

CITY OF SPRING HILL, TENNESSEE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

Prepared By:
Finance Department

INTRODUCTORY SECTION

CITY OF SPRING HILL, TENNESSEE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents	i-ii
Roster of Officials	iii
 FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – GAAP Basis – General Fund	21-24
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Adequate Facilities/Development Fund	25
Statement of Net Position – Proprietary Funds.....	26
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	27
Statement of Cash Flows – Proprietary Funds.....	28
Notes to Financial Statements.....	29-55
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the City's Net Pension Liability and Related Ratios	56
Schedule of City Contributions	57
SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	58-59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	60-61
Capital Projects Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	62
Library Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	63
Drug Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	64

CITY OF SPRING HILL, TENNESSEE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
SUPPLEMENTARY INFORMATION (Continued)	
Impact Fees Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	65
State Street Aid Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	66
Tourism Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	67
E-Citations Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	68
Northfield Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	69
Sanitation Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	70
 Other Supplementary Information:	
Combined Schedule of Changes in Taxes Receivable	71
Schedule of Changes in Long-Term Debt by Individual Issue	72
Schedule of Debt Service Requirements	73
Schedule of Insurance Coverage	74
Schedule of Property Tax Rates and Assessments	75
Schedule of Utility Rates	76
Schedule of Unaccounted for Water	77-78
 COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	79-80
Schedule of Federal and State Awards	81
Schedule of Findings and Responses	82-85
Schedule of Prior Year Findings	86
Management's Corrective Action Plan	87

**CITY OF SPRING HILL, TENNESSEE
ROSTER OF OFFICIALS
JUNE 30, 2021**

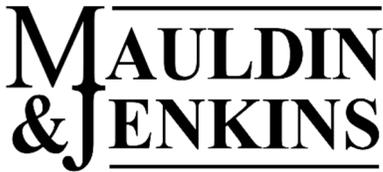
Board of Mayor and Aldermen

Mayor	Jim Hagaman
Vice Mayor and Alderman	Kevin Gavigan
Alderman	John Canepari
Alderman	Jason Cox
Alderman	Matt Fitterer
Alderman	William Pomeroy
Alderman	Dan Allen
Alderman	Hazel Nieves
Alderman	Trent Linville

City Officials

City Administrator	Pam Caskie
Assistant City Administrator	Vacant
Finance Director	Vacant
Chief of Police	Don Brite
City Planner	Calvin Abram
City Recorder	April Goad
Codes Director	Chris Brooks
Communications Officer	David Fish
Fire Chief	Terry Hood
GIS/IT	John Pewitt
Human Resources Director	Shelley Taylor
Library Director	Dana Juriew
Parks & Recreation Director	Kayce Williams
Public Works Director-Interim	Tyler Scroggins
Utility Director	Vacant
Wastewater Treatment Plant Director	Travis Massey
Water Treatment Plant Director	Jeremy Vanderford

FINANCIAL SECTION



CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Spring Hill, Tennessee (the "City")**, as of and for the fiscal year ended June 30, 2021, 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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison information of the General Fund and Adequate Facilities/Development Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the City's Net Pension Liability and Related Ratios, and the Schedule of City Contributions on pages 4 through 15, 56, and 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

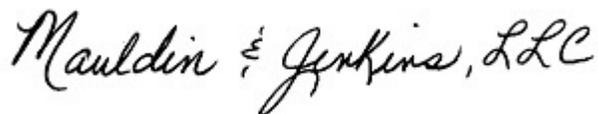
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Spring Hill, Tennessee's basic financial statements. The introductory section, the combining and individual fund statements and schedules, the schedule of expenditures of federal and state awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Audits, and required by the Tennessee Comptroller of the Treasury's Audit Manual *Standards and Procedures*, June 2021, and the other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2022 on our consideration of the City of Spring Hill, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Spring Hill, Tennessee's internal control over financial reporting and compliance.



Chattanooga, Tennessee
February 24, 2022

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

As management of the City of Spring Hill, Tennessee (the "City" or the "City of Spring Hill"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Spring Hill exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$182,095,641 (total net position).
- The government's total net position increased by \$35,341,717.
- As of the close of the current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$75,566,723, which is an increase of \$30,098,863 in comparison with the prior year. The majority of this increase (\$28,129,117) is related to the Capital Projects Fund and represents issued but unexpended debt proceeds from debt issued during the year.

At the end of the current fiscal year, the unassigned fund balance in the general fund was 136% 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, 2021

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 16 – 17 of this report.

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

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

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

The City of Spring Hill maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Adequate Facilities / Development Fund which are considered to be major funds. Data for the other non-major governmental funds is provided in the form of combining statements starting on page 58 of this report.

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

The City of Spring Hill adopts an annual appropriated budget for all funds. 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 18 – 25 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Storm Water Fund. The basic proprietary fund financial statements can be found on pages 26 – 28 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 29 – 55 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 58 – 70 of this report.

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

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 \$182,095,641.

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current assets	\$ 92,656,691	\$ 44,815,876	\$ 41,425,843	\$ 31,947,242	\$ 134,082,534	\$ 76,763,118
Capital assets - net	32,385,006	39,070,555	80,466,224	78,093,914	112,851,230	117,164,469
Total assets	<u>\$ 125,041,697</u>	<u>\$ 83,886,431</u>	<u>\$ 121,892,067</u>	<u>\$ 110,041,156</u>	<u>\$ 246,933,764</u>	<u>\$ 193,927,587</u>
Deferred outflows of resources	1,714,410	1,737,905	542,767	538,201	2,257,177	2,276,106
Liabilities						
Current liabilities	\$ 2,673,374	\$ 1,749,722	\$ 669,556	\$ 851,009	\$ 3,342,930	\$ 2,600,731
Long-term liabilities (net)	37,043,517	20,724,066	12,132,742	13,052,571	49,176,259	33,776,637
Total liabilities	<u>\$ 39,716,891</u>	<u>\$ 22,473,788</u>	<u>\$ 12,802,298</u>	<u>\$ 13,903,580</u>	<u>\$ 52,519,189</u>	<u>\$ 36,377,368</u>
Deferred inflows of resources	14,499,671	13,027,537	76,440	44,864	14,576,111	13,072,401
Net Position						
Net investment in capital assets	\$ 22,517,114	\$ 20,647,154	\$ 68,758,817	\$ 65,441,017	\$ 91,275,931	\$ 86,088,171
Restricted	13,865,115	4,659,492	3,029,704	1,871,475	16,894,819	6,530,967
Unrestricted	36,157,316	24,816,365	37,767,575	29,318,421	73,924,891	54,134,786
Total net position	<u>\$ 72,539,545</u>	<u>\$ 50,123,011</u>	<u>\$ 109,556,096</u>	<u>\$ 96,630,913</u>	<u>\$ 182,095,641</u>	<u>\$ 146,753,924</u>

The largest portion of the City of Spring Hill's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), net of any related debt used to acquire those assets that are still outstanding. The City of Spring Hill uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although City of Spring Hill's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. During fiscal year 2019, the City performed a physical capital asset inventory to ensure accurate accounting for the City's capital assets. Once the physical capital asset inventory was completed, the information was entered into the City's accounting software and an entry to beginning balances was necessary to record the adjustments. The City continued to track and update inventories throughout fiscal year 2021. 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, 2021

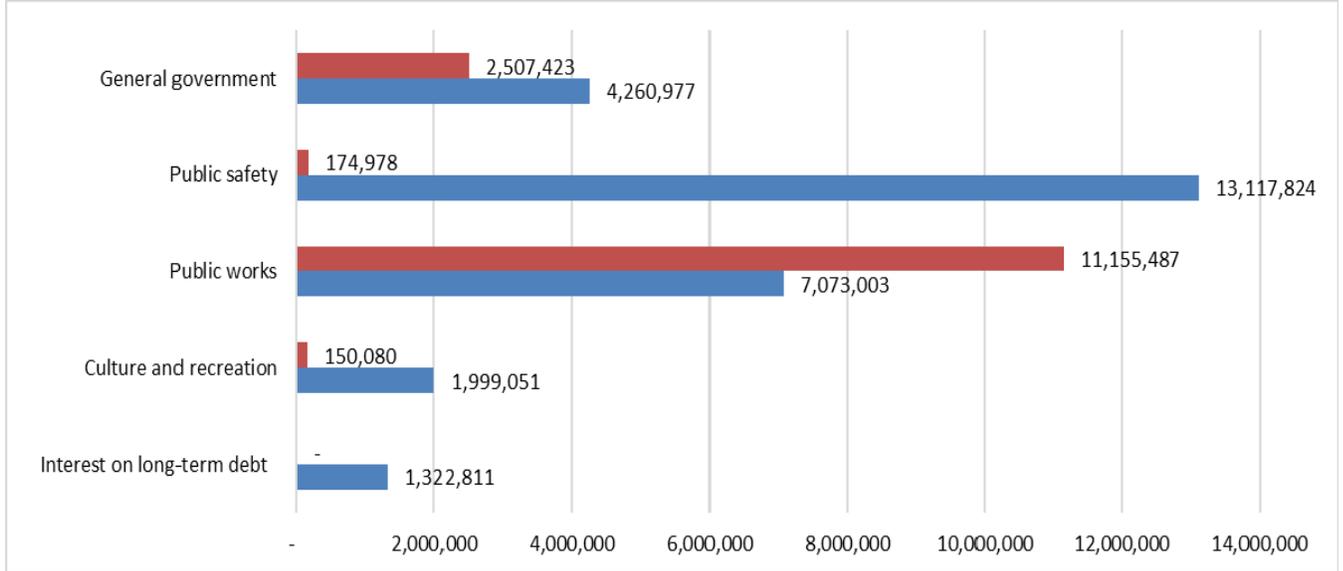
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for Services	\$ 10,061,126	\$ 6,843,995	\$ 15,794,012	\$ 12,919,099	\$ 25,855,138	\$ 19,763,094
Operating Grants & Contributions	917,484	270,798	-	-	917,484	270,798
Capital Grants & Contributions	3,009,358	2,904,080	9,429,919	10,441,027	12,439,277	13,345,107
General Revenues:						
Taxes	32,896,027	26,499,247	-	-	32,896,027	26,499,247
Intergovernmental revenues	1,501,922	706,350	-	-	1,501,922	706,350
Unrestricted Interest	70,145	93,134	107,951	176,027	178,096	269,161
Sales of materials	459,504	34,461	-	-	459,504	34,461
Miscellaneous	1,274,634	1,267,620	-	-	1,274,634	1,267,620
Total Revenues	\$ 50,190,200	\$ 38,619,685	\$ 25,331,882	\$ 23,536,153	\$ 75,522,082	\$ 62,155,838
Expenses:						
General Government	\$ 4,260,977	\$ 4,015,950	\$ -	\$ -	\$ 4,260,977	\$ 4,015,950
Public Safety	13,117,824	12,510,067	-	-	13,117,824	12,510,067
Public Works	7,073,003	6,754,834	-	-	7,073,003	6,754,834
Culture and Recreation	1,999,051	1,975,911	-	-	1,999,051	1,975,911
Interest on Long-Term Debt	1,322,811	648,491	-	-	1,322,811	648,491
Water and Sewer	-	-	11,463,358	11,360,781	11,463,358	11,360,781
Storm Water	-	-	943,341	851,477	943,341	851,477
Total Expenses:	\$ 27,773,666	\$ 25,905,253	\$ 12,406,699	\$ 12,212,258	\$ 40,180,365	\$ 38,117,511
Increase in net position before transfers	\$ 22,416,534	\$ 12,714,432	\$ 12,925,183	\$ 11,323,895	\$ 35,341,717	\$ 24,038,327
Transfers	-	-	-	-	-	-
Increase in net position	22,416,534	12,714,432	12,925,183	11,323,895	35,341,717	24,038,327
Net Position - beginning	50,123,011	37,408,579	96,630,913	85,307,018	146,753,924	122,715,597
Net Position - ending	\$ 72,539,545	\$ 50,123,011	\$ 109,556,096	\$ 96,630,913	\$ 182,095,641	\$ 146,753,924

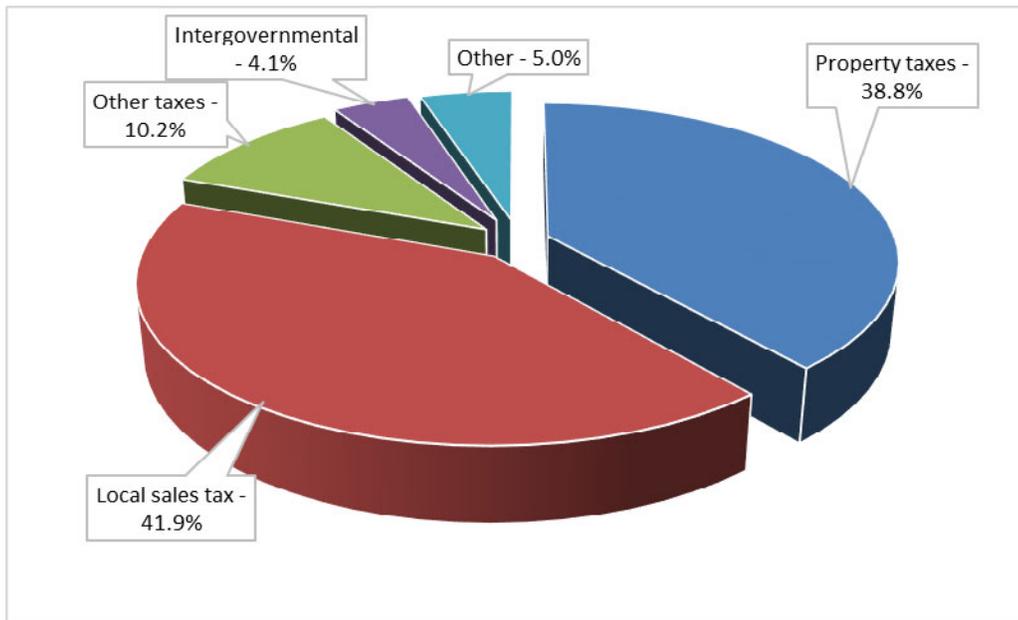
CITY OF SPRING HILL, TENNESSEE
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED JUNE 30, 2021

Expenses and Program Revenues - Governmental Activities

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



General Revenues - Governmental Activities



As shown above, 80.7% of governmental revenues were provided by property taxes and local sales taxes. Intergovernmental revenues totaling 4.1% were predominately state-shared sales tax and TVA payments in lieu of tax, with other taxes providing 10.2%. Other governmental revenues totaled 5%.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

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

	2021	2020
Total assets	\$ 95,340,309	\$ 44,962,967
Total liabilities	5,356,992	1,896,813
Deferred inflows of resources	14,416,594	12,967,291
Fund balances:		
Nonspendable	2,780	-
Restricted	39,459,060	5,191,171
Committed	212,514	586,015
Assigned	6,393,540	3,226,936
Unassigned	29,498,829	21,094,741
Total fund balances	75,566,723	30,098,863
Total liabilities, deferred inflows of resources, and fund balances	\$ 95,340,309	\$ 44,962,967

As of the end of the current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$75,566,723, a substantial increase of \$45,467,860 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 \$29,498,829. Restricted governmental fund balances were \$39,459,060 in contrast with \$5,191,171 the previous year. The majority of this increase is associated with debt proceeds issued for infrastructure improvements.

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

**Changes in Fund Balance
Total Governmental Funds**

	2021	2020
Revenues:		
Taxes	\$ 28,533,993	\$ 22,673,340
License, permits and fees	1,570,935	1,316,020
Intergovernmental	8,760,582	6,700,400
Impact fees	5,264,368	2,698,361
Charges for services	2,833,305	2,504,696
Contributions	26,444	37,563
Fines and forfeitures	392,518	324,918
Insurance recovery	-	-
Interest revenue	70,145	93,134
Miscellaneous	1,274,634	1,267,620
Total revenues	48,726,924	37,616,052
Expenditures:		
General government	3,980,384	3,704,526
Public safety	12,208,309	11,656,824
Public works	6,387,880	5,287,444
Culture and recreation	1,757,773	1,732,231
Capital outlay	3,334,315	5,118,443
Debt service	10,863,626	1,999,593
Total expenditures	38,532,287	29,499,061
Excess of revenues over expenditures	10,194,637	8,116,991
Other Financing Sources (Uses)		
Proceeds from sale of property	9,229,326	34,461
Issuance of long-term debt	23,880,000	1,375,000
Premium	3,562,730	-
Payments to escrow agent	(1,398,833)	-
Transfers in	8,205,071	4,150,083
Transfers out	(8,205,071)	(4,150,083)
Total other financing sources (uses)	35,273,223	1,409,461
Net change in fund balance	45,467,860	9,526,452
Fund Balance, beginning	30,098,863	20,572,411
Fund Balance, end	\$ 75,566,723	\$ 30,098,863

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

The fund balances of the City's governmental funds increased by almost \$45.5 million during the current fiscal year.

- The Capital Projects fund balance made up approximately \$28 million of the increase, predominantly the result of the issuance of \$24 million in debt that was unexpended at the end of the fiscal year and a \$1.6 million increase in transfers from the General Fund (from a portion of a previous property tax increase that was earmarked for specific capital projects),
- Increased revenues included:
 - Higher sales tax collections and property tax collections (approximately \$5 million over the previous year) within the General Fund,
 - Increased building permit revenues (including General Fund permits and impact fees), and
 - an increase in intergovernmental revenues due to higher local state sales tax (\$600,000) and grants (a \$1.5 million increase in the General Fund).
- A summary of governmental fund balances reflecting increases include General Fund (\$13.5 million), Impact Fees (\$3.27 million), State Street Aid (\$265,000), Adequate Facilities (\$442,000), Sanitation (\$190,000), and Capital Projects (\$28 million).

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

Unrestricted net position of the Water and Sewer Fund and the Storm Water Fund at the end of the year amounted to \$37,767,575. Restricted net position in these funds at the end of the year was \$3,029,704. Net investment in capital assets at the end of year totaled \$68,758,817, and the total increase in net position for proprietary funds compared to the previous year was \$12,925,183.

Drivers of this increase are higher water and sewer revenues (\$1.29 million and \$1.547 million, respectively), the result of the second tier of a rate increase, an increase in customer numbers from new residents and increased consumption. Additional factors were \$3 million in capital contributions (donated infrastructure from accepted new development), and \$5 million in tap and development fees.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original and Final Budgeted Amounts

Revenues in the adopted fiscal year 2021, General Fund budget (\$27,527,857) represented less than a 1% increase over the final fiscal year 2020 budget. Budgeted revenues were subsequently increased by \$4,579,725 during the year through budget amendments. Primary components were increases in budgeted property tax revenues (\$760,000), Local Option Sales Tax (\$2,029,537) and grants (\$1,556,386).

Total assessed valuation for property taxes increased approximately 6% by \$81 million from the previous year, and the budget for property tax revenues increased almost \$2.4 million (21%). Property tax rates were increased from fiscal year 2020 by \$0.10 for Williamson County residents (11.6%), and \$.0931 for Maury County residents (10.1%).

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

Budgeted expenditures were revised upward during the year by 20% from \$28.2 million to \$33.9 million, an increase of \$5.7 million. Big-ticket items included the implementation of an updated pay plan (\$480,000), budget allocations for new positions (\$325,000), new and replacement vehicles/equipment (\$560,000), additional funds for paving (\$500,000), a \$1.4 million allocation to repay a 2019 capital outlay note (refunded with new debt) and \$945,000 for a Governor's Local Support Grant.

Final Budgeted and Actual Amounts

Actual revenues exceeded final budget amounts by over \$5 million, driven by Local Sales Tax (\$2.6 million), State Sales Tax (\$1 million), Building Permits (\$630,000), and other taxes (\$766,000).

Actual expenditures were \$5.1 million lower than budgeted amounts. Nearly \$1.1 million was associated with salary/benefit savings from staff transitions and unfilled positions during the year throughout all General Fund departments (nearly half of that total was within the Police Department).

Unexpended funds at the end of the fiscal year included: grant balances (\$600,000), paving allocation (\$445,000), sidewalk repair funds (\$50,000), brush grinding (\$65,000), the balance of funds for right-of-way acquisition for Duplex Road (\$183,000), Buckner Lane funds (\$244,000), and \$562,000 of the budgeted operating transfer to Northfield, which was not fully utilized as the facility was sold during the fiscal year. Capital outlay allocations that remained at the end of the fiscal year included \$40,000 for safety enhancements at City Hall, \$132,000 for Police site acquisition, and \$373,000 in matching funds for the Harvey Park Greenway. Funds for several of these items/projects was reappropriated into fiscal year 2021-22.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2021 was \$112,851,230 (net of accumulated depreciation), a decrease of \$4,313,239. Depreciation charges for the fiscal year totaled \$4,953,760. 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:

- Design costs for transitioning the Police Department and Library to Northfield (\$1,326,521) were removed from Construction in Progress (CIP), as Northfield was sold during the year.
- An aerial Fire truck (\$1,374,252) was removed from CIP and placed into service, while another Fire truck (\$708,085) was ordered and placed into CIP.
- Other active CIP projects include road improvements projects (interchange approaches, turn lane improvements, Buckner Lane East and West, Tom Lunn Road) and Harvey Park Greenway.
- In addition to the CIP items detailed above, increases to general fixed assets included a mobile command post for Police/Fire (\$222,484), replacement self-contained breathing apparatus for Fire (\$250,000), other Police vehicles and equipment (\$164,169), Public Works vehicles/equipment (\$295,530), and vehicles and equipment for Codes/Planning (\$23,402), and Parks (\$22,443).
- Infrastructure additions within governmental funds totaled \$930,030 for accepted streets and sidewalks during the fiscal year.

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

Within business-type activities, plant and equipment increased as a result of:

- \$1.3 million in donated water lines, \$1.75 million in donated sewer lines and \$1.3 million in stormwater improvements.
- Machinery/equipment purchases for Stormwater (\$138,000), Water (\$33,000) and Sewer (\$27,146), and brush aerators and a polymer pump system for the Wastewater Plant (\$102,749), and
- Additions to CIP projects during the year, including development of a new Wastewater Plant oxidation ditch (\$258,000), a Highway 31 water booster station (\$31,000), and improvements to the headworks screens at the Wastewater Plant (\$33,000).

Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Construction in Progress	\$ 2,943,806	\$ 3,963,905	\$ 1,216,694	\$ 860,188	\$ 4,160,500	\$ 4,824,093
Land and easements	3,532,824	3,134,006	985,798	985,798	4,518,622	4,119,804
Buildings and Improvements	13,255,269	21,267,317	63,962,781	63,962,781	77,218,050	85,230,098
Plant and Equipment	13,640,973	11,416,210	1,768,481	1,484,704	15,409,454	12,900,914
Infrastructure	17,106,745	16,176,715	55,787,044	51,390,007	72,893,789	67,566,722
Less accumulated depreciation	(18,094,611)	(16,887,598)	(43,254,574)	(40,589,564)	(61,349,185)	(57,477,162)
Total	<u>\$ 32,385,006</u>	<u>\$ 39,070,555</u>	<u>\$ 80,466,224</u>	<u>\$ 78,093,914</u>	<u>\$ 112,851,230</u>	<u>\$ 117,164,469</u>

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

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 \$32,200,000. The business-type activities had total long-term debt of \$11,022,532.

Outstanding Debt, General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Notes payable	\$ 2,815,000	\$ 12,025,000	\$ 2,161,000	\$ 12,652,897	\$ 4,976,000	\$ 24,677,897
Financed purchases	-	-	86,532	-	86,532	-
Bonds payable	29,385,000	6,930,080	8,775,000	-	38,160,000	6,930,080
Total	<u>\$ 32,200,000</u>	<u>\$ 18,955,080</u>	<u>\$ 11,022,532</u>	<u>\$ 12,652,897</u>	<u>\$ 43,222,532</u>	<u>\$ 31,607,977</u>

The City of Spring Hill's total long-term debt increased by \$11,614,555 during the fiscal year (a \$13,244,920 increase in governmental activities and \$1,630,365 decrease in business-type activities). Routine principal payments during the year totaled approximately \$3.5 million.

There were additions of new debt and redemptions of old debt during fiscal year 2021 as follows:

- The principal balance on a loan from the Tennessee Municipal Bond Fund was repaid when the Northfield Facility was sold (\$6,818,080).

CITY OF SPRING HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

- After resizing, \$23,880,000 par amount of General Obligation debt was issued (\$21,975,000 for transportation construction and construction/equipping of City facilities, \$710,000 for the purchase of a new fire truck and \$1.2 million to redeem a 2019 capital outlay note).
- \$9,395,000 in GO debt backed by the water/sewer system was issued to refund two revolving loan issues with the State.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City of Spring Hill continues to see rapid growth. Calendar year 2021 continued to reflect strong numbers for new residential permits. This growth serves to build the property tax base and increase the sales tax collections, building permits and impact fees, although it increases strain on infrastructure and the need for police, fire, sanitation and water and sewer services.
- Property tax rates and water/sewer/stormwater rates were maintained for the 2021-22 budget year.
- Several major road projects are in progress throughout the City, including a new I-65 interchange and related East and West approaches.
- Infrastructure improvements for water and sewer facilities are in beginning phases, as well as plans to create new or improved City facilities for Police, Fire, the Library and Public Works.

These factors were considered in preparing the 2022 fiscal year budget for the City of Spring Hill.

REQUESTS FOR INFORMATION

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

City of Spring Hill
Attn: Debra A. Dutcher, Finance Director
P.O. Box 789
Spring Hill, Tennessee 37174

CITY OF SPRING HILL, TENNESSEE

STATEMENT OF NET POSITION JUNE 30, 2021

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 42,357,214	\$ 26,201,629	\$ 68,558,843
Investments	6,222,162	10,370,360	16,592,522
Receivables, net	449,203	1,373,221	1,822,424
Due from other governments	1,816,218	59,482	1,875,700
Taxes receivable, net	14,459,947	-	14,459,947
Internal balances	(151,762)	151,762	-
Inventories	-	237,469	237,469
Prepaid items	2,780	2,216	4,996
Restricted cash	27,500,929	3,029,704	30,530,633
Capital assets, nondepreciable	6,476,630	2,202,492	8,679,122
Capital assets, depreciable, net of accumulated depreciation	25,908,376	78,263,732	104,172,108
Total assets	125,041,697	121,892,067	246,933,764
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	1,714,410	542,767	2,257,177
Total deferred outflows of resources	1,714,410	542,767	2,257,177
LIABILITIES			
Accounts payable	1,648,828	403,930	2,052,758
Accrued liabilities	582,446	245,183	827,629
Accrued interest	186,575	20,443	207,018
Unearned revenue	442,100	-	442,100
Noncurrent liabilities due within one year			
Compensated absences payable	428,217	217,644	645,861
Note payable	540,000	318,000	858,000
Bonds payable	1,340,000	635,000	1,975,000
Financed purchases	-	16,707	16,707
Noncurrent liabilities due in more than one year			
Compensated absences payable	310,863	-	310,863
Note payable	2,275,000	1,843,000	4,118,000
Bonds payable	31,306,837	8,824,875	40,131,712
Financed purchases	-	69,825	69,825
Net pension liability	656,025	207,691	863,716
Total liabilities	39,716,891	12,802,298	52,519,189
DEFERRED INFLOWS OF RESOURCES			
Pension related items	241,445	76,440	317,885
Deferred revenues - property taxes	14,258,226	-	14,258,226
Total deferred inflows of resources	14,499,671	76,440	14,576,111
NET POSITION			
Net investment in capital assets	22,517,114	68,758,817	91,275,931
Restricted for:			
Roads and streets	1,026,584	-	1,026,584
Drug enforcement	162,512	-	162,512
Capital projects	12,676,019	3,029,704	15,705,723
Unrestricted	36,157,316	37,767,575	73,924,891
Total net position	\$ 72,539,545	\$ 109,556,096	\$ 182,095,641

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

CITY OF SPRING HILL, TENNESSEE

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,260,977	\$ 1,892,996	\$ 614,427	\$ -	\$ (1,753,554)	\$ -	\$ (1,753,554)
Public safety	13,117,824	66,338	108,640	-	(12,942,846)	-	(12,942,846)
Public works	7,073,003	8,101,757	44,372	3,009,358	4,082,484	-	4,082,484
Culture and recreation	1,999,051	35	150,045	-	(1,848,971)	-	(1,848,971)
Interest and charges on long-term debt	1,322,811	-	-	-	(1,322,811)	-	(1,322,811)
Total governmental activities	<u>27,773,666</u>	<u>10,061,126</u>	<u>917,484</u>	<u>3,009,358</u>	<u>(13,785,698)</u>	<u>-</u>	<u>(13,785,698)</u>
Business-type activities:							
Water and sewer	11,463,358	14,724,142	-	8,084,231	-	11,345,015	11,345,015
Storm Water	943,341	1,069,870	-	1,345,688	-	1,472,217	1,472,217
Total business-type activities	<u>12,406,699</u>	<u>15,794,012</u>	<u>-</u>	<u>9,429,919</u>	<u>-</u>	<u>12,817,232</u>	<u>12,817,232</u>
Total primary government	<u>\$ 40,180,365</u>	<u>\$ 25,855,138</u>	<u>\$ 917,484</u>	<u>\$ 12,439,277</u>	<u>(13,785,698)</u>	<u>12,817,232</u>	<u>(968,466)</u>
General revenues:							
Property tax					14,034,376	-	14,034,376
Sales tax					15,177,359	-	15,177,359
Wholesale beer and liquor tax					1,324,983	-	1,324,983
Business tax					796,792	-	796,792
Franchise tax					483,959	-	483,959
Room occupancy tax					134,632	-	134,632
Other taxes					943,926	-	943,926
Intergovernmental					1,501,922	-	1,501,922
Unrestricted investment earnings					70,145	107,951	178,096
Miscellaneous					1,274,634	-	1,274,634
Gain on sale of capital assets					459,504	-	459,504
Total general revenues					<u>36,202,232</u>	<u>107,951</u>	<u>36,310,183</u>
Change in net position					<u>22,416,534</u>	<u>12,925,183</u>	<u>35,341,717</u>
Net position, beginning of year					<u>50,123,011</u>	<u>96,630,913</u>	<u>146,753,924</u>
Net position, end of year					<u>\$ 72,539,545</u>	<u>\$ 109,556,096</u>	<u>\$ 182,095,641</u>

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

CITY OF SPRING HILL, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

ASSETS	General	Adequate Facilities/ Development	Capital Projects	Nonmajor Governmental	Total
	Fund	Fund	Fund	Funds	
Cash and cash equivalents	\$ 23,784,572	\$ 3,142,659	\$ 6,563,534	\$ 8,866,449	\$ 42,357,214
Investments	3,111,081	3,111,081	-	-	6,222,162
Taxes receivable, net	14,459,947	-	-	-	14,459,947
Accounts receivable, net	182,535	4,954	-	261,714	449,203
Due from other governments	1,616,595	55,112	-	144,511	1,816,218
Due from other funds	2,505,363	-	-	26,493	2,531,856
Prepays	2,780	-	-	-	2,780
Restricted cash	631,432	-	24,962,513	1,906,984	27,500,929
Total assets	\$ 46,294,305	\$ 6,313,806	\$ 31,526,047	\$ 11,206,151	\$ 95,340,309
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 1,023,969	\$ 403,791	\$ 169,994	\$ 51,074	\$ 1,648,828
Accrued liabilities	582,446	-	-	-	582,446
Unearned revenue	-	442,100	-	-	442,100
Due to other funds	138,255	-	-	2,545,363	2,683,618
Total liabilities	1,744,670	845,891	169,994	2,596,437	5,356,992
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	14,258,226	-	-	-	14,258,226
Unavailable revenue - property taxes	158,368	-	-	-	158,368
Total deferred inflows of resources	14,416,594	-	-	-	14,416,594
FUND BALANCES					
Fund balances:					
Nonspendable - prepaid items	2,780	-	-	-	2,780
Restricted					
Roads and streets	-	-	-	1,026,584	1,026,584
Drug enforcement	-	-	-	162,512	162,512
Capital projects	631,432	5,467,915	24,962,513	7,208,104	38,269,964
Committed					
Library operations	-	-	-	89,597	89,597
Tourism	-	-	-	112,594	112,594
Public safety	-	-	-	10,323	10,323
Assigned for capital projects	-	-	6,393,540	-	6,393,540
Unassigned	29,498,829	-	-	-	29,498,829
Total fund balances	30,133,041	5,467,915	31,356,053	8,609,714	75,566,723
Total liabilities, deferred inflows of resources, and fund balances	\$ 46,294,305	\$ 6,313,806	\$ 31,526,047	\$ 11,206,151	
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.					32,385,006
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows in the governmental funds.					158,368
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.					(36,387,492)
The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds.					816,940
Net position of governmental activities					<u>\$ 72,539,545</u>

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

CITY OF SPRING HILL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Adequate Facilities/ Development Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Revenues:					
Taxes	\$ 28,399,361	\$ -	\$ -	\$ 134,632	\$ 28,533,993
Licenses, permits, fees	1,570,935	-	-	-	1,570,935
Intergovernmental	6,681,254	545,764	-	1,533,564	8,760,582
Impact fees	-	1,977,569	-	3,286,799	5,264,368
Charges for services	22,195	-	-	2,811,110	2,833,305
Contributions	-	-	-	26,444	26,444
Fines and forfeitures	312,168	-	-	80,350	392,518
Interest revenue	32,161	27,620	5,287	5,077	70,145
Other	417,989	-	-	856,645	1,274,634
Total revenues	<u>37,436,063</u>	<u>2,550,953</u>	<u>5,287</u>	<u>8,734,621</u>	<u>48,726,924</u>
Expenditures:					
General government	3,136,654	-	-	843,730	3,980,384
Public safety	12,160,013	3,112	-	45,184	12,208,309
Public works	2,808,068	-	-	3,579,812	6,387,880
Culture and recreation	1,536,970	-	-	220,803	1,757,773
Capital outlay	1,605,995	1,332,689	395,631	-	3,334,315
Debt Service:					
Principal	287,788	522,081	850,000	7,600,211	9,260,080
Interest	136,990	215,303	668,319	402,515	1,423,127
Issuance costs	-	-	180,419	-	180,419
Total expenditures	<u>21,672,478</u>	<u>2,073,185</u>	<u>2,094,369</u>	<u>12,692,255</u>	<u>38,532,287</u>
Excess (deficiency) of revenues over expenditures	15,763,585	477,768	(2,089,082)	(3,957,634)	10,194,637
Other financing sources (uses):					
Proceeds from sale of capital assets	29,326	-	-	9,200,000	9,229,326
Refunding payment to escrow agent	(1,398,833)	-	-	-	(1,398,833)
Transfers in	2,540,448	-	5,037,780	626,843	8,205,071
Transfers out	(5,664,623)	(35,446)	-	(2,505,002)	(8,205,071)
Issuance of long-term liabilities	1,905,000	-	21,975,000	-	23,880,000
Premiums on long-term liabilities	357,311	-	3,205,419	-	3,562,730
Total other financing sources (uses):	<u>(2,231,371)</u>	<u>(35,446)</u>	<u>30,218,199</u>	<u>7,321,841</u>	<u>35,273,223</u>
Net change in fund balances	13,532,214	442,322	28,129,117	3,364,207	45,467,860
Fund balances, beginning of year	<u>16,600,827</u>	<u>5,025,593</u>	<u>3,226,936</u>	<u>5,245,507</u>	<u>30,098,863</u>
Fund balances, end of year	<u>\$ 30,133,041</u>	<u>\$ 5,467,915</u>	<u>\$ 31,356,053</u>	<u>\$ 8,609,714</u>	<u>\$ 75,566,723</u>

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

CITY OF SPRING HILL, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

Net change in fund balances - total governmental funds	\$	45,467,860
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		1,154,243
The net effect of various miscellaneous transactions involving capital assets (i.e. donations and disposals) is to decrease net position.		(7,839,792)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		73,742
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(16,807,650)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>368,131</u>
Change in net position - governmental activities	\$	<u>22,416,534</u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Real and personal property	\$ 13,060,308	\$ 13,820,308	\$ 13,960,634	\$ 140,326
Utility taxes	60,000	60,000	130,202	70,202
Interest and penalty on taxes	-	-	19,717	19,717
Payments in lieu of taxes	572,165	572,165	584,389	12,224
Local sales tax	6,290,000	8,319,537	10,947,083	2,627,546
Wholesale beer tax	598,000	598,000	735,314	137,314
Wholesale liquor tax	310,000	310,000	589,669	279,669
Business tax	588,000	588,000	796,792	208,792
Franchise tax	490,000	490,000	483,959	(6,041)
Mixed drink taxes	88,000	88,000	136,660	48,660
Sports betting tax	-	-	14,942	14,942
Total Taxes	<u>22,056,473</u>	<u>24,846,010</u>	<u>28,399,361</u>	<u>3,553,351</u>
Licenses and Permits:				
Beer permit applications	12,000	12,000	17,400	5,400
Alarm registrations	10,000	10,000	6,660	(3,340)
Building permits	900,000	900,000	1,529,944	629,944
Solicitation permits	800	800	990	190
Sign permits	11,000	11,000	15,941	4,941
Total Licenses and Permits	<u>933,800</u>	<u>933,800</u>	<u>1,570,935</u>	<u>637,135</u>
Intergovernmental:				
Grants	373,000	1,929,386	1,686,168	(243,218)
TVA payments in lieu of taxes	485,232	485,232	462,207	(23,025)
Fire department incentive pay	42,400	42,400	44,800	2,400
State sales tax	3,234,880	3,234,880	4,230,276	995,396
State income tax	20,000	20,000	73,870	53,870
State beer tax	19,409	19,409	19,144	(265)
Corporate excise tax	10,500	10,500	58,016	47,516
Other state revenue allocations	45,900	45,900	50,608	4,708
Library revenue	56,165	56,165	56,165	-
Total Intergovernmental	<u>4,287,486</u>	<u>5,843,872</u>	<u>6,681,254</u>	<u>837,382</u>
Charges for Services:				
Other charges for services	8,700	8,700	22,195	13,495
Total Charges for Services	<u>8,700</u>	<u>8,700</u>	<u>22,195</u>	<u>13,495</u>
Fines and forfeitures:				
City court fines and costs	125,000	125,000	268,670	143,670
County court fines and costs	50,000	50,000	43,131	(6,869)
Other revenues	1,000	1,000	367	(633)
Total Fines and Forfeitures	<u>176,000</u>	<u>176,000</u>	<u>312,168</u>	<u>136,168</u>
Interest Revenue:				
General	33,500	33,500	32,161	(1,339)
Total Interest Revenue	<u>33,500</u>	<u>33,500</u>	<u>32,161</u>	<u>(1,339)</u>
Other Revenues:				
Contributions	-	254,700	245,000	(9,700)
Insurance recoveries	10,000	10,000	21,669	11,669
Miscellaneous revenues	21,898	1,000	151,320	150,320
Total Other Revenues	<u>31,898</u>	<u>265,700</u>	<u>417,989</u>	<u>152,289</u>
Total revenues	<u>27,527,857</u>	<u>32,107,582</u>	<u>37,436,063</u>	<u>5,328,481</u>

(continued)

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures:				
General Government:				
Board of Mayor - Alderman				
Personal services	191,675	191,675	150,189	41,486
Services	359,603	485,663	379,737	105,926
Supplies	12,100	12,100	2,955	9,145
Other charges	56,000	64,000	63,848	152
Grants, contributions, indemnities, and other	59,406	971,977	48,794	923,183
Total Board of Mayor - Alderman	678,784	1,725,415	645,523	1,079,892
City Court:				
Personal services	30,827	30,927	30,917	10
Services	1,400	8,700	7,744	956
Supplies	300	300	-	300
Other charges	-	100	95	5
Total Judicial	32,527	40,027	38,756	1,271
Administration:				
Personal services	324,351	344,567	236,231	108,336
Services	47,150	47,150	27,969	19,181
Supplies	14,500	15,000	3,668	11,332
Other charges	5,000	4,500	540	3,960
Grants, contributions, indemnities, and other	1,700	1,700	83,327	(81,627)
Total Financial Administration	392,701	412,917	351,735	61,182
Financial Administration:				
Personal services	377,297	391,958	341,308	50,650
Services	138,500	139,650	97,725	41,925
Supplies	42,000	50,500	34,393	16,107
Other charges	2,400	2,400	657	1,743
Grants, contributions, indemnities, and other	-	350	119	231
Total Financial Administration	560,197	584,858	474,202	110,656
Information Management System:				
Personal services	231,799	225,967	161,843	64,124
Services	309,534	336,503	279,015	57,488
Supplies	104,500	102,806	62,359	40,447
Other charges	2,200	2,800	2,693	107
Grants, contributions, indemnities, and other	-	125	103	22
Total Information Management System	648,033	668,201	506,013	162,188
Buildings and Codes:				
Personal services	511,154	537,544	508,699	28,845
Services	99,591	98,689	88,372	10,317
Supplies	15,000	14,095	8,333	5,762
Other charges	18,000	18,000	7,518	10,482
Grants, contributions, indemnities, and other	500	500	300	200
Total Buildings and Codes	644,245	668,828	613,222	55,606
Planning and Zoning				
Personal services	249,508	265,052	209,954	55,098
Services	45,650	45,650	5,224	40,426
Supplies	10,450	10,450	1,213	9,237
Grants, contributions, indemnities, and other	6,500	6,500	223	6,277
Total building and grounds	312,108	327,652	216,614	111,038

(continued)

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General Government Building - City Hall Building:				
Personal services	93,354	97,197	86,008	11,189
Services	93,600	91,450	76,431	15,019
Supplies	10,000	11,850	8,098	3,752
Other charges	3,500	6,300	6,028	272
Total General Government Building	<u>200,454</u>	<u>206,797</u>	<u>176,565</u>	<u>30,232</u>
Human Resources				
Personal services	94,372	103,739	102,454	1,285
Services	16,200	11,200	7,114	4,086
Supplies	1,500	1,500	500	1,000
Other charges	1,000	6,000	3,956	2,044
Total Human Resources	<u>113,072</u>	<u>122,439</u>	<u>114,024</u>	<u>8,415</u>
Total General Government	<u>3,582,121</u>	<u>4,757,134</u>	<u>3,136,654</u>	<u>1,620,480</u>
Public Safety:				
Dispatch:				
Services	31,730	31,730	4,507	27,223
Supplies	364,000	364,000	364,000	-
Other charges	-	-	624	(624)
Total Dispatch	<u>395,730</u>	<u>395,730</u>	<u>369,131</u>	<u>26,599</u>
Police Department:				
Personal services	5,216,016	5,479,542	4,984,690	494,852
Services	450,744	444,431	353,507	90,924
Supplies	486,802	518,758	406,423	112,335
Other charges	286,200	300,750	300,217	533
Grants, contributions, indemnities, and other	7,000	38,000	792	37,208
Total Police Department	<u>6,446,762</u>	<u>6,781,481</u>	<u>6,045,629</u>	<u>735,852</u>
Highway Safety:				
Personal services	10,000	10,000	-	10,000
Supplies	10,000	10,000	9,526	474
Total Highway Safety Department	<u>20,000</u>	<u>20,000</u>	<u>9,526</u>	<u>10,474</u>
Fire:				
Personal Services	4,937,513	5,134,205	5,092,330	41,875
Services	374,636	306,981	275,594	31,387
Supplies	256,224	262,324	261,394	930
Other charges	115,000	113,000	106,195	6,805
Grants, contributions, indemnities, and other	2,500	2,500	214	2,286
Total Fire	<u>5,685,873</u>	<u>5,819,010</u>	<u>5,735,727</u>	<u>83,283</u>
Total Public Safety	<u>12,548,365</u>	<u>13,016,221</u>	<u>12,160,013</u>	<u>856,208</u>
Public Works:				
Streets and Highways:				
Personal Services	1,404,376	1,638,819	1,470,673	168,146
Services	1,143,950	1,682,150	1,061,034	621,116
Supplies	196,400	226,400	190,660	35,740
Other charges	93,000	96,500	75,451	21,049
Grants, contributions, indemnities, and other	193,859	437,859	10,250	427,609
Total highway and streets	<u>3,031,585</u>	<u>4,081,728</u>	<u>2,808,068</u>	<u>1,273,660</u>
Total Public Works	<u>3,031,585</u>	<u>4,081,728</u>	<u>2,808,068</u>	<u>1,273,660</u>

(continued)

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Culture and Recreation:				
Parks and Recreation:				
Personal services	396,517	391,740	371,912	19,828
Services	143,500	213,250	212,066	1,184
Supplies	53,300	47,300	43,586	3,714
Other charges	17,500	18,000	14,444	3,556
Grants, contributions, indemnities, and other	1,000	21,720	12,424	9,296
Total Parks and Recreation	<u>611,817</u>	<u>692,010</u>	<u>654,432</u>	<u>37,578</u>
Library:				
Personal services	671,673	682,535	678,191	4,344
Services	87,000	92,820	92,846	(26)
Supplies	107,600	106,734	106,132	602
Other charges	5,000	4,871	4,871	-
Grants, contributions, indemnities, and other	1,000	501	498	3
Total Library	<u>872,273</u>	<u>887,461</u>	<u>882,538</u>	<u>4,923</u>
Total Culture and Recreation	<u>1,484,090</u>	<u>1,579,471</u>	<u>1,536,970</u>	<u>42,501</u>
Capital outlay:	1,378,300	2,303,294	1,605,995	697,299
Total Capital outlay	<u>1,378,300</u>	<u>2,303,294</u>	<u>1,605,995</u>	<u>697,299</u>
Debt Services:				
Principal	334,000	288,000	287,788	212
Interest and issuance costs	97,000	156,478	136,990	19,488
Total Debt Service	<u>431,000</u>	<u>444,478</u>	<u>424,778</u>	<u>19,700</u>
Total Expenditures	<u>22,455,461</u>	<u>26,182,326</u>	<u>21,672,478</u>	<u>4,509,848</u>
Excess of revenues over expenditures	5,072,396	5,925,256	15,763,585	9,838,329
Other financing sources (uses):				
Proceeds from sale of capital assets	10,000	10,000	29,326	19,326
Refunding payment to escrow agent	-	(1,398,833)	(1,398,833)	-
Transfers in	95,800	95,800	2,540,448	2,444,648
Transfers out	(5,774,072)	(6,324,072)	(5,664,623)	659,449
Issuance of long-term liabilities	850,000	2,045,000	1,905,000	(140,000)
Premiums on long-term liabilities	-	357,311	357,311	-
Total other financing sources (uses)	<u>(4,818,272)</u>	<u>(5,214,794)</u>	<u>(2,231,371)</u>	<u>2,983,423</u>
Net change in fund balances	254,124	710,462	13,532,214	12,821,752
Fund balance, beginning	16,600,827	16,600,827	16,600,827	-
Fund balance, ending	<u>\$ 16,854,951</u>	<u>\$ 17,311,289</u>	<u>\$ 30,133,041</u>	<u>\$ 12,821,752</u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Capital improvements	\$ 400,000	\$ 400,000	\$ 545,764	\$ 145,764
Total intergovernmental	<u>400,000</u>	<u>400,000</u>	<u>545,764</u>	<u>145,764</u>
Impact fees:				
Roads	300,000	300,000	537,000	237,000
Other	700,000	700,000	1,440,569	740,569
Total impact fees	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,977,569</u>	<u>977,569</u>
Interest	<u>7,500</u>	<u>7,500</u>	<u>27,620</u>	<u>20,120</u>
Total revenues	<u>1,407,500</u>	<u>1,407,500</u>	<u>2,550,953</u>	<u>1,143,453</u>
Expenditures:				
Public works:				
Repairs and maintenance	1,265	3,265	3,112	153
Capital outlay	2,731,043	3,572,451	1,332,689	2,239,762
Debt service				
Principal	522,100	522,100	522,081	19
Interest	218,500	216,500	215,303	1,197
Total expenditures	<u>3,472,908</u>	<u>4,314,316</u>	<u>2,073,185</u>	<u>2,241,131</u>
Excess (deficiency) of revenues over expenditures	(2,065,408)	(2,906,816)	477,768	(1,097,678)
Other financing uses:				
Transfers out	(95,800)	(95,800)	(35,446)	(60,354)
Total other financing uses	<u>(95,800)</u>	<u>(95,800)</u>	<u>(35,446)</u>	<u>(60,354)</u>
Net change in fund balances	(2,161,208)	(3,002,616)	442,322	(1,158,032)
Fund balance, beginning of year	5,025,593	5,025,593	5,025,593	-
Fund balance, ending of year	<u>\$ 2,864,385</u>	<u>\$ 2,022,977</u>	<u>\$ 5,467,915</u>	<u>\$ (1,158,032)</u>

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

CITY OF SPRING HILL, TENNESSEE

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2021

ASSETS	Water and	Nonmajor	Total
	Sewer	Storm Water	
Current assets:			
Cash and cash equivalents	\$ 24,949,901	\$ 1,251,728	\$ 26,201,629
Investments	10,370,360	-	10,370,360
Intergovernmental receivable	59,482	-	59,482
Receivables, net	1,287,094	86,127	1,373,221
Due from other funds	114,403	42,332	156,735
Prepaid items	2,216	-	2,216
Inventory	237,469	-	237,469
Restricted cash	3,029,704	-	3,029,704
Total current assets	40,050,629	1,380,187	41,430,816
Noncurrent assets:			
Capital assets:			
Capital assets, not being depreciated	2,202,492	-	2,202,492
Capital assets, being depreciated	114,697,647	6,820,659	121,518,306
Less accumulated depreciation	(42,687,685)	(566,889)	(43,254,574)
Total noncurrent assets	74,212,454	6,253,770	80,466,224
Total assets	114,263,083	7,633,957	121,897,040
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	477,140	65,627	542,767
Total deferred outflows of resources	477,140	65,627	542,767
LIABILITIES			
Current liabilities:			
Accounts payable	387,738	16,192	403,930
Accrued liabilities	200,452	44,731	245,183
Accrued interest payable	18,384	2,059	20,443
Due to other funds	4,973	-	4,973
Compensated absences	198,459	19,185	217,644
Notes payable, due within one year	318,000	-	318,000
Bonds payable, due within one year	635,000	-	635,000
Financed purchase, due within one year	-	16,707	16,707
Total current liabilities	1,763,006	98,874	1,861,880
Long-term liabilities:			
Notes payable, long term	1,843,000	-	1,843,000
Bonds payable	8,824,875	-	8,824,875
Financed purchase, long term	-	69,825	69,825
Net pension liability	182,578	25,113	207,691
Total long-term liabilities	10,850,453	94,938	10,945,391
Total liabilities	12,613,459	193,812	12,807,271
DEFERRED INFLOWS OF RESOURCES			
Pension related items	67,197	9,243	76,440
Total deferred inflows of resources	67,197	9,243	76,440
NET POSITION			
Net investment in capital assets	62,591,579	6,167,238	68,758,817
Restricted for capital development	3,029,704	-	3,029,704
Unrestricted	36,438,284	1,329,291	37,767,575
Total net position	\$ 102,059,567	\$ 7,496,529	\$ 109,556,096

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

CITY OF SPRING HILL, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Water and Sewer	Nonmajor	Total
		Storm Water	
OPERATING REVENUES			
Water sales for service	\$ 6,860,557	\$ -	\$ 6,860,557
Sewer charges	7,112,067	-	7,112,067
Stormwater fees	-	1,066,232	1,066,232
Penalties and service charges	261,171	-	261,171
Other fees	490,347	3,638	493,985
Total operating revenues	<u>14,724,142</u>	<u>1,069,870</u>	<u>15,794,012</u>
OPERATING EXPENSES			
Salaries and administration	3,935,730	529,409	4,465,139
Supplies	1,756,013	57,485	1,813,498
Repairs and maintenance	728,398	22,536	750,934
Utility Services	832,562	-	832,562
Professional fees	940,434	126,373	1,066,807
Other operating expenses	524,302	26,565	550,867
Depreciation	2,511,092	175,621	2,686,713
Total operating expenses	<u>11,228,531</u>	<u>937,989</u>	<u>12,166,520</u>
Operating income	3,495,611	131,881	3,627,492
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	36,332	3,075	39,407
Investment earnings	107,624	327	107,951
Interest expense	(234,827)	(5,352)	(240,179)
Total nonoperating revenues (expenses)	<u>(90,871)</u>	<u>(1,950)</u>	<u>(92,821)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	3,404,740	129,931	3,534,671
Capital contributions	3,044,958	1,342,613	4,387,571
Tap and development fees	5,002,941	-	5,002,941
Change in net position	11,452,639	1,472,544	12,925,183
NET POSITION, beginning of year	<u>90,606,928</u>	<u>6,023,985</u>	<u>96,630,913</u>
NET POSITION, end of year	<u>\$ 102,059,567</u>	<u>\$ 7,496,529</u>	<u>\$ 109,556,096</u>

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

CITY OF SPRING HILL, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Water and Sewer	Storm Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 14,644,283	\$ 1,069,598	\$ 15,713,881
Payments to suppliers and service providers	(5,106,304)	(184,853)	(5,291,157)
Payments to employees	(3,877,919)	(573,966)	(4,451,885)
Net cash provided by operating activities	5,660,060	310,779	5,970,839
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(79,098)	-	(79,098)
Investment earnings	107,624	327	107,951
Net cash provided by investing activities	28,526	327	28,853
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(556,026)	(137,605)	(693,631)
Tap and development fees received	5,002,941	-	5,002,941
Intergovernmental receipts	67,609	6,516	74,125
Receipts from financed purchases	-	103,240	103,240
Bonds issued	9,395,000	-	9,395,000
Premium issued	782,754	-	782,754
Bond refunding payment to escrow	(10,068,465)	-	(10,068,465)
Payments on long-term liabilities	(1,043,432)	(16,707)	(1,060,139)
Bond issuance costs paid	(109,289)	-	(109,289)
Interest and fiscal charges paid	(201,240)	(3,292)	(204,532)
Net cash provided by (used in) capital and related financing activities	3,269,852	(47,848)	3,222,004
Increase in cash	8,958,438	263,258	9,221,696
Cash:			
Beginning of year	19,021,167	988,470	20,009,637
End of year	<u>\$ 27,979,605</u>	<u>\$ 1,251,728</u>	<u>\$ 29,231,333</u>
Cash per Statement of Net Position:			
Cash and cash equivalents	\$ 24,949,901	\$ 1,251,728	\$ 26,201,629
Restricted cash	3,029,704	-	3,029,704
Total cash and cash equivalents	<u>\$ 27,979,605</u>	<u>\$ 1,251,728</u>	<u>\$ 29,231,333</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 3,495,611	\$ 131,881	\$ 3,627,492
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,511,092	175,621	2,686,713
Increase in accounts receivable	(79,859)	(272)	(80,131)
Increase in due from other funds	(6,926)	(23,341)	(30,267)
Increase in prepaids	(65)	-	(65)
Increase in inventory	(95,753)	-	(95,753)
Increase in pension related deferred outflows of resources	(1,255)	(3,311)	(4,566)
Increase (decrease) in accounts payable	(245,932)	4,795	(241,137)
Increase in accrued expenses	12,006	27,235	39,241
Increase in accrued interest payable	18,384	-	18,384
Decrease in due to other funds	(6,309)	-	(6,309)
Increase in pension related deferred inflows of resources	27,527	4,049	31,576
Increase in compensated absences	93,637	1,049	94,686
Decrease in net pension asset/liability	(62,098)	(6,927)	(69,025)
Net cash provided by operating activities	<u>\$ 5,660,060</u>	<u>\$ 310,779</u>	<u>\$ 5,970,839</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	\$ 3,044,958	\$ 1,342,613	\$ 4,387,571
Total noncash capital and related financing activities	<u>\$ 3,044,958</u>	<u>\$ 1,342,613</u>	<u>\$ 4,387,571</u>

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

CITY OF SPRING HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Related Organizations

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

B. Government-wide and Fund Financial Statements

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

D. Budget

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

E. Deposits and Investments

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

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

F. Receivables and Payables

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventories

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

H. Capital Assets

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred Outflows / Inflows of Resources

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

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

J. Compensated Absences

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Long-Term Obligations

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

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

L. Fund Equity

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

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

Fund balances are classified as follows:

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

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

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

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

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

M. Pensions

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Management Estimates

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

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

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$36,387,492 difference are as follows:

Notes payable	\$ (2,815,000)
Bonds payable	(29,385,000)
Premium on issuance of bonds	(3,261,837)
Accrued interest	(186,575)
Compensated absences	<u>(739,080)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (36,387,492)</u></u>

Another element of that reconciliation states that “deferred outflows of resources, deferred inflows of resources, and the net pension liability are not expected to be liquidated with expendable available resources and therefore are not reported in the funds.” The details of this \$816,940 difference are as follows:

Net pension liability	\$ (656,025)
Deferred outflows of resources - pension items	1,714,410
Deferred inflows of resources - pension items	<u>(241,445)</u>
Net adjustment to increase <i>fund balance- total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 816,940</u></u>

NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,154,243 difference are as follows:

Capital outlay	\$ 3,421,290
Depreciation expense	<u>(2,267,047)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ 1,154,243</u>

An element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e. donations and disposals) is to increase net position.” The details of this \$7,839,792 difference are as follows:

Donated roads	\$ 930,030
Disposal of assets	<u>(8,769,822)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ (7,839,792)</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$368,131 difference are as follows:

Compensated absences	\$ (53,888)
Accrued interest	3,675
Amortization of bond premium	300,893
Pension expense	<u>117,451</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ 368,131</u>

NOTES TO FINANCIAL STATEMENTS

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

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

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$16,807,650 difference are as follows:

Issuance of bonds	\$ (23,880,000)
Premium	(3,562,730)
Principal payment on bonds	1,425,000
Principal payment on notes payable	1,375,000
Payments to escrow agent	<u>7,835,080</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ (16,807,650)</u>

NOTE 3. LEGAL COMPLIANCE – BUDGETS

Budgets and Budgetary Accounting

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

Budgeted amounts are as originally adopted, or as amended by the Board of Aldermen. The supplementary budgetary appropriations made are reflected in the final budget amounts. The Northfield Fund adopted a balanced budget, however, amendments were made throughout the year which were unbalanced, resulting in an unbalanced budget by \$110,317.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

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

Custodial credit risk. The City's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. At June 30, 2021, all deposits were covered by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

At June 30, 2021, the City's only investments are held in U.S. treasuries.

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

At June 30, 2021, information on the credit risk and interest rate risk related to the City's investments is disclosed as follows:

Investment	Weighted Average Maturity (Years)	Credit Rating	Fair Value
Federated Hermes Government Obligations Fund	N/A	AAA	\$ 8,173,757
United States Treasuries	0.31	AAA	8,418,765
			<u>\$ 16,592,522</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2021:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Federated Hermes Government Obligations Fund	\$ 8,173,757	\$ -	\$ -	\$ 8,173,757
United States Treasuries	8,418,765	-	-	8,418,765
	<u>\$ 16,592,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,592,522</u>

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

NOTE 5. RECEIVABLES

Receivables at June 30, 2021, for the City's individual major funds and nonmajor funds in the aggregate are as follows:

	<u>General Fund</u>	<u>Adequate Facilities /Development Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water Fund</u>	<u>Stormwater Fund</u>
Receivables:					
Taxes	\$ 14,900,923	\$ -	\$ -	\$ -	\$ -
Other governments	1,616,595	55,112	144,511	59,482	-
Accounts	182,535	4,954	266,842	1,309,022	88,169
Gross receivables	16,700,053	60,066	411,353	1,368,504	88,169
Less allowance for uncollectibles	(440,976)	-	(5,128)	(21,928)	(2,042)
Net receivables	<u>\$ 16,259,077</u>	<u>\$ 60,066</u>	<u>\$ 406,225</u>	<u>\$ 1,346,576</u>	<u>\$ 86,127</u>

Property taxes are recognized as of the date when an enforceable legal claim to the taxable property arises. This is January 1 in the State of Tennessee and is referred to as the lien date. Revenues are recognized in the period for which the taxes are levied. Property taxes for the 2021 fiscal year were levied in January 2020, with property values assessed as of January 1, 2020. Bills were payable on or before February 2021, after which the applicable property is subject to penalties and interest being assessed.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 3,134,006	\$ -	\$ (190,200)	\$ -	\$ 2,943,806
Construction in progress	3,963,905	2,269,692	(1,326,521)	(1,374,252)	3,532,824
Total capital assets, not being depreciated	<u>7,097,911</u>	<u>2,269,692</u>	<u>(1,516,721)</u>	<u>(1,374,252)</u>	<u>6,476,630</u>
Capital assets, being depreciated:					
Buildings and improvements	21,267,317	8,387	(8,020,435)	-	13,255,269
Equipment	11,416,210	1,143,211	(292,700)	1,374,252	13,640,973
Infrastructure	16,176,715	930,030	-	-	17,106,745
Total capital assets, being depreciated	<u>48,860,242</u>	<u>2,081,628</u>	<u>(8,313,135)</u>	<u>1,374,252</u>	<u>44,002,987</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,520,652)	(565,911)	785,334	-	(6,301,229)
Equipment	(6,757,475)	(1,018,820)	274,700	-	(7,501,595)
Infrastructure	(3,609,471)	(682,316)	-	-	(4,291,787)
Total accumulated depreciation	<u>(16,887,598)</u>	<u>(2,267,047)</u>	<u>1,060,034</u>	<u>-</u>	<u>(18,094,611)</u>
Total capital assets, being depreciated, net	<u>31,972,644</u>	<u>(185,419)</u>	<u>(7,253,101)</u>	<u>1,374,252</u>	<u>25,908,376</u>
Governmental activities capital assets, net	<u>\$ 39,070,555</u>	<u>\$ 2,084,273</u>	<u>\$ (8,769,822)</u>	<u>\$ -</u>	<u>\$ 32,385,006</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land and easements	\$ 985,798	\$ -	\$ -	\$ -	\$ 985,798
Construction in progress	860,188	356,506	-	-	1,216,694
Total capital assets, not being depreciated	<u>1,845,986</u>	<u>356,506</u>	<u>-</u>	<u>-</u>	<u>2,202,492</u>
Capital assets, being depreciated:					
Buildings	63,962,781	-	-	-	63,962,781
Infrastructure	51,390,007	4,397,037	-	-	55,787,044
Equipment	1,484,704	327,657	(43,880)	-	1,768,481
Total capital assets, being depreciated	<u>116,837,492</u>	<u>4,724,694</u>	<u>(43,880)</u>	<u>-</u>	<u>121,518,306</u>
Less accumulated depreciation for:					
Buildings	(30,154,638)	(1,350,926)	-	-	(31,505,564)
Infrastructure	(9,521,640)	(1,198,534)	-	-	(10,720,174)
Equipment	(913,286)	(137,253)	21,703	-	(1,028,836)
Total accumulated depreciation	<u>(40,589,564)</u>	<u>(2,686,713)</u>	<u>21,703</u>	<u>-</u>	<u>(43,254,574)</u>
Total capital assets, being depreciated, net	<u>76,247,928</u>	<u>2,037,981</u>	<u>(22,177)</u>	<u>-</u>	<u>78,263,732</u>
Business-type activities capital assets, net	<u>\$ 78,093,914</u>	<u>\$ 2,394,487</u>	<u>\$ (22,177)</u>	<u>\$ -</u>	<u>\$ 80,466,224</u>

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

Governmental activities:	
General government	\$ 289,010
Public safety	820,680
Public works	910,161
Health, welfare, culture, and recreation	247,196
Total depreciation expense - governmental activities	<u>\$ 2,267,047</u>
Business-type activities:	
Water and Sewer Fund	\$ 2,511,092
Stormwater Fund	175,621
Total depreciation expense - business-type activities	<u>\$ 2,686,713</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables for the year ended June 30, 2021 were as follows:

Receivable fund	Payable fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 2,505,363
Nonmajor Governmental Funds	General Fund	\$ 22,502
Nonmajor Governmental Funds	Water and Sewer Fund	3,991
		\$ 26,493
Stormwater Fund	General Fund	\$ 41,350
Stormwater Fund	Water and Sewer Fund	982
		\$ 42,332
Water and Sewer Fund	Nonmajor Governmental Funds	\$ 40,000
Water and Sewer Fund	General Fund	74,403
		\$ 114,403

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

Interfund transfers for the year ended June 30, 2021 were as follows:

Transfers In	Transfers Out	Amount
General Fund	Adequate Facilities/Development Fund	\$ 35,446
General Fund	Nonmajor Governmental Funds	2,505,002
		2,540,448
Capital Projects Fund	General Fund	\$ 5,037,780
Nonmajor Governmental Funds	General Fund	\$ 626,843

Transfers are used to move revenues between the General Fund and the Adequate Facilities/Development Fund and Capital Projects Fund for capital outlays and between the Northfield Fund for debt service requirements.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended June 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes payable from					
direct borrowing	\$ 12,025,080	\$ -	\$ (9,210,080)	\$ 2,815,000	\$ 540,000
Bonds payable	6,930,000	23,880,000	(1,425,000)	29,385,000	1,340,000
Premium on bonds payable	-	3,562,730	(300,893)	3,261,837	-
Compensated absences	685,192	1,071,977	(1,018,089)	739,080	428,217
Net pension liability	893,544	1,994,035	(2,231,554)	656,025	-
Governmental activities long-term liabilities	<u>\$ 20,533,816</u>	<u>\$ 30,508,742</u>	<u>\$ (14,185,616)</u>	<u>\$ 36,856,942</u>	<u>\$ 2,308,217</u>
Business-type Activities:					
Notes payable from					
direct borrowing	\$ 12,652,897	\$ -	\$ (10,491,897)	\$ 2,161,000	\$ 318,000
Bonds payable	-	9,395,000	(620,000)	8,775,000	635,000
Premium on bonds payable	-	782,754	(97,879)	684,875	-
Financed purchases	-	103,240	(16,708)	86,532	16,707
Compensated absences	122,958	233,650	(138,964)	217,644	217,644
Net pension liability	276,716	631,423	(700,447)	207,692	-
Business-type activities long-term liabilities	<u>\$ 13,052,571</u>	<u>\$ 11,146,067</u>	<u>\$ (12,065,895)</u>	<u>\$ 12,132,743</u>	<u>\$ 1,187,351</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Governmental Activities

General Obligation Bonds. In 2020, the City issued \$23,880,000 of General Obligation Bonds for the purpose of the acquisition, construction and equipping of various road and street work and improvements throughout the City and the acquisition, construction and equipping of various public buildings and facilities. The 2020A Series bonds were issued with interest rates of 3.00% to 5.00% and a maturity of June 1, 2040. The remaining amounts payable on the 2020A Series bonds at June 30, 2021 are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 955,000	\$ 859,350	\$ 1,814,350
2023	1,005,000	811,600	1,816,600
2024	1,055,000	761,350	1,816,350
2025	1,105,000	708,600	1,813,600
2026	1,160,000	653,350	1,813,350
2027-2031	5,725,000	2,435,100	8,160,100
2032-2036	6,180,000	1,413,750	7,593,750
2037-2040	5,645,000	429,600	6,074,600
Total	<u>\$ 22,830,000</u>	<u>\$ 8,072,700</u>	<u>\$ 30,902,700</u>

In 2014, the City issued \$8,650,000 of General Obligation Bonds for the purpose of improvements, expansions, extensions, renovations, and the acquisition of equipment for City roads, streets, bridges, and sidewalks and with respect to the construction, acquisition, and development of a new park and fire hall and acquisition of the right of way in connections therewith. The 2014 Series were issued with interest rates of 2.50% to 3.30% and a maturity of September 1, 2030. The bonds are payable on September 1, until 2030, with the remainder of the outstanding balance due in a balloon payment on September 1, 2034. The remaining amounts payable on the 2014 Series bonds at June 30, 2021 are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 385,000	\$ 195,800	\$ 580,800
2023	400,000	184,250	584,250
2024	410,000	172,250	582,250
2025	425,000	159,950	584,950
2026	435,000	147,200	582,200
2027-2031	2,350,000	560,650	2,910,650
2032-2035	2,150,000	180,345	2,330,345
Total	<u>\$ 6,555,000</u>	<u>\$ 1,600,445</u>	<u>\$ 8,155,445</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Governmental Activities (Continued)

Total Bonds Payable. The remaining amounts payable on all bonds payable detailed on the prior pages, at June 30, 2021, are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 1,340,000	\$ 1,055,150	\$ 2,395,150
2023	1,405,000	995,850	2,400,850
2024	1,465,000	933,600	2,398,600
2025	1,530,000	868,550	2,398,550
2026	1,595,000	800,550	2,395,550
2027-2031	8,075,000	2,995,750	11,070,750
2032-2036	8,330,000	1,594,095	9,924,095
2037-2040	5,645,000	429,600	6,074,600
Total	<u>\$ 29,385,000</u>	<u>\$ 9,673,145</u>	<u>\$ 39,058,145</u>

Notes Payable from Direct Borrowing. In 2006, the City entered into a note payable through an intergovernmental agreement with Williamson County, Tennessee for \$5,385,000 for the purpose of funding half of the Community Recreation Center. The note bears interest rates of 4.125% to 5.00%. The note requires principal payments on April 1 and interest payments semi-annually until its maturity its maturity in April 2027. As of June 30, 2021, the total amount of the note outstanding is \$2,055,000.

In 2016, the City entered into a note payable for \$3,000,000, with \$1,645,000 used for the purpose of general transportation outlays, and the remainder to be used for the construction of Hardin's Landing Tank and stormwater projects. The note bears a fixed interest rate of 1.76%. The note requires monthly payments of principal and interest until its maturity in April 2025. As of June 30, 2021, the total amount of the note outstanding is \$760,000, and is only payable from the governmental activities funds.

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

Year Ending June 30,	Principal	Interest	Total
2022	\$ 540,000	\$ 115,226	\$ 655,226
2023	565,000	94,220	659,220
2024	580,000	72,126	652,126
2025	610,000	49,282	659,282
2026	430,000	25,100	455,100
2027-2031	90,000	3,600	93,600
Total	<u>\$ 2,815,000</u>	<u>\$ 359,554</u>	<u>\$ 3,174,554</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Business-type Activities

Notes Payable from Direct Borrowing. The City has a draw loan line of credit from the Tennessee Municipal Bond Fund Loan Program. Proceeds are drawn as needed, with a cap of \$6,000,000. The note was procured for the purpose of constructing a water treatment plant. The note bears a fixed interest rate of 1.51%. The note requires monthly payments of principal and interest until its maturity in May 2037. As of June 30, 2021, the total amount of the note outstanding is \$2,161,000 and is completely drawn down.

The City's debt service requirements to maturity on the business-type notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 318,000	\$ 86,440	\$ 404,440
2023	334,000	73,720	407,720
2024	350,000	60,360	410,360
2025	368,000	46,360	414,360
2026	386,000	31,640	417,640
2027	405,000	16,200	421,200
Total	<u>\$ 2,161,000</u>	<u>\$ 314,720</u>	<u>\$ 2,475,720</u>

General Obligation Bonds. In 2020, the City issued \$9,395,000 of General Obligation Bonds for the purpose of providing sufficient funds to refund the City's obligations under the Revolving Fund Loan Agreement plus any accrued interest and costs on those obligations. The 2020B Series bonds were issued with interest rates of 2.00% to 3.00% and a maturity of June 1, 2036. The remaining amounts payable on the 2020B Series bonds at June 30, 2021 are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 635,000	\$ 224,250	\$ 859,250
2023	655,000	205,200	860,200
2024	675,000	185,550	860,550
2025	700,000	165,300	865,300
2026	715,000	144,300	859,300
2027-2031	3,885,000	410,550	4,295,550
2032-2036	1,510,000	52,600	1,562,600
Total	<u>\$ 8,775,000</u>	<u>\$ 1,387,750</u>	<u>\$ 10,162,750</u>

Financed Purchases. In 2020, the City entered into a purchase agreement as the lessee to finance the acquisition of a Caterpillar Mini Excavator. The purchase arrangement is for a period of five years and bears interest at a rate of 3.189%. As of June 30, 2021, the City had \$103,240 of equipment with accumulated depreciation of \$5,736 financed under the purchase arrangement.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Business-type Activities (Continued)

At June 30, 2021, future lease payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 16,707	\$ 3,293	\$ 20,000
2023	17,790	2,210	20,000
2024	18,357	1,643	20,000
2025	18,943	1,057	20,000
2026	14,735	453	15,188
Total	<u>\$ 86,532</u>	<u>\$ 8,656</u>	<u>\$ 95,188</u>

NOTE 9. PENSION PLAN

Plan Description

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (CONTINUED)

Plan Description (Continued)

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

Employees covered by benefit terms. At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	244
Active employees	<u>234</u>
Total	<u><u>511</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2021, the Actuarially Determined Contribution (ADC) for the City was \$857,154, with actual contributions being \$906,900 based on a rate of 7.25 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (CONTINUED)

Net Pension Liability of the City

The City's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the review of plan experience in conjunction with an experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

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

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the fiscal year ended June 30, 2021 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 6/30/2019	\$ 18,383,263	\$ 17,213,003	\$ 1,170,260
Changes for the year:			
Service cost	967,431	-	967,431
Interest	1,389,743	-	1,389,743
Differences between expected and actual experience	(355,434)	-	(355,434)
Changes of assumptions	-	-	-
Contributions—employer	-	857,154	(857,154)
Contributions—employee	-	591,476	(591,476)
Net investment income	-	880,180	(880,180)
Benefit payments, including refunds of employee contributions	(363,644)	(363,644)	-
Administrative expense	-	(20,526)	20,526
Net changes	<u>1,638,096</u>	<u>1,944,640</u>	<u>(306,544)</u>
Balances at 6/30/2020	<u>\$ 20,021,359</u>	<u>\$ 19,157,643</u>	<u>\$ 863,716</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's net pension liability (asset)	\$ 4,333,206	\$ 863,716	\$ (1,926,287)

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

Pension expense. For the year ended June 30, 2021, the City recognized pension expense of \$747,433.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2021, 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	\$ 996,715	\$ 317,885
Changes of assumptions	188,280	-
Net difference between projected and actual earnings of pension plan investments	165,282	-
Contributions	906,900	-
	\$ 2,257,177	\$ 317,885

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (CONTINUED)

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

City contributions subsequent to the measurement date of \$906,900 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	\$ 148,822
2023	234,495
2024	262,457
2025	270,816
2026	101,476
Thereafter	14,326
Total	<u>\$ 1,032,392</u>

NOTE 10. RISK MANAGEMENT

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

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

Grant Contingencies

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

Outstanding Construction Commitments

As of June 30, 2021, the City had \$1,318,730 of outstanding construction commitments.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SPRING HILL, TENNESSEE

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability							
Service cost	\$ 967,431	\$ 919,725	\$ 837,507	\$ 750,217	\$ 649,533	\$ 581,698	\$ 575,095
Interest on total pension liability	1,389,743	1,231,831	1,061,413	955,426	819,689	715,535	643,726
Differences between expected and actual experience	(355,434)	279,623	614,173	45,493	529,298	292,587	(22,931)
Assumption changes	-	-	-	338,904	-	-	-
Benefit payments, including refunds of employee contributions	<u>(363,644)</u>	<u>(237,926)</u>	<u>(251,521)</u>	<u>(300,807)</u>	<u>(277,934)</u>	<u>(259,939)</u>	<u>(230,149)</u>
Net change in total pension liability	1,638,096	2,193,253	2,261,572	1,789,233	1,720,586	1,329,881	965,741
Total pension liability - beginning	<u>18,383,263</u>	<u>16,190,010</u>	<u>13,928,438</u>	<u>12,139,205</u>	<u>10,418,619</u>	<u>9,088,738</u>	<u>8,122,997</u>
Total pension liability - ending (a)	<u><u>\$ 20,021,359</u></u>	<u><u>\$ 18,383,263</u></u>	<u><u>\$ 16,190,010</u></u>	<u><u>\$ 13,928,438</u></u>	<u><u>\$ 12,139,205</u></u>	<u><u>\$ 10,418,619</u></u>	<u><u>\$ 9,088,738</u></u>
Plan fiduciary net position							
Contributions - employer	\$ 857,154	\$ 842,881	\$ 687,667	\$ 606,207	\$ 479,007	\$ 431,925	\$ 385,342
Contributions - employee	591,476	581,298	549,256	484,192	438,652	395,537	356,139
Net investment income	880,180	1,152,456	1,104,634	1,266,416	270,749	287,276	1,253,177
Benefit payments, including refunds of member contributions	(363,644)	(237,926)	(251,521)	(300,807)	(277,934)	(259,939)	(230,149)
Administrative expenses	<u>(20,526)</u>	<u>(20,332)</u>	<u>(21,260)</u>	<u>(18,722)</u>	<u>(15,505)</u>	<u>(9,765)</u>	<u>(6,509)</u>
Net change in plan fiduciary net position	1,944,640	2,318,377	2,068,776	2,037,286	894,969	845,034	1,758,000
Plan fiduciary net position - beginning	<u>17,213,003</u>	<u>14,894,626</u>	<u>12,825,850</u>	<u>10,788,564</u>	<u>9,893,595</u>	<u>9,048,561</u>	<u>7,290,561</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 19,157,643</u></u>	<u><u>\$ 17,213,003</u></u>	<u><u>\$ 14,894,626</u></u>	<u><u>\$ 12,825,850</u></u>	<u><u>\$ 10,788,564</u></u>	<u><u>\$ 9,893,595</u></u>	<u><u>\$ 9,048,561</u></u>
City's net pension (asset) liability - ending (a) - (b)	<u><u>\$ 863,716</u></u>	<u><u>\$ 1,170,260</u></u>	<u><u>\$ 1,295,384</u></u>	<u><u>\$ 1,102,588</u></u>	<u><u>\$ 1,350,641</u></u>	<u><u>\$ 525,024</u></u>	<u><u>\$ 40,177</u></u>
Plan fiduciary net position as a percentage of the total pension liability	95.69%	93.63%	92.00%	92.08%	88.87%	94.96%	99.56%
Covered payroll	\$ 11,837,860	\$ 11,625,940	\$ 10,985,100	\$ 9,683,823	\$ 8,773,028	\$ 7,909,506	\$ 7,122,761
City's net pension (asset) liability as a percentage of covered payroll	7.30%	10.07%	11.79%	11.39%	15.40%	6.64%	0.56%

Notes to the Schedule:

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

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 857,154	\$ 757,826	\$ 727,784	\$ 687,667	\$ 528,737	\$ 479,022	\$ 431,925	\$ 385,342
Contributions in relation to the actuarially determined contribution	906,900	857,135	842,881	687,667	606,207	479,022	431,925	385,342
Contribution deficiency (excess)	<u>\$ (49,746)</u>	<u>\$ (99,309)</u>	<u>\$ (115,097)</u>	<u>\$ -</u>	<u>\$ (77,470)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 12,508,966	\$ 11,837,860	\$ 11,625,940	\$ 10,985,100	\$ 9,683,823	\$ 8,773,028	\$ 7,909,506	\$ 7,122,761
Contributions as a percentage of covered payroll	7.25%	7.24%	7.25%	6.26%	6.26%	5.46%	5.46%	5.41%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	June 30, 2020
Cost Method	Entry age normal
Actuarial Asset Valuation Method	10-year smoothed within a 20 percent corridor to market value
Assumed Rate of Return on Investments	7.25%
Projected Salary Increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation
Inflation	2.25%
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	Various

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

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

CITY OF SPRING HILL, TENNESSEE

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Special Revenue Funds			
	Library Fund	Drug Fund	Impact Fees Fund	State Street Aid Fund
ASSETS				
Cash and cash equivalents	\$ 89,597	\$ -	\$ 5,370,770	\$ -
Accounts receivable, net	-	6,650	-	-
Due from other funds	-	-	-	19,781
Due from other governments	-	4,974	-	139,537
Restricted cash	-	171,110	-	1,735,874
Total assets	\$ 89,597	\$ 182,734	\$ 5,370,770	\$ 1,895,192
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 19,861	\$ -	\$ 17,858
Due to other funds	-	361	40,000	-
Total liabilities	-	20,222	40,000	17,858
FUND BALANCES (DEFICITS)				
Restricted				
Roads and streets	-	-	-	-
Drug enforcement	-	162,512	-	-
Capital projects	-	-	5,330,770	1,877,334
Committed				
Library operations	89,597	-	-	-
Tourism	-	-	-	-
Public safety	-	-	-	-
Assigned for capital projects	-	-	-	-
Total fund balances	89,597	162,512	5,330,770	1,877,334
Total liabilities and fund balances	\$ 89,597	\$ 182,734	\$ 5,370,770	\$ 1,895,192

Special Revenue Funds				Total Nonmajor Governmental Funds
Tourism Fund	E-Citations Fund	Northfield Fund	Sanitation Fund	
\$ 98,144	\$ 7,602	\$ 2,507,409	\$ 792,927	\$ 8,866,449
17,870	-	-	237,194	261,714
-	2,721	-	3,991	26,493
-	-	-	-	144,511
-	-	-	-	1,906,984
<u>\$ 116,014</u>	<u>\$ 10,323</u>	<u>\$ 2,507,409</u>	<u>\$ 1,034,112</u>	<u>\$ 11,206,151</u>
\$ 3,420	\$ -	\$ 2,407	\$ 7,528	\$ 51,074
-	-	2,505,002	-	2,545,363
<u>3,420</u>	<u>-</u>	<u>2,507,409</u>	<u>7,528</u>	<u>2,596,437</u>
-	-	-	1,026,584	1,026,584
-	-	-	-	162,512
-	-	-	-	7,208,104
-	-	-	-	89,597
112,594	-	-	-	112,594
-	10,323	-	-	10,323
-	-	-	-	-
<u>112,594</u>	<u>10,323</u>	<u>-</u>	<u>1,026,584</u>	<u>8,609,714</u>
<u>\$ 116,014</u>	<u>\$ 10,323</u>	<u>\$ 2,507,409</u>	<u>\$ 1,034,112</u>	<u>\$ 11,206,151</u>

CITY OF SPRING HILL, TENNESSEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Special Revenue Funds			
	Library Fund	Drug Fund	Impact Fees Fund	State Street Aid Fund
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	1,533,564
Charges for services	-	-	-	-
Impact fees	-	-	3,286,799	-
Contributions	24,944	1,500	-	-
Fines and forfeitures	-	48,850	-	-
Interest	30	48	3,556	532
Miscellaneous	166	8,025	-	-
Total revenues	25,140	58,423	3,290,355	1,534,096
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	45,184	-	-
Public works	-	-	21,380	911,003
Culture & recreation	35,139	-	-	-
Debt service				
Principal	-	-	-	285,131
Interest	-	-	-	72,988
Total expenditures	35,139	45,184	21,380	1,269,122
Excess (deficiency) of revenues over expenditures	(9,999)	13,239	3,268,975	264,974
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(9,999)	13,239	3,268,975	264,974
Fund balances, beginning of year	99,596	149,273	2,061,795	1,612,360
Fund balances, end of year	\$ 89,597	\$ 162,512	\$ 5,330,770	\$ 1,877,334

Special Revenue Funds				Total Nonmajor Governmental Funds
Tourism Fund	E-Citations Fund	Northfield Fund	Sanitation Fund	
\$ 134,632	\$ -	\$ -	\$ -	\$ 134,632
-	-	-	-	1,533,564
-	-	-	2,811,110	2,811,110
-	-	-	-	3,286,799
-	-	-	-	26,444
-	5,221	-	26,279	80,350
31	2	318	560	5,077
60	-	848,394	-	856,645
<u>134,723</u>	<u>5,223</u>	<u>848,712</u>	<u>2,837,949</u>	<u>8,734,621</u>
-	-	843,730	-	843,730
-	-	-	-	45,184
-	-	-	2,647,429	3,579,812
185,664	-	-	-	220,803
-	-	7,315,080	-	7,600,211
-	-	329,527	-	402,515
<u>185,664</u>	<u>-</u>	<u>8,488,337</u>	<u>2,647,429</u>	<u>12,692,255</u>
(50,941)	5,223	(7,639,625)	190,520	(3,957,634)
-	-	626,843	-	626,843
-	-	(2,505,002)	-	(2,505,002)
-	-	9,200,000	-	9,200,000
<u>-</u>	<u>-</u>	<u>7,321,841</u>	<u>-</u>	<u>7,321,841</u>
(50,941)	5,223	(317,784)	190,520	3,364,207
<u>163,535</u>	<u>5,100</u>	<u>317,784</u>	<u>836,064</u>	<u>5,245,507</u>
<u>\$ 112,594</u>	<u>\$ 10,323</u>	<u>\$ -</u>	<u>\$ 1,026,584</u>	<u>\$ 8,609,714</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Interest	\$ -	\$ -	\$ 5,287	\$ 5,287
Total revenues	-	-	5,287	5,287
Expenditures:				
Capital outlay	20,587,829	12,574,254	395,631	12,178,623
Debt service				
Principal	-	850,000	850,000	-
Interest	624,000	669,000	668,319	681
Issuance costs	-	180,500	180,419	81
Total expenditures	21,211,829	14,273,754	2,094,369	12,179,385
Deficiency of revenues over expenditures	(21,211,829)	(14,273,754)	(2,089,082)	12,184,672
Other Financing Sources:				
Issuance of long-term liabilities	25,000,000	25,000,000	21,975,000	(3,025,000)
Premium on long-term liabilities	-	-	3,205,419	3,205,419
Transfers in	4,584,655	5,134,655	5,037,780	(96,875)
Total other financing sources	29,584,655	30,134,655	30,218,199	83,544
Net change in fund balance	8,372,826	15,860,901	28,129,117	12,268,216
Fund balance, beginning of year	3,226,936	3,226,936	3,226,936	-
Fund balance, end of year	\$ 11,599,762	\$ 19,087,837	\$ 31,356,053	\$ 12,268,216

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

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Contributions	\$ 40,000	\$ 40,000	\$ 24,944	\$ (15,056)
Interest	-	-	30	30
Other	-	-	166	166
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>25,140</u>	<u>(14,860)</u>
Expenditures:				
Culture and recreation	<u>40,000</u>	<u>40,000</u>	<u>35,139</u>	<u>4,861</u>
Total expenditures	<u>40,000</u>	<u>40,000</u>	<u>35,139</u>	<u>4,861</u>
Net change in fund balances	-	-	(9,999)	(9,999)
Fund balance, beginning of year	<u>99,596</u>	<u>99,596</u>	<u>99,596</u>	<u>-</u>
Fund balance, end of year	<u>\$ 99,596</u>	<u>\$ 99,596</u>	<u>\$ 89,597</u>	<u>\$ (9,999)</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 25,000	\$ 25,000	\$ 48,850	\$ 23,850
Contributions	-	-	1,500	1,500
Interest	50	50	48	(2)
Other	-	-	8,025	8,025
Total revenues	<u>25,050</u>	<u>25,050</u>	<u>58,423</u>	<u>33,373</u>
Expenditures:				
Public safety	<u>76,300</u>	<u>76,300</u>	<u>45,184</u>	<u>31,116</u>
Total expenditures	<u>76,300</u>	<u>76,300</u>	<u>45,184</u>	<u>31,116</u>
Net change in fund balance	(51,250)	(51,250)	13,239	64,489
Fund balance, beginning of year	<u>149,273</u>	<u>149,273</u>	<u>149,273</u>	<u>-</u>
Fund balance, end of year	<u>\$ 98,023</u>	<u>\$ 98,023</u>	<u>\$ 162,512</u>	<u>\$ 64,489</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Impact fees	\$ 900,000	\$ 900,000	\$ 3,286,799	\$ 2,386,799
Interest	3,000	3,000	3,556	556
Total revenues	<u>903,000</u>	<u>903,000</u>	<u>3,290,355</u>	<u>2,387,355</u>
Expenditures:				
Public works	-	1,028,500	21,380	1,007,120
Capital outlay	1,516,252	1,516,252	-	1,516,252
Total expenditures	<u>1,516,252</u>	<u>2,544,752</u>	<u>21,380</u>	<u>2,523,372</u>
Net change in fund balance	(613,252)	(1,641,752)	3,268,975	4,910,727
Fund balance, beginning of year	<u>2,061,795</u>	<u>2,061,795</u>	<u>2,061,795</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,448,543</u>	<u>\$ 420,043</u>	<u>\$ 5,330,770</u>	<u>\$ 4,910,727</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,374,420	\$ 1,374,420	\$ 1,533,564	\$ 159,144
Interest	150	150	532	382
Total revenues	<u>1,374,570</u>	<u>1,374,570</u>	<u>1,534,096</u>	<u>159,526</u>
Expenditures:				
Public works	914,000	961,092	911,003	50,089
Debt service				
Principal	285,200	285,200	285,131	69
Interest	74,644	74,644	72,988	1,656
Total expenditures	<u>1,273,844</u>	<u>1,320,936</u>	<u>1,269,122</u>	<u>51,814</u>
Net change in fund balance	100,726	53,634	264,974	211,340
Fund balance, beginning of year	<u>1,612,360</u>	<u>1,612,360</u>	<u>1,612,360</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,713,086</u>	<u>\$ 1,665,994</u>	<u>\$ 1,877,334</u>	<u>\$ 211,340</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 110,000	\$ 110,000	\$ 134,632	\$ 24,632
Interest	-	-	31	31
Other	-	-	60	60
Total revenues	<u>110,000</u>	<u>110,000</u>	<u>134,723</u>	<u>24,723</u>
Expenditures:				
Culture and recreation	<u>158,000</u>	<u>255,250</u>	<u>185,664</u>	<u>69,586</u>
Total expenditures	<u>158,000</u>	<u>255,250</u>	<u>185,664</u>	<u>69,586</u>
Net change in fund balance	(48,000)	(145,250)	(50,941)	94,309
Fund balance, beginning of year	<u>163,535</u>	<u>163,535</u>	<u>163,535</u>	<u>-</u>
Fund balance, end of year	<u>\$ 115,535</u>	<u>\$ 18,285</u>	<u>\$ 112,594</u>	<u>\$ 94,309</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 2,000	\$ 2,000	\$ 5,221	\$ 3,221
Interest	-	-	2	2
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>5,223</u>	<u>3,223</u>
Expenditures:				
Public safety	<u>2,000</u>	<u>2,000</u>	-	2,000
Total expenditures	<u>2,000</u>	<u>2,000</u>	-	2,000
Net change in fund balance	-	-	5,223	5,223
Fund balance, beginning of year	<u>5,100</u>	<u>5,100</u>	<u>5,100</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,100</u>	<u>\$ 5,100</u>	<u>\$ 10,323</u>	<u>\$ 5,223</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Interest	\$ -	\$ -	\$ 318	\$ 318
Miscellaneous	835,500	835,500	848,394	12,894
Total revenues	<u>835,500</u>	<u>835,500</u>	<u>848,712</u>	<u>13,212</u>
Expenditures:				
General government building	1,102,755	1,162,382	843,730	318,652
Debt service				
Principal	497,000	7,315,080	7,315,080	-
Interest	425,556	425,556	329,527	96,029
Total expenditures	<u>2,025,311</u>	<u>8,903,018</u>	<u>8,488,337</u>	<u>414,681</u>
Deficiency of revenues over expenditures	(1,189,811)	(8,067,518)	(7,639,625)	427,893
Other Financing Sources (Uses)				
Sale of property	-	9,200,000	9,200,000	-
Transfers in	1,189,417	1,189,417	626,843	(562,574)
Transfers out	-	(2,750,000)	(2,505,002)	244,998
Total other financing sources (uses)	<u>1,189,417</u>	<u>7,639,417</u>	<u>7,321,841</u>	<u>(317,576)</u>
Net change in fund balance	(394)	(428,101)	(317,784)	110,317
Fund balance, beginning of year	<u>317,784</u>	<u>317,784</u>	<u>317,784</u>	<u>-</u>
Fund balance, end of year	<u>\$ 317,390</u>	<u>\$ (110,317)</u>	<u>\$ -</u>	<u>\$ 110,317</u>

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 2,780,000	\$ 2,780,000	\$ 2,811,110	\$ 31,110
Fines and forfeitures	15,000	15,000	26,279	11,279
Interest	500	500	560	60
Total revenues	<u>2,795,500</u>	<u>2,795,500</u>	<u>2,837,949</u>	<u>42,449</u>
Expenditures:				
Public works:				
Refuse collection and disposal service	<u>2,682,000</u>	<u>2,682,000</u>	<u>2,647,429</u>	<u>34,571</u>
Total expenditures	<u>2,682,000</u>	<u>2,682,000</u>	<u>2,647,429</u>	<u>34,571</u>
Net change in fund balances	113,500	113,500	190,520	77,020
Fund balance, beginning of year	<u>836,064</u>	<u>836,064</u>	<u>836,064</u>	<u>-</u>
Fund balance, ending of year	<u>\$ 949,564</u>	<u>\$ 949,564</u>	<u>\$ 1,026,584</u>	<u>\$ 77,020</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF SPRING HILL, TENNESSEE

**COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE
Year Ended June 30, 2021**

<u>Tax Year</u>	<u>Balance July 1, 2020</u>	<u>Levy and Changes in Assessment</u>	<u>Collections and Adjustments</u>	<u>Property Taxes Receivable Balance June 30, 2021</u>
2020	\$ -	\$ 12,967,291	\$ 12,816,621	\$ 150,670
2019	809,219	-	775,789	33,430
2018	64,527	-	58,948	5,579
2017	7,586	-	3,703	3,883
2016 and prior	12,513	-	4,355	8,158
Totals	<u>\$ 893,845</u>	<u>\$ 12,967,291</u>	<u>\$ 13,659,416</u>	201,720
Estimated 2021 tax levy				14,699,203
Less allowance for estimated uncollectible				<u>(440,976)</u>
Total taxes receivable, net				<u>\$ 14,459,947</u>

CITY OF SPRING HILL, TENNESSEE

**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
AS OF JUNE 30, 2021**

GOVERNMENTAL ACTIVITIES:	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2020	Adjustments	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2021
Bonds Payable:									
Public Improvement Bonds, 2014	\$ 8,650,000	2.500-3.300%	8/21/2014	9/1/2034	\$ 6,930,000	\$ -	\$ -	\$ 375,000	\$ 6,555,000
Series 2020A General Obligation Bonds	23,880,000	3.00% - 5.00%	7/15/2020	6/1/1940	-	-	23,880,000	1,050,000	22,830,000
Total Bonds Payable					<u>\$ 6,930,000</u>	<u>\$ -</u>	<u>\$ 23,880,000</u>	<u>\$ 1,425,000</u>	<u>\$ 29,385,000</u>
Notes Payable:									
Public Improvement Bonds (TN Municipal Bond Fund)	\$ 13,180,000	3.55%	12/26/2017	9/1/2037	\$ 7,315,080	\$ -	\$ -	\$ 7,315,080	\$ -
Williamson County Notes	5,385,000	2.500%-5.000%	3/15/2006	4/1/2027	2,395,000	-	-	340,000	2,055,000
2016 Capital Outlay Note	3,000,000	1.760%	6/29/2016	4/1/2025	940,000	-	-	180,000	760,000
2019 Capital Outlay Note	1,375,000	2.750%	10/21/2019	11/1/2026	1,375,000	-	-	1,375,000	-
Total Notes Payable					<u>\$ 12,025,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,210,080</u>	<u>\$ 2,815,000</u>
BUSINESS-TYPE ACTIVITIES:									
Bonds Payable:									
Series 2020B General Obligation Refunding Bonds	\$ 9,395,000	2.00% - 3.00%	7/15/2020	6/1/2034	\$ -	\$ -	\$ 9,395,000	\$ 620,000	\$ 8,775,000
					<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,395,000</u>	<u>\$ 620,000</u>	<u>\$ 8,775,000</u>
Notes Payable:									
Public Improvement Bonds	\$ 6,000,000	1.510%	4/25/2003	5/25/2027	\$ 2,463,000	\$ -	\$ -	\$ 302,000	\$ 2,161,000
State of Tennessee Loan	4,406,838	2.580%	6/1/2003	7/1/2021	121,432	-	-	121,432	-
Clean Water Revolving Fund Loan 1	10,000,000	2.620%	2/28/2011	3/1/2032	5,229,373	-	-	5,229,373	-
Clean Water Revolving Fund Loan 2	7,200,000	2.620%	2/28/2011	3/1/2025	4,839,092	-	-	4,839,092	-
					<u>\$ 12,652,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,491,897</u>	<u>\$ 2,161,000</u>

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2021

Governmental Activities										
Series 2020A										
For the Year Ended June 30,	General Obligation Bonds		Williamson County Notes		2016 Capital Outlay Notes		Public Improvements Bonds, 2014		Total Government Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 955,000	\$ 859,350	\$ 355,000	\$ 101,850	\$ 185,000	\$ 51,868	\$ 385,000	\$ 195,800	\$ 1,880,000	\$ 1,208,868
2023	1,005,000	811,600	375,000	84,100	190,000	35,214	400,000	184,250	1,970,000	1,115,164
2024	1,055,000	761,350	390,000	65,350	190,000	35,214	410,000	172,250	2,045,000	1,034,164
2025	1,105,000	708,600	415,000	45,850	195,000	26,549	425,000	159,950	2,140,000	940,949
2026	1,160,000	653,350	430,000	25,100	-	-	435,000	147,200	2,025,000	825,650
2027	1,215,000	595,350	90,000	3,600	-	-	445,000	136,325	1,750,000	735,275
2028	1,075,000	534,600	-	-	-	-	460,000	125,200	1,535,000	659,800
2029	1,130,000	480,850	-	-	-	-	470,000	113,125	1,600,000	593,975
2030	1,175,000	435,650	-	-	-	-	480,000	100,200	1,655,000	535,850
2031	1,130,000	388,650	-	-	-	-	495,000	85,800	1,625,000	474,450
2032	1,165,000	354,750	-	-	-	-	510,000	70,950	1,675,000	425,700
2033	1,200,000	319,800	-	-	-	-	530,000	54,120	1,730,000	373,920
2034	1,235,000	283,800	-	-	-	-	545,000	36,630	1,780,000	320,430
2035	1,270,000	246,750	-	-	-	-	565,000	18,645	1,835,000	265,395
2036	1,310,000	208,650	-	-	-	-	-	-	1,310,000	208,650
2037	1,350,000	169,350	-	-	-	-	-	-	1,350,000	169,350
2038	1,390,000	128,850	-	-	-	-	-	-	1,390,000	128,850
2039	1,430,000	87,150	-	-	-	-	-	-	1,430,000	87,150
2040	1,475,000	44,250	-	-	-	-	-	-	1,475,000	44,250
	<u>\$ 22,830,000</u>	<u>\$ 8,072,700</u>	<u>\$ 2,055,000</u>	<u>\$ 325,850</u>	<u>\$ 760,000</u>	<u>\$ 148,845</u>	<u>\$ 6,555,000</u>	<u>\$ 1,600,445</u>	<u>\$ 32,200,000</u>	<u>\$ 10,147,840</u>

Business-Type Activities								
Series 2020B								
For the Year Ended June 30,	General Obligation Bonds		Public Improvement Bonds		Financed Purchase		Total Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 635,000	\$ 224,250	\$ 318,000	\$ 86,440	\$ 16,707	\$ 3,293	\$ 969,707	\$ 313,983
2022	655,000	205,200	334,000	73,720	17,790	2,210	1,006,790	281,130
2023	675,000	185,550	350,000	60,360	18,357	1,643	1,043,357	247,553
2024	700,000	165,300	368,000	46,360	18,943	1,057	1,086,943	212,717
2025	715,000	144,300	386,000	31,640	14,735	453	1,115,735	176,393
2026	735,000	122,850	405,000	16,200	-	-	1,140,000	139,050
2027	760,000	100,800	-	-	-	-	760,000	100,800
2028	780,000	78,000	-	-	-	-	780,000	78,000
2029	795,000	62,400	-	-	-	-	795,000	62,400
2030	815,000	46,500	-	-	-	-	815,000	46,500
2031	765,000	30,200	-	-	-	-	765,000	30,200
2032	370,000	14,900	-	-	-	-	370,000	14,900
2033	375,000	7,500	-	-	-	-	375,000	7,500
2034	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-
	<u>\$ 8,775,000</u>	<u>\$ 1,387,750</u>	<u>\$ 2,161,000</u>	<u>\$ 314,720</u>	<u>\$ 86,532</u>	<u>\$ 8,656</u>	<u>\$ 11,022,532</u>	<u>\$ 1,711,126</u>

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF INSURANCE COVERAGE
Year Ended June 30, 2021
(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	\$50,324,012
Water/waste water treatment facility	\$71,603,925
Public Employees Blanket Bond	\$150,000
Employee bonds	
City Recorder	\$400,000

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS
Year Ended June 30, 2021
(UNAUDITED)

Fiscal Year	Tax Year	County	Tax Rate	Assessed Valuation
2021	2020	Maury	0.9600	558,117,254
		Williamson	1.0100	826,439,360
2020	2019	Maury	0.8600	496,720,823
		Williamson	0.9169	806,833,053
2019	2018	Maury	0.5927	442,116,176
		Williamson	0.6569	771,159,713
2018	2017	Maury	0.5927	327,847,927
		Williamson	0.5381	725,992,768
2017	2016	Maury	0.5427	285,228,701
		Williamson	0.4881	674,308,155
2016	2015	Maury	0.5767	260,082,996
		Williamson	0.5903	540,260,607
2015	2014	Maury	0.5900	261,565,296
		Williamson	0.5900	538,817,296
2014	2013	Maury	0.5900	242,932,640
		Williamson	0.5900	511,464,115
2013	2012	Maury	0.5900	228,823,286
		Williamson	0.5900	487,062,781
2012	2011	Maury	0.5900	207,961,965
		Williamson	0.5900	458,312,983

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF UTILITY RATES
June 30, 2021
(UNAUDITED)

<u>Rates Effective July 1, 2020</u>	<u>WATER RATES</u>	<u>Rates Per</u> <u>1,000</u> <u>Gallons</u>
Inside City	<u>Gallons</u> <u>Per Month</u> Minimum Per 1,000	<u>\$9.80</u> 3.69
Outside City Limits	Minimum Per 1,000	\$18.47 3.69
Number of customers at June 30, 2021 - 18,256		

<u>Rates Effective July 1, 2020</u>	<u>SEWER RATES</u>	<u>Rates Per</u> <u>1,000</u> <u>Gallons</u>
Inside City	<u>Gallons</u> <u>Per Month</u> Minimum Per 1,000	<u>\$12.07</u> 4.52
Number of customers at June 30, 2021 - 17,543		

CITY OF SPRING HILL, TENNESSEE

SCHEDULE OF UNACCOUNTED FOR WATER Year Ended June 30, 2021 (All Amounts in Gallons)

**AWWA Free Water Audit Software:
Reporting Worksheet**

WAS v5.0
 American Water Works Association
 Copyright © 2014, All Rights Reserved

[?](#) Click to access definition

[+](#) Click to add a comment

Water Audit Report for: City of Spring Hill (0000667)

Reporting Year: 2021 7/2020 - 6/2021

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

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

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

WATER SUPPLIED

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

Volume from own sources:	+ ? 9	1,255.979	MGYr	
Water imported:	+ ? 8	238.764	MGYr	
Water exported:	+ ? 8	0.383	MGYr	

WATER SUPPLIED: 1,494,360 MGYr

Master Meter and Supply Error Adjustments

Pcnt:					
	+ ?	-	0	100	MGYr
	+ ?	-	0	100	MGYr
	+ ?	-	0	100	MGYr

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

AUTHORIZED CONSUMPTION

Billed metered:	+ ? 9	1,227.150	MGYr	
Billed unmetered:	+ ? 8	0.559	MGYr	
Unbilled metered:	+ ? n/a	0.000	MGYr	
Unbilled unmetered:	+ ? 9	4.958	MGYr	

AUTHORIZED CONSUMPTION: 1,232.666 MGYr

Click here: [?](#)
for help using option buttons below

Pcnt: 0.25% Value: 4.958 MGYr

Use buttons to select percentage of water supplied OR value

Pcnt: 2.00% Value: 0.001 MGYr

WATER LOSSES (Water Supplied - Authorized Consumption) 261.694 MGYr

Apparent Losses

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

Unauthorized consumption:	+ ?	3.736	MGYr	
Customer metering inaccuracies:	+ ? 9	25.044	MGYr	
Systematic data handling errors:	+ ? 9	0.001	MGYr	

Apparent Losses: 28.781 MGYr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 232.913 MGYr

WATER LOSSES: 261.694 MGYr

Pcnt: 0.25% Value: MGYr

Pcnt: 2.00% Value: 0.001 MGYr

NON-REVENUE WATER

NON-REVENUE WATER: 266.652 MGYr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ? 9	255.4	miles	
Number of <u>active AND inactive</u> service connections:	+ ? 9	18,759		
Service connection density:	?	73	conn./mile main	

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

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

Average length of customer service line: ?

Average operating pressure: 75.0 psi

COST DATA

Total annual cost of operating water system:	+ ? 9	\$5,636,251	\$/Year	
Customer retail unit cost (applied to Apparent Losses):	+ ? 9	\$5.59	\$/1000 gallons (US)	
Variable production cost (applied to Real Losses):	+ ? 9	\$1,277.28	\$/Million gallons	<input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

*** YOUR SCORE IS: 87 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources

2: Unauthorized consumption

3: Billed unmetered

77

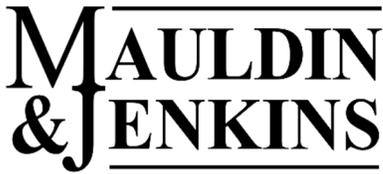
CITY OF SPRING HILL, TENNESSEE

SCHEDULE OF UNACCOUNTED FOR WATER
 Year Ended June 30, 2021
 (All Amounts in Gallons)

AWWA Free Water Audit Software: System Attributes and Performance Indicators		WAS v5.0 American Water Works Association. Copyright © 2014, All Rights Reserved.
Water Audit Report for: City of Spring Hill (0000667)		
Reporting Year: 2021 7/2020 - 6/2021		
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 87 out of 100 ***		
System Attributes:		
	Apparent Losses:	28.781 MG/Yr
	+ Real Losses:	232.913 MG/Yr
	= Water Losses:	261.694 MG/Yr
	? Unavoidable Annual Real Losses (UARL):	114.85 MG/Yr
	Annual cost of Apparent Losses:	\$160,884
	Annual cost of Real Losses:	\$297,495
		Valued at Variable Production Cost Return to Reporting Worksheet to change this assumption
Performance Indicators:		
Financial:	Non-revenue water as percent by volume of Water Supplied:	17.8%
	Non-revenue water as percent by cost of operating system:	8.2% Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	4.20 gallons/connection/day
	Real Losses per service connection per day:	34.02 gallons/connection/day
	Real Losses per length of main per day*:	N/A
	Real Losses per service connection per day per psi pressure:	0.45 gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	232.91 million gallons/year
	? Infrastructure Leakage Index (ILI) [CARL/UARL]:	2.03

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

COMPLIANCE SECTION



CPAs & ADVISORS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spring Hill, Tennessee (the "City"), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 24, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

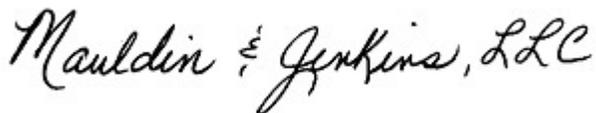
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2021-002 and 2021-003.

City of Spring Hill's Response to Findings

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

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.



Chattanooga, Tennessee
February 24, 2022

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or pass- through Grantor Number	Expenditures	
			Federal	State
FEDERAL AWARDS				
U.S. Department of Transportation				
Passed through the State Department of Safety and Homeland Security State and Community Highway Safety - GHSO Grant	20.600	Z21THS281	\$ 11,228	\$ -
Total U.S. Department of Transportation			<u>11,228</u>	<u>-</u>
U.S. Department of Treasury				
Passed through the State of Tennessee COVID-19 Coronavirus Relief Fund	21.019	N/A	621,960	-
Total U.S. Department of Treasury			<u>621,960</u>	<u>-</u>
U.S. Department of Homeland Security				
Passed through the Tennessee Department of Finance & Administration Disaster Grants - TEMA - May 2020 Flooding	97.036	PA-04-TN-4450-RPA-0024	34,942	-
COVID-19 Disaster Grants - TEMA	97.036	PA-119-70580-00, FEMA 4514-DR-RN	9,221	-
Total U.S. Department of Homeland Security			<u>44,163</u>	<u>-</u>
National Endowment for the Humanities				
Passed through the Tennessee State Library Grants to States	45.310	N/A	1,026	-
Total National Endowment for the Humanities			<u>1,026</u>	<u>-</u>
TOTAL FEDERAL AWARDS			\$ 678,377	\$ -
STATE AWARDS				
Tennessee Department of Transportation				
Beechcroft - Water Relocation (117319.01)	N/A	8594	\$ -	\$ 3,122
Beechcroft - Sewer Relocation (117319.01)	N/A	8596	-	2,026
Project Shotgun - Sewer Relocation (121394.00)	N/A	8598	-	11,503
Project Shotgun - Water Relocation (121394.00)	N/A	8600	-	13,274
Duplex Rd - Sewer Relocation (103169.00)	N/A	8646	-	163
Saturn Parkway Ext - Water Relocation (123399.00)	N/A	8893	-	10,553
Saturn Parkway Ext - Sewer Relocations (123399.00)	N/A	8892	-	18,269
Harvey Park Greenway (121850.02)	N/A	190380	-	60,662
Total Tennessee Department of Transportation			<u>-</u>	<u>119,572</u>
Tennessee Department of Finance and Administration				
Passed through the Tennessee Division of Forestry Tree Planting Grant	N/A	65986	-	2,578
Passed through the Tennessee Arts Commission Arts Builds Communities	N/A	N/A	-	3,170
Passed through the Metropolitan Government of Nashville and Davidson County Internet Crimes Against Children FY 2020-21	N/A	N/A	-	14,887
Total Tennessee Department of Finance and Administration			<u>-</u>	<u>20,635</u>
TOTAL STATE AWARDS			\$ -	\$ 140,207
TOTAL FEDERAL AND STATE AWARDS			\$ 678,377	\$ 140,207

NOTES:

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

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

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

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

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified? yes no

Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

There was not an audit of major federal award programs for the year ended June 30, 2021 due to the City not expending federal expenditures in excess of \$750,000.

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2021-001 Expenditure Recognition

Criteria: Generally, expenditures/expenses should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows in accordance with generally accepted accounting principles (GAAP).

Condition: A misstatement was detected in the reporting of the City's expenditures and the related Statement of Net Position/Balance Sheet accounts.

Context/Cause: An audit adjustment was required to properly report the City's expenditures and related liability account for the Adequate Facilities/Development Fund in the amount of \$195,497 to accrue expenditures incurred prior to June 30, 2021. The expenditures were incorrectly reported in fiscal year June 30, 2022 as this was the disbursement period.

Effects: An audit adjustment totaling \$195,497 was required to correctly report the City's expenditures and related liabilities in accordance with GAAP.

Recommendation: We recommend the City carefully review all expenditures/expenses and related liability accounts to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that expenditures/expenses and their related liabilities are properly recorded.

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2021-002 Operating Under a Balanced Budget

Criteria: In accordance with Tennessee Code 6-56-203, *Annual Budget Ordinance*, the governing body of each municipality shall adopt and operate under an annual budget ordinance.

Condition: During the fiscal year ended June 30, 2021, the Board approved amendments to increase revenues and expenditures and balanced with the utilization of fund balance in the amount of \$428,101; however, only \$317,784 was available in fund balance.

Context/Cause: Budget amendments were made to utilize fund balance in excess of what was available.

Effects: The City's Northfield Fund operated during the year without a balanced budget. However, actual expenditures were under budget to prevent the fund from ending in a deficit.

Recommendation: We recommend the City carefully review all budget amendments to ensure any planned use of fund balance or net position does not exceed available amounts.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure all future budget amendments are balanced prior to approval.

CITY OF SPRING HILL, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2021-003 Misappropriation of Cash Assets

Criteria: Internal controls should exist to ensure all changes in employee bank account information is prepared by and entered into the payroll system by two separate employees to ensure one employee does not have access to manipulate payroll deposits, without approval.

Condition: All electronic communication providing changes to banking information should be verified with a phone call to the individual or business requesting changes.

Context/Cause: During the fiscal year ended June 30, 2021, direct deposit information was changed via a spam email without verification of the change and resulted in theft of \$4,305.

Effects: Payroll distributions of \$4,305 were disbursed to a fraudulent bank account, resulting in theft of cash in the amount of \$4,305.

Recommendation: The City identified the change after one payroll, as the unpaid individuals notified the City and the changes were corrected in the payroll system. We recommend any email or written requests to change bank account information be verified with a phone call or orally with the requesting individual or business, prior to making changes in the City's system.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure all electronic payment changes are verified prior to posting to the system.

CITY OF SPRING HILL, TENNESSEE

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

None reported



MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE FISCAL YEAR ENDED JUNE 30, 2021

2021-001 Expenditures / Expenses and Related Liability Accounts

Contact Person Responsible for the Corrective Action Plan: Debra Dutcher, Finance Director

Corrective Action Plan: The City is planning to make the necessary changes to properly review the cut-off and accuracy of expenditures/expenses reported throughout the year.

Anticipated Completion Date: June 30, 2022

2021-002 Operating Under a Balanced Budget

Contact Person Responsible for the Corrective Action Plan: Debra Dutcher, Finance Director

Corrective Action Plan: The City's management will ensure all budget amendments are properly balanced and approved by the Board.

Anticipated Completion Date: June 30, 2022

2021-003 Misappropriation of Cash Assets

Contact Person Responsible for the Corrective Action Plan: Debra Dutcher, Finance Director

Corrective Action Plan: The City will continue to monitor and improve controls over payroll disbursements to prevent future abuses.

Anticipated Completion Date: June 30, 2022



THE CITY OF SPRING HILL

199 Town Center Parkway - Spring Hill, Tennessee 37174

931-486-2252

www.springhilltn.org

