 1,248,202</u>	<u>\$ 873,386</u>	<u>\$ 65,718,202</u>

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

**City of Spring Hill, Tennessee**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	<u>Water and Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Sewer Expansion Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers	\$ 8,939,871	\$ 898,918	\$ -	\$ 9,838,789
Payments to or on behalf of employees	(3,039,167)	(390,678)	-	(3,429,845)
Other operating receipts	405,736	1,445	500,000	907,181
Other operating expenses	(7,918,940)	(307,732)	-	(8,226,672)
Net cash (used in) provided by operating activities	<u>(1,612,500)</u>	<u>201,953</u>	<u>500,000</u>	<u>(910,547)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers to other funds	(70,364)	(91,636)	-	(162,000)
Net receipts (payments) on interfund borrowings	612,563	(25,601)	(489,404)	97,558
Net cash provided by (used in) noncapital financing activities	<u>542,199</u>	<u>(117,237)</u>	<u>(489,404)</u>	<u>(64,442)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Principal payments on long-term debt	(694,054)	(60,350)	(649,038)	(1,403,442)
Interest paid on debt	(180,755)	(6,669)	(373,973)	(561,397)
Proceeds from sale of capital assets	895	-	-	895
Tap and development fees	3,381,320	-	-	3,381,320
Cash payments for the purchase of plant assets	(2,234,842)	(1,088,238)	-	(3,323,080)
Net cash provided by (used in) capital and related financing activities	<u>272,564</u>	<u>(1,155,257)</u>	<u>(1,023,011)</u>	<u>(1,905,704)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest income from cash deposits	26,445	234	-	26,679
Net cash provided by investing activities	<u>26,445</u>	<u>234</u>	<u>-</u>	<u>26,679</u>
Net decrease in cash	(771,292)	(1,070,307)	(1,012,415)	(2,854,014)
<b>Cash, Beginning of Year</b>	<u>15,380,132</u>	<u>1,446,577</u>	<u>1,742,815</u>	<u>18,569,524</u>
<b>Cash, End of Year</b>	<u>\$ 14,608,840</u>	<u>\$ 376,270</u>	<u>\$ 730,400</u>	<u>\$ 15,715,510</u>
<b>Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:</b>				
Operating (loss) income	\$ (3,573,616)	\$ 131,355	\$ 182,411	\$ (3,259,850)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:				
Depreciation	1,519,755	72,214	317,589	1,909,558
Net pension liability and related accounts	(29,925)	(3,127)	-	(33,052)
Changes in assets and liabilities:				
Decrease in receivables	216,392	31,778	-	248,170
Decrease in inventories	170,416	-	-	170,416
Increase in prepaids	(35,564)	(5,492)	-	(41,056)
Increase (decrease) in accounts payable and accrued expenses	140,863	(24,775)	-	116,088
Decrease in due to others	(20,821)	-	-	(20,821)
Total adjustments	<u>1,961,116</u>	<u>70,598</u>	<u>317,589</u>	<u>2,349,303</u>
Net cash (used in) provided by operating activities	<u>\$ (1,612,500)</u>	<u>\$ 201,953</u>	<u>\$ 500,000</u>	<u>\$ (910,547)</u>

**Supplemental Disclosure of Non-Cash Items:**

During fiscal year 2017, the contributions of water and sewer infrastructure totaled \$5,602,364.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The accompanying financial statements present the government and component units, if any. Component units are entities for which the government is considered financially accountable. Component units, although legally separate entities, are required to be presented in the government’s financial statements using either a “blended” or “discrete” presentation. Based on the City’s analysis as of June 30, 2017, the City had no component units that were required to be included in these financial statements.

Basic Financial Statements

Basic financial statements consist of the following:

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

Basis of Presentation

*Government-wide Financial Statements*

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

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

*Fund Financial Statements*

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

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary - enterprise funds:

- The Water and Sewer Fund accounts for the activities of providing water and sewer service to the citizens of the City.
- The Sewer Expansion Fund accounts for waste water treatment plant expansion to the citizens of the City. It is anticipated that this fund will be closed into the Water and Sewer Fund in fiscal year 2018.
- The Storm Water Fund accounts for storm water fees to the citizens of the City.

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

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

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

The City reports no proprietary - internal service funds at June 30, 2017.

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

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Information

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

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

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

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

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

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

Encumbrances

The City does not record encumbrances within the accounting records. However, outstanding purchase orders totaled approximately \$275,000 as of June 30, 2017.

Cash and Cash Equivalents

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

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables

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

Inventory

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

Prepaid Items

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

Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2017.

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

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

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Grants

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

Statement of Cash Flows

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

Compensated Absences

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

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

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

Deferred Outflows/Inflows of Resources

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

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

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

Property Tax

The City levies property taxes annually based upon assessed valuations provided by both the Williamson County and Maury County Tax Assessors. The various types of property are assessed at a percentage of estimated actual value on January 1 of each year. Taxes on real estate are considered to be a lien on such realty as of January 1 of the year the assessment is made. Taxes levied by the City against real property are payable October 1 through February 28, and are delinquent on March 1. Total property tax, including delinquent taxes from prior years, collected during the fiscal year was \$4,833,762 and included \$4,795,138 collected from current year levy, which was approximately 99.09%.

The property tax levy is without legal limit. The rate, as permitted by the Tennessee state law and City charter, is set annually by the Board of Mayor and Alderman and collected by the Finance Department. The property tax rate for the year ended June 30, 2017 (2016 levy), was \$0.5927 and \$0.5381 per \$100 of assessed value for Maury County and Williamson County, respectively.

Long-term Obligations

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

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balances

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

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

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

Postemployment Benefits

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

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

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

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

Other Significant Accounting Policies

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

Restatement

During the year ended June 30, 2017, the City reconciled its due to/due from accounts in response to finding 2016-004. During the reconciliation process, the City determined that adjustments to the June 30, 2016 balances were necessary. During 2017, the City's lender under an equipment financing arrangement applied an escrow account totaling \$427,362 to an outstanding capital lease obligation. The escrow account was previously unrecorded by the City. The impact on the financial statements is a restatement of beginning net position as follows:

	Statement of Activities Governmental Activities	Statement of Activities Business-Type Activities
Net position, June 30, 2016, as previously reported	\$ 17,231,198	\$ 60,815,543
Adjustment in response to finding 2016-004	(47,450)	(125,352)
Adjustment for escrow account	427,362	-
Net position, June 30, 2016, as restated	\$ 17,611,110	\$ 60,690,191

B. CASH AND CASH EQUIVALENTS

At June 30, 2017, the cash deposits consisted of the following:

	Weighted Average Maturity	Fair Value or Carrying Amount
Unrestricted		\$ 24,511,003
Restricted for:		
Capital projects, including unspent debt proceeds		3,193,321
Special revenue funds		146,778
Total cash deposits	N/A	\$ 27,851,102

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

B. CASH AND CASH EQUIVALENTS - Continued

Interest Rate Risk

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

Custodial Credit Risk

The City's policies limit deposits and investments to those instruments allowed by applicable state laws as described below. Statutes authorize the City to invest in: (1) U.S. Government securities and obligations guaranteed by the U.S. Government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; and (3) the Local Government Investment Pool of the State of Tennessee. During the current fiscal year, the City invested funds that were not immediately needed in savings accounts and certificate of deposits. Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral securities required to be pledged by the participating banks to protect their public funds are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure. As of June 30, 2017, all bank deposits were fully collateralized or insured.

Credit Risk

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

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

C. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017, consist of the following:

Fund	Other Governments	Property Taxes	Customer and Other Accounts	Total
General Fund	\$ 955,621	\$ 5,907,038	\$ 164,020	\$ 7,026,679
Adequate Facilities/ Development Fund	68,159	-	-	68,159
Sanitation Fund	-	-	330,463	330,463
State Street Aid Fund	261,284	-	-	261,284
Drug Fund	1,466	-	-	1,466
Water and Sewer Fund	-	-	1,371,018	1,371,018
Storm Water Fund	-	-	112,967	112,967
Less: Allowance for Doubtful Accounts	-	(191,921)	(656,476)	(848,397)
Total	<u>\$ 1,286,530</u>	<u>\$ 5,715,117</u>	<u>\$ 1,321,992</u>	<u>\$ 8,323,639</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the deferred inflows of resources reported in the governmental funds related to property taxes totaled \$5,654,808.

D. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2017 are attributable to unsettled balances at year end primarily for internal billings and transfers between funds.

Balances at June 30, 2017 are as follows:

DUE FROM	DUE TO			
	General Fund	Sanitation Fund	Water and Sewer Fund	Storm Water Fund
Water and Sewer Fund	\$ 113,908	\$ 1,600	\$ -	\$ 30,166
Sewer Expansion Fund	-	-	2,574,042	-
Total	<u>\$ 113,908</u>	<u>\$ 1,600</u>	<u>\$ 2,574,042</u>	<u>\$ 30,166</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

D. INTERFUND TRANSACTIONS - Continued

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

Interfund transfers are attributable to the budgeted allocation of resources from one fund to another. Transfers for the year ended June 30, 2017 included \$162,000 from the Water and Sewer Fund to the General Fund and \$91,636 from the Storm Water fund to the Water and Sewer fund. The purpose of the transfer from the Water and Sewer Fund to the General Fund was to make payments in lieu of property taxes on the water and sewer plant. The purpose of the transfer from the Storm Water Fund to the Water and Sewer Fund was to repay for joint expenses paid out of the Water and Sewer Fund.

E. RESTRICTED ASSETS

Restricted assets consist primarily of cash on deposit in savings accounts and include funds for construction projects and other purposes. Restricted assets as of June 30, 2017, are as follows:

General Fund:		
Unspent debt proceeds	\$	271,085
Escrow agreement		397,499
Special Revenue Funds:		
Drug enforcement and education		92,644
Roads and streets		54,134
Water and Sewer Fund:		
Capital projects - development fees		<u>2,524,737</u>
	\$	<u>3,340,099</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

F. CAPITAL ASSETS

A summary of changes in governmental activities capital assets for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
<i>Capital assets, not being depreciated -</i>				
Land	\$ 449,829	\$ 1,668,200	\$ -	\$ 2,118,029
Construction in progress	24,439	-	-	24,439
Subtotal	<u>474,268</u>	<u>1,668,200</u>	<u>-</u>	<u>2,142,468</u>
<i>Capital assets, being depreciated -</i>				
Building and improvements	7,803,493	481,870	-	8,285,363
Equipment	12,476,202	745,809	44,700	13,177,311
Infrastructure	13,169,624	3,536,160	-	16,705,784
Subtotal	<u>33,449,319</u>	<u>4,763,839</u>	<u>44,700</u>	<u>38,168,458</u>
<i>Accumulated depreciation -</i>				
Building and improvements	2,583,046	208,161	-	2,791,207
Equipment	9,545,251	1,069,470	44,700	10,570,021
Infrastructure	2,352,314	558,350	-	2,910,664
Subtotal	<u>14,480,611</u>	<u>1,835,981</u>	<u>44,700</u>	<u>16,271,892</u>
Capital assets, being depreciated, net	<u>18,968,708</u>	<u>2,927,858</u>	<u>-</u>	<u>21,896,566</u>
Capital assets, net	<u>\$ 19,442,976</u>	<u>\$ 4,596,058</u>	<u>\$ -</u>	<u>\$ 24,039,034</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

F. CAPITAL ASSETS - Continued

A summary of changes in business-type activities capital assets for the year ended June 30, 2017 is presented below:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Utility, plant and equipment				
<i>Capital assets, not being depreciated -</i>				
Land	\$ 685,955	\$ -	\$ -	\$ 685,955
Easements	211,755	88,088	-	299,843
Construction in progress	3,238,010	1,369,258	3,993,604	613,664
Subtotal	<u>4,135,720</u>	<u>1,457,346</u>	<u>3,993,604</u>	<u>1,599,462</u>
<i>Capital assets, being depreciated -</i>				
Utility system in operation	69,893,876	9,614,673	-	79,508,549
Equipment	2,664,327	1,847,028	-	4,511,355
Subtotal	<u>72,558,203</u>	<u>11,461,701</u>	<u>-</u>	<u>84,019,904</u>
<i>Accumulated depreciation -</i>				
Utility system in operation	14,693,245	1,640,127	-	16,333,372
Equipment	2,088,787	269,431	-	2,358,218
Subtotal	<u>16,782,032</u>	<u>1,909,558</u>	<u>-</u>	<u>18,691,590</u>
Utility, plant and equipment, being depreciated, net	<u>55,776,171</u>	<u>9,552,143</u>	<u>-</u>	<u>65,328,314</u>
Total utility, plant and equipment, net	<u>\$ 59,911,891</u>	<u>\$ 11,009,489</u>	<u>\$ 3,993,604</u>	<u>\$ 66,927,776</u>

Depreciation expense was charged to function/programs for the year ended June 30, 2017 as follows:

<i>Governmental Activities:</i>	
General government and administration	\$ 119,576
Public safety	913,525
Public works	365,060
Culture and recreation	437,820
Total	<u>\$ 1,835,981</u>
<i>Business-Type Activities:</i>	
Water and sewer	\$ 1,519,755
Storm water	72,214
Sewer expansion	317,589
Total	<u>\$ 1,909,558</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

G. LONG-TERM LIABILITIES

During the year ended June 30, 2017, the changes in long-term liabilities were as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within one year
Governmental Activities					
Capital outlay note payable	\$ 1,645,000	\$ -	\$ 279,650	\$ 1,365,350	\$ 279,650
Public improvement bond	8,330,000	-	335,000	7,995,000	345,000
Notes payable	4,698,915	-	1,223,739	3,475,176	417,841
<b>Total Governmental Activities</b>					
Long-term Liabilities	<u>\$14,673,915</u>	<u>-</u>	<u>\$1,838,389</u>	<u>\$12,835,526</u>	<u>\$1,042,491</u>
Business-type Activities					
Public improvement bond	\$ 3,535,000	-	\$ 249,000	\$ 3,286,000	\$ 261,000
State of Tennessee loan program	1,176,951	-	275,054	901,897	260,532
Capital outlay note payable	1,355,000	-	230,350	1,124,650	230,350
Clean Water State Revolving Fund	12,558,800	-	649,038	11,909,762	613,956
<b>Total Business-type Activities</b>					
Long-term Liabilities	<u>\$18,625,751</u>	<u>\$ -</u>	<u>\$1,403,442</u>	<u>\$17,222,309</u>	<u>\$1,365,838</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

G. LONG-TERM LIABILITIES - Continued

Amounts payable at June 30, 2017 consist of the following:

Governmental Activities:

Capital outlay note payable:

The City issued a Capital Outlay Note in the amount of \$3,000,000, of which \$1,645,000 is to be used for general fund transportation. The note bears a fixed interest rate of 1.76%. The note requires annual payments of principal and interest through April 2025. \$ 1,365,350

Notes payable:

The City obtained a loan from SunTrust Equipment Financing for the purchase of police vehicles, rescue truck and dump truck. The note is payable in semi-annual installments of \$109,544 through September 2018, at a rate of 1.68%. 1,329

The City entered into an interlocal agreement with Williamson County for one half the cost of the Community Recreation Center located in Williamson County in the amount of \$5,385,000. The related notes bear interest between 2.50% and 5.00% and mature in 2027. The City does not have an asset recorded related to this agreement as the property is owned and maintained by Williamson County. 3,341,000

The City obtained a loan from SunTrust Bank for the purchase of a Tyler Technologies ERP System and Police Dispatch equipment. The note is payable in semi-annual installments of \$52,128 through February 2019, at a rate of 1.53%. 132,847

Public improvement bonds:

The City issued Public Improvement Bonds in the amount of \$8,650,000. The bonds bear interest fixed at rates of 2.50% to 3.30% and require annual payments of principal and interest through September 2034. 7,995,000

Total governmental activities debt \$12,835,526

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

G. LONG-TERM LIABILITIES - Continued

Business-type Activities:

Public improvement bonds:

The City obtained a loan from the Tennessee Municipal Bond Fund for the construction of a water treatment plant in the amount of \$6,000,000. The note bears a variable interest rate. The interest rate at June 30, 2017 was 0.94%. The bond requires monthly payments of interest and an annual payment of principal each year through 2027. \$ 3,286,000

State of Tennessee loan program:

The City obtained a loan through the State of Tennessee loan program for the construction of a sewer plant in the amount of \$4,406,838. The note bears an interest rate of 2.58% and matures in 2021, with monthly payments of \$23,481 including interest. 901,897

Clean Water State Revolving Fund:

The City obtained a loan from the State of Tennessee for the construction of waste water treatment plant in the amount of \$10,000,000, of which \$2,000,000 was forgiven. The note bears an interest rate of 2.62% and matures in 2032, with monthly payments of \$42,861 including interest. 6,284,218

The City obtained a loan from the State of Tennessee for the construction of waste water treatment plant in the amount of \$7,200,000. The note bears an interest rate of 2.62% and matures in 2034, with monthly payments of \$33,936 including interest. 5,625,544

Capital outlay notes payable:

The City issued a Capital Outlay Note in the amount of \$3,000,000, of which \$1,000,000 is to be used for the construction of Hardins Landing Tank. The note bears a fixed interest rate of 1.76%. The note requires annual payments of principal and interest through April 2025. 830,000

The City issued a Capital Outlay Note in the amount of \$3,000,000, of which \$355,000 is to be used for stormwater projects. The note bears a fixed interest rate of 1.76%. The note requires annual payments of principal and interest through April 2025. 294,650

Total business-type activities debt \$ 17,222,309

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

G. LONG-TERM LIABILITIES - Continued

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

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

Debt Service Requirements

The annual debt service requirements to maturity for all long-term obligations outstanding as of June 30, 2017, are as follows:

Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,042,491	\$ 419,548	\$ 1,365,838	\$ 478,055	\$ 2,408,329	\$ 897,603
2019	998,727	390,558	1,404,173	440,465	2,402,900	831,023
2020	992,875	361,210	1,446,389	401,658	2,439,264	762,868
2021	823,700	331,959	1,147,113	364,861	1,970,813	696,820
2022	851,442	303,497	1,083,279	331,590	1,934,721	635,087
2023-2027	4,071,291	1,028,997	5,792,239	1,153,463	9,863,530	2,182,460
2028-2032	2,415,000	495,275	4,115,758	402,495	6,530,758	897,770
2033-2035	1,640,000	109,395	867,520	27,494	2,507,520	136,889
Totals	<u>\$ 12,835,526</u>	<u>\$ 3,440,439</u>	<u>\$ 17,222,309</u>	<u>\$ 3,600,081</u>	<u>\$ 30,057,835</u>	<u>\$ 7,040,520</u>

H. RETIREMENT SYSTEM AND PENSION PLAN

General Information about the Pension Plan:

Plan Description

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

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

Benefits Provided

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

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

Employees Covered by Benefit Terms

At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	171
Active employees	<u>210</u>
	<u>404</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ending June 30, 2016, the actuarially determined contribution ("ADC") for the City was \$479,007 based on a rate of 5.46% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

Net Pension Liability:

The City's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. 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, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established 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 inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		<u>100%</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 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 (Asset):

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	(a)	(b)	(a) - (b)
Balance at June 30, 2015 (measurement date)	\$ 10,418,619	\$ 9,893,595	\$ 525,024
Changes for the year:			
Service cost	649,533	-	649,533
Interest	819,689	-	819,689
Differences between expected and actual experience	529,298	-	529,928
Contributions-employer	-	479,007	( 479,007)
Contributions-employees	-	438,652	( 438,652)
Net investment income	-	270,749	( 270,749)
Benefit payments, including refunds of employee contributions	( 277,934)	( 277,934)	-
Administrative expense	-	( 15,505)	15,505
Net changes	<u>1,720,586</u>	<u>894,969</u>	<u>825,617</u>
Balance at June 30, 2016 (measurement date)	<u>\$ 12,139,205</u>	<u>\$ 10,788,564</u>	<u>\$ 1,350,641</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

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

The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.5 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's net pension liability (asset)	\$3,565,482	\$1,350,641	\$(407,608)

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

Pension Expense

For the year ended June 30, 2017, the City recognized pension expense of \$410,325.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 704,556	\$16,052
Net difference between projected and actual earnings on pension plan investments	368,132	-
Contributions subsequent to the measurement date of June 30, 2016	546,921	-
Total	\$1,619,609	\$16,052

The amount shown above for “contributions subsequent to the measurement date of June 30, 2016,” will be recognized as a reduction of the pension liability in the following measurement period.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

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

Year Ended June 30

2018	\$129,678
2019	129,678
2020	267,169
2021	184,713
2022	85,777
Thereafter	259,621

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

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

The pension related activity has been allocated to the individual funds of the primary government by use of an allocation ratio of the fiscal year 2017 pension contributions by fund. This ratio dictates that 75.80% of the pension related activity belongs to the General Government, 21.91% is attributed to the Water and Sewer Funds, and the remaining 2.29% is attributed to the Storm Water Fund.

A summary of the pension related activity by fund follows:

	General Government	Water and Sewer Fund	Storm Water Fund
Net Pension Liability	\$ 1,023,786	\$ 295,925	\$ 30,930
Deferred Inflows	12,167	3,517	368
Deferred Outflows	1,227,664	354,856	37,089

Payable to the Pension Plan:

At June 30, 2017, the City did not have a payable relating to contributions to the Plan required for the year ended June 30, 2017.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

I. COMMITMENTS AND CONTINGENCIES

Litigation

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

Commitments

The Adequate Facilities/Development Fund had a contractual commitment for a construction project at June 30, 2017. The value of the commitment was approximately \$17,000.

J. RISK MANAGEMENT

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

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

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

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

K. TAX ABATEMENTS

In accordance with GASB Statement No. 77, *Tax Abatement Disclosures*, City property tax revenues were reduced by \$352,131 in fiscal year 2017 under three (3) in lieu of property tax agreements. The related agreements are with the City, County, and the Industrial Development Board.

The amount is comprised of:

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

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

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

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

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

K. TAX ABATEMENTS - Continued

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

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

L. DEFICIT FUND BALANCES

For the fiscal year ended June 30, 2017, there were no instances of deficit fund balance in any funds.

M. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 30, 2018, which is the date the financial statements were available to be issued. Management has noted the following items significant to the City's operations:

The City of Spring Hill, Tennessee, experienced a cyberattack on November 4, 2017. Those who initiated the attack locked the City out of all of its data, including general ledger, payroll, accounts payable, court, and utility billings, and demanded \$250,000 in ransom to unlock the system. The City did have a system backup but it was not on a remote server where recovery could be made. The most recent accessible backup was from March 2016. The City declined to pay the ransom, as advised by Federal and State agencies that have been involved with the case, and the staff members in the Finance Department have been working to restore data back into the system for all of the components of the accounting system. Since staff could easily access any and all matters of reports from the financial software, there were no hard copies of many reports to reconstruct the data.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

M. SUBSEQUENT EVENTS - Continued

In December 2017, the City purchased the Workforce Development & Conference Center at Northfield for approximately \$8,180,000. In association, the City closed on a bond program totaling \$13,180,000 with the Public Building Authority of the City of Clarksville, Tennessee to finance the building and related planned renovations. The bonds are to be repaid in annual principal payments, and semi-annual interest payments at a rate of 3.55%, over a 20 year term through September 2037. To manage the site, the City has entered into a management agreement with a third party, in which the City has agreed to pay 15% of associated expenditures, or approximately \$10,000 per month.

In March 2018, the City purchased a parcel of land for \$850,000. No financing was obtained by the City for this purchase.

N. RECENT ACCOUNTING PRONOUNCEMENTS

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

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal year 2018 for the City. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, required for fiscal periods beginning after December 15, 2016, fiscal year 2018 for the City. This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is the beneficiary of the agreement.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

N. RECENT ACCOUNTING PRONOUNCEMENTS - Continued

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

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

The GASB issued Statement No. 85, *Omnibus 2017*, required for fiscal periods beginning after June 15, 2017, fiscal year 2019 for the City. This Statement enhances consistency in the application of accounting and financial reporting requirements.

The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, required for fiscal periods beginning after June 15, 2017, fiscal year 2019 for the City. This Statement enhances consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, enhances consistency in financial reporting of prepaid insurance related to extinguished debt, and enhances the usefulness of information in notes to financial statements regarded defeased debt.

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

**REQUIRED SUPPLEMENTARY INFORMATION**



CITY OF SPRING HILL, TENNESSEE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
AND RELATED RATIOS - PENSION PLAN  
JUNE 30, 2017  
(UNAUDITED)

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

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

See independent auditor's report.

CITY OF SPRING HILL, TENNESSEE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION PLAN  
 JUNE 30, 2017  
 (UNAUDITED)

<u>Fiscal Year Ended</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution in Relation to the Actuarially Determined Contributions</u>	<u>Contribution (Excess) Deficiency</u>	<u>Covered Payroll</u>	<u>Contribution as a Percent of Covered Payroll</u>
June 30, 2017	\$546,921	\$546,921	\$ -	\$10,016,868	5.46%
June 30, 2016	\$479,022	\$479,022	\$ -	\$8,773,028	5.46%
June 30, 2015	\$431,925	\$431,925	\$ -	\$7,909,506	5.46%
June 30, 2014	\$385,342	\$385,342	\$ -	\$7,122,761	5.41%

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

See independent auditor's report.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN  
JUNE 30, 2017  
(UNAUDITED)

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions:

The actuarially determined contribution rates for the fiscal year ended June 30, 2017 were calculated as the result of an actuarial valuation performed on June 30, 2015. The following assumptions were used to determine contribution rates as reported in the Schedule of Employer Contributions:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Various by year
Asset valuation	10 year smoothed within a 20% corridor to market value
Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5%

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

See independent auditor's report.

## **COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**



### **SPECIAL REVENUE FUNDS**

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

**City of Spring Hill, Tennessee  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2017**

	<b>Special Revenue Funds</b>					<b>Total</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>Assets</b>						
Cash and cash equivalents	\$ 38,706	\$ -	\$ 627,679	\$ 3,946	\$ -	\$ 670,331
Due from other governments	-	1,466	-	-	261,284	262,750
Restricted assets:						
Cash and cash equivalents	-	92,644	-	-	54,134	146,778
Total assets	<u>\$ 38,706</u>	<u>\$ 94,110</u>	<u>\$ 627,679</u>	<u>\$ 3,946</u>	<u>\$ 315,418</u>	<u>\$ 1,079,859</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 24,036	\$ -	\$ 3,945	\$ 93,712	\$ 121,693
Total liabilities	<u>-</u>	<u>24,036</u>	<u>-</u>	<u>3,945</u>	<u>93,712</u>	<u>121,693</u>
<b>Fund Balances</b>						
Restricted	-	70,074	-	-	221,706	291,780
Committed	38,706	-	627,679	1	-	666,386
Total fund balances	<u>38,706</u>	<u>70,074</u>	<u>627,679</u>	<u>1</u>	<u>221,706</u>	<u>958,166</u>
 Total liabilities and fund balances	 <u>\$ 38,706</u>	 <u>\$ 94,110</u>	 <u>\$ 627,679</u>	 <u>\$ 3,946</u>	 <u>\$ 315,418</u>	 <u>\$ 1,079,859</u>

See independent auditor's report.

**City of Spring Hill, Tennessee**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2017**

	<b>Special Revenue Funds</b>					<b>Total</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>						
Intergovernmental:						
Gasoline and motor fuel tax	\$ -	\$ -	\$ -	\$ -	\$ 693,629	\$ 693,629
Three cent tax	-	-	-	-	206,307	206,307
Gas 1989 tax	-	-	-	-	111,156	111,156
Petroleum special	-	-	-	-	73,070	73,070
Other	-	-	-	-	491,542	491,542
Impact fees	-	-	471,839	-	-	471,839
Contributions	44,919	7,545	-	-	-	52,464
Fines and forfeitures	-	21,974	-	-	-	21,974
Interest revenue	-	23	-	-	110	133
Sale of property	-	9,040	-	-	-	9,040
Other	-	-	-	-	-	-
Total revenues	<u>44,919</u>	<u>38,582</u>	<u>471,839</u>	<u>-</u>	<u>1,575,814</u>	<u>2,131,154</u>
<b>Expenditures:</b>						
Current:						
Public Safety:						
Police	-	50,091	-	-	-	50,091
Public Works:						
Streets	-	-	-	-	1,656,271	1,656,271
Culture:						
Library	40,395	-	-	-	-	40,395
Debt Service	-	-	-	-	359,192	359,192
Capital Outlay	2,400	-	-	-	9,960	12,360
Total expenditures	<u>42,795</u>	<u>50,091</u>	<u>-</u>	<u>-</u>	<u>2,025,423</u>	<u>2,118,309</u>
Net change in fund balance	2,124	(11,509)	471,839	-	(449,609)	12,845
<b>Fund Balance - Beginning</b>	<u>36,582</u>	<u>81,583</u>	<u>155,840</u>	<u>1</u>	<u>671,315</u>	<u>945,321</u>
<b>Fund Balance - Ending</b>	<u>\$ 38,706</u>	<u>\$ 70,074</u>	<u>\$ 627,679</u>	<u>\$ 1</u>	<u>\$ 221,706</u>	<u>\$ 958,166</u>

See independent auditor's report.

**City of Spring Hill, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Library Fund**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>REVENUES:</b>				
Contributions	\$ 25,000	\$ 42,000	\$ 44,919	\$ 2,919
Total revenues	<u>25,000</u>	<u>42,000</u>	<u>44,919</u>	<u>2,919</u>
<b>EXPENDITURES:</b>				
Culture:				
Library:				
Programs	16,100	19,100	21,497	2,397
Operating supplies	1,600	5,000	5,157	157
Educational supplies	1,300	1,500	496	(1,004)
Other contractual services	1,000	400	70	(330)
Repairs and maintenance	500	2,500	5,609	3,109
Capital outlay	-	2,400	2,400	-
Miscellaneous	2,700	5,100	7,566	2,466
Total expenditures	<u>23,200</u>	<u>36,000</u>	<u>42,795</u>	<u>6,795</u>
Change in fund balance	1,800	6,000	2,124	(3,876)
Fund balance - beginning	<u>36,582</u>	<u>36,582</u>	<u>36,582</u>	<u>-</u>
Fund balance - ending	<u>\$ 38,382</u>	<u>\$ 42,582</u>	<u>\$ 38,706</u>	<u>\$ (3,876)</u>

See independent auditor's report.

**City of Spring Hill, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Drug Fund**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>REVENUES:</b>				
Fines and Forfeitures	\$ 25,000	\$ 26,600	\$ 21,974	\$ (4,626)
Sale of property	5,000	9,100	9,040	(60)
Contributions	300	7,600	7,545	(55)
Interest	100	100	23	(77)
Total revenues	<u>30,400</u>	<u>43,400</u>	<u>38,582</u>	<u>(4,818)</u>
<b>EXPENDITURES:</b>				
Public Safety:				
Police Department:				
Operating supplies	25,000	48,000	50,091	2,091
Travel	500	500	-	(500)
Total expenditures	<u>25,500</u>	<u>48,500</u>	<u>50,091</u>	<u>1,591</u>
Change in fund balance	4,900	(5,100)	(11,509)	(6,409)
Fund balance - beginning	<u>81,583</u>	<u>81,583</u>	<u>81,583</u>	<u>-</u>
Fund balance - ending	<u>\$ 86,483</u>	<u>\$ 76,483</u>	<u>\$ 70,074</u>	<u>\$ (6,409)</u>

See independent auditor's report.

**City of Spring Hill, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Impact Fees Fund**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>REVENUES:</b>				
Impact Fees	\$ 300,000	\$ 450,000	\$ 471,839	\$ 21,839
Change in fund balance	300,000	450,000	471,839	21,839
Fund balance - beginning	155,840	155,840	155,840	-
Fund balance - ending	<u>\$ 455,840</u>	<u>\$ 605,840</u>	<u>\$ 627,679</u>	<u>\$ 21,839</u>

See independent auditor's report.

**City of Spring Hill, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Fire Belle Restoration Fund**  
**For the Year Ended June 30, 2017**

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

See independent auditor's report.

**City of Spring Hill, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - State Street Aid Fund**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 1,347,600	\$ 1,654,500	\$ 1,575,704	\$ (78,796)
Interest	200	200	110	(90)
Total revenues	<u>1,347,800</u>	<u>1,654,700</u>	<u>1,575,814</u>	<u>(78,886)</u>
<b>EXPENDITURES:</b>				
Public Safety:				
Streets:				
Contractual services	312,500	1,050,000	1,145,995	95,995
Postage	1,500	-	-	-
Professional services	65,000	65,000	54,821	(10,179)
Repairs and maintenance	1,000,000	600,000	455,455	(144,545)
Operating supplies	-	-	-	-
Debt service	94,000	269,000	268,917	(83)
Interest	69,900	91,800	90,275	(1,525)
Capital outlay	50,000	25,000	9,960	(15,040)
Total expenditures	<u>1,592,900</u>	<u>2,100,800</u>	<u>2,025,423</u>	<u>(75,377)</u>
Change in fund balance	(245,100)	(446,100)	(449,609)	(3,509)
Fund balance - beginning	<u>671,315</u>	<u>671,315</u>	<u>671,315</u>	<u>-</u>
Fund balance - ending	<u>\$ 426,215</u>	<u>\$ 225,215</u>	<u>\$ 221,706</u>	<u>\$ (3,509)</u>

See independent auditor's report.

**SUPPLEMENTAL INFORMATION**



**CITY OF SPRING HILL, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>Federal Grantor/ Pass-Through Grantor</b>	<b>CFDA Number</b>	<b>Contract Number</b>	<b>Expenditures</b>
<b><u>Federal Awards</u></b>			
U.S. DEPARTMENT OF JUSTICE	16.607	N/A	\$ 2,457
U.S. DEPARTMENT OF JUSTICE/ TN DEPT. OF FINANCE AND ADMINISTRATION*	16.588	26697	<u>37,728</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>40,185</u>
U.S. DEPARTMENT OF TRANSPORTATION/ TN DEPT. OF TRANSPORTATION**	20.616	Z16GH5355	<u>11,644</u>
U.S. DEPARTMENT OF TRANSPORTATION/ TN DEPT. OF TRANSPORTATION**	20.205	80167	789,616
U.S. DEPARTMENT OF TRANSPORTATION/ TN DEPT. OF TRANSPORTATION**	20.205	114960	<u>62,175</u>
Total Program 20.205			<u>851,791</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>863,435</u>
U.S. DEPARTMENT OF HOMELAND SECURITY/ CITY OF PIGEON FORGE, TN***	97.036	N/A	<u>18,181</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>18,181</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 921,801</u>

**State Financial Assistance**

TENNESSEE DEPARTMENT OF FINANCE AND ADMINISTRATION/ METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TN****	N/A	N/A	\$ 19,898
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	49530	21,386
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	8598	8,101
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	8600	7,971

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>Federal Grantor/ Pass-Through Grantor</b>	<b>CFDA Number</b>	<b>Contract Number</b>	<b>Expenditures</b>
 <b><u>State Financial Assistance - Continued</u></b>			
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	8594	7,626
TENNESSEE DEPARTMENT OF TRANSPORTATION	N/A	8596	<u>7,835</u>
<b>TOTAL STATE AWARDS</b>			<b>\$ <u>72,817</u></b>
<b>TOTAL FEDERAL &amp; STATE AWARDS</b>			<b>\$ <u><u>994,618</u></u></b>

\*This grant was passed through from the TN Dept. of Finance and Administration.

\*\*This grant was passed through from the TN Dept. of Transportation.

\*\*\*This grant was passed through from the City of Pigeon Forge, TN.

\*\*\*\*This grant was passed through from the Metropolitan Government of Nashville and Davidson County, TN.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2017

A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") summarizes the expenditures of the City of Spring Hill under programs of the federal and state governments for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance) and the State of Tennessee.

Federal Financial Assistance Without CFDA Numbers

Federal awards which have no assigned CFDA number have been included in the last section of each appropriate federal agency section, where applicable.

Pass-Through Awards

There were no amounts passed through to subrecipients during the year ended June 30, 2017.

Program Clusters

The Uniform Guidance defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, similar programs deemed to be a cluster of programs are tested accordingly.

Schedule of State Financial Assistance

In compliance with Tennessee state law, the accompanying Schedule of State Financial Assistance is included with this report. Such schedule presents all state funded financial awards, as defined by the State Comptroller of the Treasury's Office, and is prepared and presented in a manner consistent with the schedule of expenditures of federal awards.

B. BASIS OF ACCOUNTING

The expenditures presented in the accompanying Schedule were developed from agency records and federal and state financial reports which have been reconciled to the central accounting records of the City. City funds are reported using a modified accrual basis of accounting. Proprietary funds are reported using the accrual basis of accounting. These central records serve as the primary source of information in the preparation of the City's basic financial statements.

Federal and state revenues and expenditures are included in the general fund, special revenue funds, capital projects funds, and enterprise funds in the City's basic financial statements.

Because the Schedule presents only a selected portion of the City's operations, they are not intended to and do not present the financial position or changes in financial position of the City.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2017

C. MATCHING COSTS

The State of Tennessee's portion of joint programs with the City are included in the accompanying Schedule, except in those cases where the state's portion is combined with the federal portion and cannot be separately identified. In such cases, the state's portion is included in the accompanying schedule of expenditures of federal awards. The City's portion of such joint awards is not included.

D. INDIRECT COSTS

Included in the City's Cost Allocation Plan are central service costs allowable under OMB cost principles. These costs may be "allocated" among programs of the City in a consistent manner.

The amount presented in the Cost Allocation Plan as "allocated" to each department is not actually charged as expenditure to that department, but is accounted for in the central service area's budget. The amount is used to calculate indirect costs associated with programs funded by external sources that allow the inclusion of indirect costs (certain grants, user fees, etc.).

Many of the City's federal and state funded programs allow indirect costs to be charged and include them as a line item in the grant budget. However, if the grant budget does not specifically provide for indirect costs to be charged, none of the indirect costs are reported as costs to the grantor nor are the costs included or presented in the schedules of expenditures of federal and state awards.

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

E. CONTINGENCIES

The federal and state grants received by the City are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, the grantor agencies could make claim for reimbursement, which would become a liability of the City.

F. ISSUANCE OF THE SINGLE AUDIT REPORT

During 2017, a single audit was not performed for the City as the City's federal expenditures totaled \$650,774, which was below the \$750,000 threshold for a single audit. However, during 2019, the City received an invoice from the State of Tennessee (the "State") requiring reimbursement for State expenditures on the Duplex Road project going back to 2008. The State noted the invoice would be paid utilizing federal funds available to the City through the STBG program. The City previously was unaware of their responsibility to reimburse the State for these expenditures. These additional expenditures caused the total federal expenditures in 2017 to now exceed the \$750,000 threshold, which requires a single audit for fiscal year 2017. Therefore, the June 30, 2017 financial statements were reissued to include the updated Schedule and single audit requirements.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Tax Year	Balance July 1, 2016	Levy and Changes in Assessment	Collections	Balance June 30, 2017
2016	\$ -	\$ 4,839,234	\$ (4,795,138)	\$ 44,096
2015	57,868	-	(34,407)	23,461
2014	6,968	(3,265)	(3,703)	-
2013	4,962	(4,448)	(514)	-
2012	2,579	(2,579)	-	-
2011	1,884	(1,884)	-	-
2010	2,212	(2,212)	-	-
2009	2,816	(2,816)	-	-
2008	2,537	(2,537)	-	-
Total	<u>\$ 81,826</u>	<u>\$ 4,819,493</u>	<u>\$ (4,833,762)</u>	67,557
Estimated 2017 tax levy				5,839,481
Less allowance for estimated uncollectible				<u>(191,921)</u>
Total taxes receivable, net				<u>\$ 5,715,117</u>

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2017**

**Governmental Activities**

Year	Williamson County Notes		Capital Outlay Note		Equipment Financing Notes		Public Improvement Bonds, 2014		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 315,000	\$ 157,406	\$ 279,650	\$ 21,569	\$ 102,841	\$ 1,573	\$ 345,000	\$ 239,000	\$ 1,042,491	\$ 419,548
2019	330,000	144,806	282,392	16,623	31,335	479	355,000	228,650	998,727	390,558
2020	340,000	131,606	287,875	11,604	-	-	365,000	218,000	992,875	361,210
2021	350,000	116,706	98,700	8,203	-	-	375,000	207,050	823,700	331,959
2022	365,000	101,256	101,442	6,441	-	-	385,000	195,800	851,442	303,497
2023	385,000	83,750	104,183	4,632	-	-	400,000	184,250	889,183	272,632
2024	400,000	65,288	104,183	2,798	-	-	410,000	172,250	914,183	240,336
2025	425,000	46,075	106,925	941	-	-	425,000	159,950	956,925	206,966
2026	431,000	25,538	-	-	-	-	435,000	147,200	866,000	172,738
2027	-	-	-	-	-	-	445,000	136,325	445,000	136,325
2028	-	-	-	-	-	-	460,000	125,200	460,000	125,200
2029	-	-	-	-	-	-	470,000	113,125	470,000	113,125
2030	-	-	-	-	-	-	480,000	100,200	480,000	100,200
2031	-	-	-	-	-	-	495,000	85,800	495,000	85,800
2032	-	-	-	-	-	-	510,000	70,950	510,000	70,950
2033	-	-	-	-	-	-	530,000	54,120	530,000	54,120
2034	-	-	-	-	-	-	545,000	36,630	545,000	36,630
2035	-	-	-	-	-	-	565,000	18,645	565,000	18,645
	<u>\$ 3,341,000</u>	<u>\$ 872,431</u>	<u>\$ 1,365,350</u>	<u>\$ 72,811</u>	<u>\$ 134,176</u>	<u>\$ 2,052</u>	<u>\$ 7,995,000</u>	<u>\$ 2,493,145</u>	<u>\$ 12,835,526</u>	<u>\$ 3,440,439</u>

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2017**

**Business-Type Activities**

Year	Public Improvement Bonds		State of Tennessee Loan		Clean Water Revolving Fund		Clean Water Revolving Fund		Capital Outlay Notes		Total Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 261,000	\$ 131,440	\$ 260,532	\$ 21,240	\$ 351,540	\$ 162,792	\$ 262,416	\$ 144,816	\$ 230,350	\$ 17,767	\$ 1,365,838	\$ 478,055
2019	274,000	121,000	267,336	14,436	360,852	153,480	269,376	137,856	232,609	13,693	1,404,173	440,465
2020	288,000	110,040	274,308	7,452	370,428	143,904	276,528	130,704	237,125	9,558	1,446,389	401,658
2021	302,000	98,520	99,721	2,112	380,244	134,088	283,848	123,384	81,300	6,757	1,147,113	364,861
2022	318,000	86,440	-	-	390,336	123,996	291,384	115,848	83,559	5,306	1,083,279	331,590
2023	334,000	73,720	-	-	400,680	113,652	299,112	108,120	85,816	3,815	1,119,608	299,307
2024	350,000	60,360	-	-	411,312	103,020	307,044	100,188	85,816	2,305	1,154,172	265,873
2025	368,000	46,360	-	-	422,220	92,112	315,180	92,052	88,075	775	1,193,475	231,299
2026	386,000	31,640	-	-	433,416	80,916	323,544	83,688	-	-	1,142,960	196,244
2027	405,000	16,200	-	-	444,900	69,432	332,124	75,108	-	-	1,182,024	160,740
2028	-	-	-	-	456,696	57,636	340,932	66,300	-	-	797,628	123,936
2029	-	-	-	-	468,816	45,516	349,968	57,264	-	-	818,784	102,780
2030	-	-	-	-	481,236	33,096	359,244	47,988	-	-	840,480	81,084
2031	-	-	-	-	494,004	20,328	368,772	38,460	-	-	862,776	58,788
2032	-	-	-	-	417,538	7,227	378,552	28,680	-	-	796,090	35,907
2033	-	-	-	-	-	-	388,584	18,648	-	-	388,584	18,648
2034	-	-	-	-	-	-	398,892	8,340	-	-	398,892	8,340
2035	-	-	-	-	-	-	80,044	506	-	-	80,044	506
	<u>\$ 3,286,000</u>	<u>\$ 775,720</u>	<u>\$ 901,897</u>	<u>\$ 45,240</u>	<u>\$ 6,284,218</u>	<u>\$ 1,341,195</u>	<u>\$ 5,625,544</u>	<u>\$ 1,377,950</u>	<u>\$ 1,124,650</u>	<u>\$ 59,976</u>	<u>\$ 17,222,309</u>	<u>\$ 3,600,081</u>

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF INSURANCE COVERAGE**  
**JUNE 30, 2017**  
**(UNAUDITED)**

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

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS**  
**TEN YEAR SUMMARY**  
**JUNE 30, 2017**  
**(UNAUDITED)**

Fiscal Year	Tax Year	County	Tax Rate*	Assessed Value
2017	2016	Maury	0.5927	\$ 327,847,927
		Williamson	0.5381	725,992,768
2016	2015	Maury	0.5767	285,228,701
		Williamson	0.5903	674,308,155
2015	2014	Maury	0.59	261,565,296
		Williamson	0.59	538,817,290
2014	2013	Maury	0.59	242,932,640
		Williamson	0.59	511,464,115
2013	2012	Maury	0.59	228,823,286
		Williamson	0.59	487,062,781
2012	2011	Maury	0.59	207,961,965
		Williamson	0.59	458,312,983
2011	2010	Maury	0.57	202,551,970
		Williamson	0.60	457,439,932
2010	2009	Maury	0.60	196,199,392
		Williamson	0.60	446,203,175
2009	2008	Maury	0.60	172,794,346
		Williamson	0.60	431,132,201
2008	2007	Maury	-	-
		Williamson	-	-

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

\* Per \$100 of assessed valuation

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE  
 SCHEDULE OF UTILITY RATES  
 JUNE 30, 2017  
 (UNAUDITED)**

WATER RATES

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

Number of customers at June 30, 2017 - 14,246

SEWER RATES

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

Number of customers at June 30, 2017 - 14,246

See independent auditor's report.

**COMPLIANCE AND INTERNAL CONTROL**



CITY OF SPRING HILL, TENNESSEE  
 AWWA REPORTING WORKSHEET  
 JUNE 30, 2017  
 (UNAUDITED)

AWWA Free Water Audit Software: Reporting Worksheet				WAS v5.0 American Water Works Association. Copyright © 2014. All Rights Reserved.
<input type="button" value="Click to access definition"/> <input type="button" value="Click to add a comment"/>		<b>Water Audit Report for:</b> <u>City of Spring Hill (0000667)</u> <b>Reporting Year:</b> <u>2017</u> <u>7/2016 - 6/2017</u>		
<p>Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades</p> <p style="text-align: center;"><b>All volumes to be entered as: MILLION GALLONS (US) PER YEAR</b></p>				
To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below				
<b>WATER SUPPLIED</b>		Master Meter and Supply Error Adjustments		
Enter grading in column 'E' and 'J'				
Volume from own sources:	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="1,057.251"/>	MG/Yr	
Water imported:	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="127.888"/>	MG/Yr	
Water exported:	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="12.368"/>	MG/Yr	
<b>WATER SUPPLIED:</b>			<b>1,172.771</b>	MG/Yr
Enter negative % or value for under-registration Enter positive % or value for over-registration				
<b>AUTHORIZED CONSUMPTION</b>				
Billed metered:	<input type="button" value="+"/> <input type="button" value="10"/>	<input type="text" value="1,014.019"/>	MG/Yr	
Billed unmetered:	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="0.334"/>	MG/Yr	
Unbilled metered:	<input type="button" value="+"/> <input type="button" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr	
Unbilled unmetered:	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="3.981"/>	MG/Yr	
<b>AUTHORIZED CONSUMPTION:</b>			<b>1,018.334</b>	MG/Yr
Click here: <input below<br="" buttons="" for="" help="" option="" type="button" using="" value="?"/> Use buttons to select percentage of water supplied OR value				
<b>WATER LOSSES (Water Supplied - Authorized Consumption)</b>		<b>154.437</b> MG/Yr		
<b>Apparent Losses</b>				
Unauthorized consumption:	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="2.932"/>	MG/Yr	
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed				
Customer metering inaccuracies:	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="20.694"/>	MG/Yr	
Systematic data handling errors:	<input type="button" value="+"/> <input type="button" value="10"/>	<input type="text" value="0.001"/>	MG/Yr	
<b>Apparent Losses:</b>			<b>23.627</b>	MG/Yr
<b>Real Losses (Current Annual Real Losses or CARL)</b>				
Real Losses = Water Losses - Apparent Losses:	<input type="button" value="9"/>	<input type="text" value="130.810"/>	MG/Yr	
<b>WATER LOSSES:</b>			<b>154.437</b>	MG/Yr
<b>NON-REVENUE WATER</b>				
<b>NON-REVENUE WATER:</b>			<b>158.418</b>	MG/Yr
= Water Losses + Unbilled Metered + Unbilled Unmetered				
<b>SYSTEM DATA</b>				
Length of mains:	<input type="button" value="+"/> <input type="button" value="10"/>	<input type="text" value="225.0"/>	miles	
Number of active AND inactive service connections:	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="14,362"/>		
Service connection density:	<input type="button" value="9"/>	<input type="text" value="64"/>	conn./mile main	
Are customer meters typically located at the curbside or property line?	<input type="button" value="Yes"/>			
Average length of customer service line:	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="75.0"/>	psi	(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:	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="75.0"/>	psi	
<b>COST DATA</b>				
Total annual cost of operating water system:	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="\$7,833,266"/>	\$/Year	
Customer retail unit cost (applied to Apparent Losses):	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="\$7.63"/>	\$/1000 gallons (US)	
Variable production cost (applied to Real Losses):	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="\$844.44"/>	\$/Million gallons	<input type="checkbox"/> Use Customer Retail Unit Cost to value real losses
<b>WATER AUDIT DATA VALIDITY SCORE:</b>				
<b>*** YOUR SCORE IS: 90 out of 100 ***</b>				
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score				
<b>PRIORITY AREAS FOR ATTENTION:</b>				
Based on the information provided, audit accuracy can be improved by addressing the following components:				
1: Volume from own sources				
2: Unauthorized consumption				
3: Billed unmetered				

See independent auditor's report.

CITY OF SPRING HILL, TENNESSEE  
 AWWA REPORTING WORKSHEET  
 JUNE 30, 2017  
 (UNAUDITED)

AWWA Free Water Audit Software: System Attributes and Performance Indicators		WAS v5.0 American Water Works Association. Copyright © 2014. All Rights Reserved.
Water Audit Report for: <span style="border: 1px solid black; padding: 2px;">City of Spring Hill (0000667)</span>		
Reporting Year: <span style="border: 1px solid black; padding: 2px;">2017</span>   <span style="border: 1px solid black; padding: 2px;">7/2016 - 6/2017</span>		
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 90 out of 100 ***		
<b>System Attributes:</b>		
Apparent Losses:	23.627	MG/Yr
+ Real Losses:	130.810	MG/Yr
= <b>Water Losses:</b>	154.437	MG/Yr
? Unavoidable Annual Real Losses (UARL): <span style="border: 1px solid black; padding: 2px;">92.30</span> MG/Yr		
Annual cost of Apparent Losses: <span style="border: 1px solid black; padding: 2px;">\$180,275</span>		
Annual cost of Real Losses: <span style="border: 1px solid black; padding: 2px;">\$110,461</span> 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: <span style="border: 1px solid black; padding: 2px;">13.5%</span> { Non-revenue water as percent by cost of operating system: <span style="border: 1px solid black; padding: 2px;">3.8%</span> Real Losses valued at Variable Production Cost	
Operational Efficiency:	{ Apparent Losses per service connection per day: <span style="border: 1px solid black; padding: 2px;">4.51</span> gallons/connection/day { Real Losses per service connection per day: <span style="border: 1px solid black; padding: 2px;">24.95</span> gallons/connection/day { Real Losses per length of main per day*: <span style="border: 1px solid black; padding: 2px;">N/A</span> { Real Losses per service connection per day per psi pressure: <span style="border: 1px solid black; padding: 2px;">0.33</span> gallons/connection/day/psi	
From Above, Real Losses = Current Annual Real Losses (CARL): <span style="border: 1px solid black; padding: 2px;">130.81</span> million gallons/year		
? Infrastructure Leakage Index (ILI) [CARL/UARL]: <span style="border: 1px solid black; padding: 2px;">1.42</span>		
* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline		

See independent auditor's report.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spring Hill, Tennessee (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 30, 2018.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2017-001, 2017-002, 2017-003, and 2017-004 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2017-005, 2017-006, 2017-007, and 2017-008 to be significant deficiencies.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described as item 2017-003 in the accompanying schedule of findings and responses.

### **The City's Response to Findings**

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

### **Purpose of This Report**

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

*Crosslin, PLLC*

Nashville, Tennessee  
April 30, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

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

**Report on Compliance for Each Major Federal Program**

We have audited City of Spring Hill, Tennessee's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2017. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the City's major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.



## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, and 2017-003, that we consider to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Crosslin, PLLC*

Nashville, Tennessee  
May 28, 2020

CITY OF SPRING HILL, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

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

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:  
Material weakness(es) identified?  X  yes   no  
Significant deficiency(ies) identified not considered to  
be material weaknesses?   yes  X  none reported

Noncompliance material to financial statements noted?  X  yes   no

Federal Awards

Internal control over major programs:  
Material weakness(es) identified?   yes  X  no  
Significant deficiency(ies) identified not considered to  
be material weaknesses?   yes  X  none reported

Type of auditor's report issued on  
compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported  
in accordance with 2 CFR 200.516(a)?   yes  X  no

Identification of major programs for the City for the fiscal year ended June 30, 2017 are:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?   yes  X  no

CITY OF SPRING HILL, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
YEAR ENDED JUNE 30, 2017

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2017-001 – Accounting System, Fiscal Management, and Accounting Discipline**

Condition, Criteria, Cause, and Effect: In general, an accounting and information system should provide management with accurate and timely financial information to enable well-informed business decisions to be made. Based on discussions with management, the City implemented a new system during FY 2015, but it was still not functioning effectively during FY 2017. Therefore, the system did not meet these expectations. Additionally, certain accounting functions, such as proper maintenance and review of the general ledger and reconciliations of certain major asset and liability accounts, were not consistently performed during the year, weakening internal controls and making interim financial information unavailable or possibly inaccurate. Problems in receiving timely and accurate financial information can significantly impact management's ability to effectively guide an organization. Critical areas such as financial analysis, budgetary control, and cash flow can all be impacted. Government funding, the obtaining of grants, contributions and other financing relationships can also be jeopardized by the lack of timely and accurate financial information and the lack of communication. During FY 2017, there was a lack of consistent review and reconciliation in many areas of the accounting and finance functions. We noted instances where accounting tasks such as certain monthly reconciliations of accounts and subsidiary ledgers to the general ledger, preparation of supporting schedules and journal entries, period end closings, cross checks, and reviews which play a key role in proving the accuracy of accounting data and financial information that comprise interim and year-end financial statements were not performed or were not performed in a timely manner. We encountered instances in which audit schedules and support did not reconcile with what was recorded in the general ledger. A lack of training and full understanding of certain processes and the functionality of the City's accounting software (Tyler) has been a contributing factor to these deficiencies. These instances affected many major asset, liability, and fund balance/net position accounts such as:

- Accounts receivables (including consideration of inactive accounts and adjustment of the allowance)
- Recording inventory items vs. non-inventory items (i.e. office supplies)
- Recording property, plant, and equipment including construction in progress and depreciation expense, and donated infrastructure
- Proper cutoff of accounts payables and reconciliations of accrued expenses
- Proper reconciliations and roll forward of debt including recording debt principal and interest payments in the correct general ledger accounts
- Proper reconciliations of grant revenues and expenses

CITY OF SPRING HILL  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**SECTION II - FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2017-001 - Accounting System, Fiscal Management, and Accounting Discipline - Continued**

Recommendations: Recommendations to City management are summarized as follows:

- We recommend that the City monitor and improve the accounting and information systems, implement proper accounting procedures, and assure personnel are in place that will facilitate the production of accurate financial information, and provide for accountability of assets and the maintenance of an accurate historical record of operations. Accounting and financial information is the language of business and must be properly assessed and comprehended in a timely manner in order to allow management to guide and direct the City into the future.
  
- The following are recommendations, which if implemented, can help move the City toward these goals:
  - Continual training of accounting staff in the use of the various accounting software functions (Tyler), including accounts receivable, accounts payables, and fixed asset modules.
  - Continual work on the accounting policies and procedures manual to ensure that it is well structured and that it defines proper procedures and documentation for the various accounting processes, reconciliations and review (i.e. assignment of preparation and review of various account reconciliations, analysis, roll forwards, and physical inventory counts that do not include office supplies and other miscellaneous items).
  - Properly supervised accounting staff and a fiscal management team with the authority to assure that the proper procedures and internal controls are in place and are consistently followed.
  - Continue to improve communication and exchange of financial information, including grants, between departments in a timely manner.
  - Assess staffing levels to ensure that they are at an appropriate level to perform critical accounting procedures in a timely manner.
  - Pursue collections of accounts receivable or obtain BOMA to write off uncollectible balances.

Views of Responsible Officials and Planned Corrective Actions:

*City staff concurs with the finding. City staff is seeking supplemental training from Tyler Technologies, the City's accounting software vendor. City staff have also identified several software issues to be resolved and are working diligently with Tyler that has created an internal team to work with City staff to address these and other items that may arise from time to time in a timely manner. The City has an Internal Control Policy and will review and update/refine the policy further as needed. During the 2015-2016 fiscal year, the City added an accountant with audit experience to professional staff, to identify opportunities to improve accounting practices.*

CITY OF SPRING HILL  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**SECTION II - FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2017-002 – Capital Assets**

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

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

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

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

CITY OF SPRING HILL  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**SECTION II - FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2017-002 - Capital Assets - Continued**

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

Views of Responsible Officials and Planned Corrective Actions:

*City staff concurs with this finding. Capital assets were previously being recorded manually by the City's former auditor. City staff recognized the need for capital assets to be maintained by the City and responded by preparing an updated Excel spreadsheet of capital assets to support the audit process. Moving forward, City staff will work with the Tyler software vendor to convert the manually prepared fixed asset spreadsheet to the capital asset module of the Tyler software system utilized by the City. City staff will undertake additional training as needed to become proficient in the use of the fixed asset module. City staff will identify and record capital assets. Once City assets have been properly recorded and placed into the fixed asset module, procedures will be developed and implemented to track, record and reconcile capital assets on a regular basis. City staff has presented a recommendation to the Board of Mayor and Alderman to fund a new position in the Finance Department to fulfill the role of Capital Asset Manager/Purchasing Director for FY2017/18 to implement policies and procedures for managing capital assets.*

**2017-003 - Federal and State Grant Funds**

Condition, Criteria, Cause, and Effect: Our audit disclosed that controls over grants of federal and state funds need to be improved. Specifically, we noted that there is currently no centralized review procedure for grant agreements. The grants for the City are not maintained centrally, which made it difficult for the accountant to prepare an accurate grant schedule during the year-end closing process. Additionally, grant revenues and expenses are not tracked by the various grants, which makes it difficult to reconcile to the overall trial balance. Specifically, we noted that the City could be subject to federal and state audit reporting requirements, which would go undetected under the current process in place.

CITY OF SPRING HILL  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**SECTION II - FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2017-003 - Federal and State Grant Funds - Continued**

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

- Centralized accounting and review procedures are necessary to ensure understanding of and compliance with specific terms identified by the funding source. We recommend that appropriate personnel review grant agreements on a timely basis City-wide. Specifically, a grants coordinator should be in-charge of accounting for all grants.
- We recommend that the grants process be centralized so that all grants received by the City are maintained in one location, which will enable the accountant to prepare an accurate grant schedule. Such a schedule, when periodically reconciled against the general ledger, helps to keep track of the various aspects pertaining to grants, which should include the amount, term, dates of receipt, reporting requirements, any restrictions, and other pertinent information. This is crucial as compliance with laws and regulations regarding federal and state grants and contracts are of the utmost importance. Violation of these laws and regulations can impose significant operating and financial penalties on an organization and should be avoided at all cost. Additionally, where cumulative federal funds are over a certain limit, an additional audit performed in accordance with OMB Uniform Guidance may be required. The City risks non-compliance with these requirements without additional centralized processes.
- We suggest that the City structure a better system, capable of properly accounting for the transactions and restrictions relative to these grants as well as maintaining more accurate and complete documentation for all grant revenue and expenses. The accounting system in place made it difficult to determine the funds received and expended for each individual grant. This could result in missed federal or state compliance including audit and reporting. To more clearly reflect activity on a grant-by-grant basis, we suggest that the City maintain separate cost centers for each federal and state funding source. This practice will also facilitate the reporting requirements for grants and contracts and greatly improve internal control. Again, the centralized grant process should be performed by a designated, suitable employee with appropriate coordination with the departments.

Views of Responsible Officials and Planned Corrective Actions:

*City staff concurs with this finding and previously had been working to address grant administration with a more centralized management and oversight process. Specifically, the City Accountant will house and manage all grant documentation in a centralized location. Management will assign qualified staff members to manage day-to-day grant functions in coordination with the City Accountant including tracking project progress, documentation and project accounting. As recommended, City staff will also contact the Tyler software vendor regarding the Project Management module to integrate the use of this software in the implementation of an improved system for properly accounting for transactions and tracking of grant revenues and expenditures.*

CITY OF SPRING HILL  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**SECTION II - FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2017-004 – Information Technology (“IT”) Environment**

Condition, Criteria, Cause, and Effect: On November 4, 2017, the City experienced a cyberattack. Those who initiated the attack locked the City out of all of its data (i.e. general ledger, payroll, accounts payable, court, utility billings, etc.) and demanded \$250,000 in ransom to unlock the system. The City declined to pay the ransom and both federal and state agencies have been involved with the case. The City did have a system backup, but it was not on a remote server. Therefore, the system backup could not be recovered. The most recent accessible backup was from March 2016. The City did have a general ledger detail report for the remainder of fiscal year 2015-16 and for fiscal year 2016-17 and has imported the general ledger detail back into the software, but many records are not recoverable in their original format. Since staff could easily access any and all matters of reports from the Tyler software, there were no hard copies of many reports/items to reconstruct data. The City’s staff members in Finance have been working to get data back into the system for all of the different modules/components of their accounting system. Because there was not an off-site backup, the loss of all the on-site original data files caused a significant interruption of the City’s business activities and has led to substantial expense in trying to reconstruct the lost data.

Recommendation:

Subsequent to the cyberattack, the City now has off-site backup for their data. We recommend that the City continue to perform backups of their information at least monthly and preferably daily in an off-site, secure location to prevent another major loss of data due to unforeseen circumstances. Adequate and reliable backup systems of IT information are critically important to ensure that business operations can continue on an uninterrupted basis. In addition, we recommend that the City ensure that they have well defined, written disaster recovery procedures so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing technology. We suggest that management develop a disaster recovery plan that includes, but is not limited to, the following matters:

- Location of, and access to, off-site storage;
- A listing of all data files that would have to be obtained from the off-site storage location;
- Identification of a backup location (name and telephone number) with similar or compatible equipment for emergency processing (management should make arrangements for such back-up with another company, a computer vendor, or a service center; the agreement should be in writing);
- Responsibilities of various personnel in an emergency; and
- Priority of critical applications and reporting requirements during the emergency period.

Views of Responsible Officials and Planned Corrective Actions:

*City staff concurs with this finding and is working to develop a disaster recovery plan. At this point, system backups are being performed at multiple sites. The City acquired a software program to scan and screen all emails received to eliminate the threat of employees obtaining malware/viruses through emails. Additional software programs are being evaluated that monitor and sequester inappropriate sever activity and also software to maintain business continuity in case of a server failure.*

CITY OF SPRING HILL  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**SECTION II - FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2017-005 - Formal Purchasing/Gas Card/Credit Card Policy**

Condition, Criteria, Cause, and Effect: There is currently not a formal policy surrounding gas cards, credit cards, and/or purchasing cards for the City. Internal control should require adequate controls surrounding appropriation of funds, including gas cards, credit cards, and purchasing cards. No policy currently exists, allowing the risk of employees using the cards for personal benefit.

Recommendation: We recommend creating a formal gas card, credit card, and purchasing card policy that includes limits based on need/authority. Once a formal policy has been adopted, the City should ensure that employees are properly following the policy to ensure there is no misappropriation of monies. Such monitoring should include review and reconciliation of all support to the charges by an employee independent of the charges.

Views of Responsible Officials and Planned Corrective Actions:

*City staff concurs with this finding. While the City currently has a procedure in place for the use of purchasing cards, the City will develop a formalized purchasing and fuel card policy for implementation throughout the City. Currently, the City has a total of three (3) purchasing cards issued under names of the Mayor, City Administrator, and Finance Director, with prescribed purchasing limits. These purchasing cards are kept in a locked filing cabinet and are checked out by the purchasing coordinator only as authorized by the Mayor, City Administrator and Finance Director. Charges on purchasing cards including required receipts are reviewed and reconciled monthly by an employee independent of the charges.*

**2017-006 - Reconciliation of Payroll Liability Accounts**

Condition, Criteria, Cause, and Effect: During the audit, we noted that the City's payroll deductions do not appropriately clear-out on a monthly basis. In addition, we noted that a system issue is causing internal payroll reports to not agree with pay rates noted in respective employee payroll files. Internal control should require that all payroll liability accounts and TCRS payroll amounts be reconciled monthly. There is currently no policy in place that requires management to review payroll to ensure that this process is being observed. Failure to remove payroll deductions would result in overstated payroll expenses and failure to ensure that system generated reports agree with pay rates in employee files would result in unexplained discrepancies. Further, payroll accounts can be subject to misappropriation. Payroll liabilities also have legal and contractual obligations.

Recommendation: The City should reconcile the payroll liability accounts on a monthly basis to ensure that monthly payroll deductions and related liabilities are properly clearing out in the system. System issues should be addressed by the software vendor and additional training on the system should take place, as necessary, to ensure the issue in the system is fixed and that payroll deductions properly clear out on a monthly basis.

CITY OF SPRING HILL  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**SECTION II - FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2017-006 - Reconciliation of Payroll Liability Accounts - Continued**

Views of Responsible Officials and Planned Corrective Actions:

*City staff concurs with this finding. City staff will develop policy to require the review and reconciliation of payroll liability accounts and TCRS payroll amounts on a monthly basis. City staff will also be working closely with the Tyler software vendor to address internal software issues that are contributing to errors in reporting. City staff will also be undertaking additional training where needed to ensure proficiency in the use of the software system. The processes and procedures that are being developed to address this item will be coordinated with process and procedures to reconcile insurance premiums with individuals.*

**2017-007 - Reconciliation of Insurance Premiums with Individuals**

Condition, Criteria, Cause, and Effect: The insurance bills are not being reconciled and corrected on a timely basis. Internal control should require that all insurance billings and accounts be reconciled monthly. The City currently does not have an adequate policy in place to reconcile the insurance bills. As a result, the City has paid insurance premiums on individuals that no longer work for the City.

Recommendation: We recommend reconciling the insurance payments to the billings and related employees on a monthly basis. Additionally, a procedure should be put in place where terminated employees are effectively removed from the insurance coverage. Such a procedure will take coordination of human resources and finance.

Views of Responsible Officials and Planned Corrective Action:

*City staff concurs with this finding. City staff will implement procedures to reconcile insurance payments and related matters on a monthly basis. City staff has established processes and procedures between finance and human resources functions where terminated employees are removed from the insurance coverage. The processes and procedures that are being developed to address this item will be coordinated with process and procedures to reconcile payroll liability accounts.*

**2017-008 – Human Resource (“HR”) Forms**

Condition, Criteria, Cause, and Effect: During the audit, we noted that changes in employee statuses are often communicated via e-mail. We noted that there are no formal HR forms submitted from the human resources department to the finance department when changes in employee status are made (i.e. new hires, terminations, salary changes, rate per hour, moving from part-time to full time and vice versa, sick leave versus workers’ compensation, etc.), which can result in employees not getting paid because they were hired and there is no formal record, people receiving the incorrect pay and the finance department having to make a retro pay adjustment or a manual check being cut if someone was not paid and should have been paid.

CITY OF SPRING HILL  
 SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**SECTION II - FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2017-008 – Human Resource (“HR”) Forms - Continued**

Recommendation:

As changes in employee statuses are made, a personnel action form should be completed, reviewed, and approved by the appropriate personnel; placed in the employee’s file; and submitted to the finance department to ensure that any changes are communicated accurately and timely. The employee files and the finance department should always contain approved changes in employee status so that at any point in time, each employee’s information can be verified.

Views of Responsible Officials and Planned Corrective Action:

City staff concurs with this finding and will work to develop and implement a “personnel action form,” a copy of which will be routed from the Human Resources department to the Finance Department to record personnel actions including new hires, terminations, salary/pay rate changes, transitions from part-time to full-time and vice versa, and other related actions in lieu of the email communication presently being used.

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS**

**Financial Statement Findings**

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
2016-001	Accounting System, Fiscal Management, and Accounting Discipline (See 2017-001)	Repeated
2016-002	Capital Assets (See 2017-002)	Repeated
2016-003	Federal and State Grant Funds (See 2017-003)	Repeated
2016-004	Reconciliation of Due To/Due From Accounts	Corrected
2016-005	Formal Purchasing/Gas Card/Credit Card Policies (See 2017-005)	Repeated
2016-006	Reconciliation of Payroll Liability Accounts (See 2017-006)	Repeated
2016-007	Reconciliation of Insurance Premiums with Individuals (See 2017-007)	Repeated

**Federal Award Findings and Questioned Costs**

None.