

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

**CITY OF SHELBYVILLE, TENNESSEE**

June 30, 2013

**WINNETT**  
*Associates, PLLC*

Certified Public Accountants and Consultants

## **INTRODUCTORY SECTION**

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## INTRODUCTORY SECTION

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**OFFICIALS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**JUNE 30, 2013**

MAYOR                    Wallace Cartwright

VICE-MAYOR            Thomas Landers

COUNCILMEMBERS    Ward 1 - Henry Feldhaus III

Ward 2 - Sam Meek

Ward 3 - Kay Rose

Ward 4 - Jamie Williams

Ward 5 - Jean Pruitt

Ward 6 - Thomas Landers

OTHER OFFICIALS    City Manager - Jay Johnson

City Recorder - Vickie Haskins

City Treasurer - Jamey Owen

City Judge - John T. Bobo

City Attorney - Ginger Shofner

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and City Councilmembers  
City of Shelbyville  
Shelbyville, 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 City of Shelbyville, Tennessee, as of and for the year ended June 30, 2013, 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 did not audit the financial statements of the Shelbyville Power, Water and Sewerage Systems, which represent 100 percent of the assets, net position, and revenues of the business-type activities. The Shelbyville Power, Water and Sewerage Systems are also major funds. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Shelbyville Power, Water and Sewerage Systems, is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, 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 Shelbyville, Tennessee, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general 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 and schedules of funding progress on pages 10 through 15 and 53 through 54 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, and the other auditors, 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 Shelbyville, Tennessee's, basic financial statements. The introductory section and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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

The introductory section and miscellaneous schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014, on our consideration of the City of Shelbyville, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering City of Shelbyville, Tennessee's internal control over financial reporting and compliance.

*Winneth Associates, PLLC*

January 31, 2014

**CITY OF SHELBYVILLE, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year ended June 30, 2013**

As management of the City of Shelbyville, Tennessee (the City), 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, 2013. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

This report consists of management's presentations concerning the finances of the City of Shelbyville. Consequently, management assumes full responsibility for the completeness and reliability for all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Shelbyville has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Shelbyville's financial statements in conformity with GAAP. Because the cost of internal controls should outweigh their benefits, the City of Shelbyville's comprehensive framework of internal controls has been designated to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief this financial report is complete and reliable in all material respects.

### **Using this Annual Report**

This Annual Report (the "Report") consists of a series of financial statements. The Statement of Net Position and Statement of Activities (pages 16-17) provide information about the City as a whole and provide a long-term view of the City's finances. Fund financial statements begin on page 18, and tell how government activities were financed in the short term, as well as what remains for future spending. The Report deals with two types of funds, governmental and proprietary. The only proprietary funds are those maintained by the separately chartered Shelbyville Power, Water and Sewerage System. The governmental funds record the City's activities in providing basic municipal services.

### **Governmental Funds**

The Report refers to the General Fund and Other Governmental Funds. The General Fund is the basic operating fund for all city departments. The Other Governmental Funds are Special Revenue Funds and Capital Projects Funds. The funds are maintained and reported using the modified accrual method of accounting. In its accounting system, the City maintains the following funds which are consolidated into the General Fund for purposes of the Report: Fixed Asset Group, Capital, Budget Reserve, and Recoveries. These funds have been established to enable the City to improve its financial position by developing and managing cash reserves for budget shortfalls, equipment, and capital expenditures.

The Shelbyville Power, Water & Sewerage Systems are composed of three separate divisions that are financially accounted for on a separate basis. All divisions are reportable to the General Manager. The General Manager reports to a five-member board that is appointed by the Mayor and the City Council of the City of Shelbyville, TN.

### **Financial Highlights**

- The City's governmental activities' total liabilities increased by \$1,023,906. This was due to the issuance of a \$300,000 loan, increased accounts payable for grant activity due for the airport project at \$599,215 and various capital purchases.

- The assets of the governmental activities of the City of Shelbyville exceeded its liabilities at the close of the fiscal year ended 2013 by \$31,905,210 which is an increase of \$2,416,233 from the prior year.
- Governmental activities total expenses increased by \$1,320,527 for 2013. The increased spending is due to grant activity for capital.
- The assets of the Shelbyville Power, Water and Sewerage Systems exceeded their liabilities at the close of the most recent fiscal year by \$72,881,136. Of this amount, \$27,277,701 may be used to meet the Systems ongoing obligations to suppliers and creditors.
- The Shelbyville Power, Water and Sewerage Systems' total net position increased by \$3,469,530.

According to the Systems management, the statement of net position of the Systems is very solid. Plant is being well maintained and improved based on needs forecast well into the future. Debt is being conservatively managed with debt service coverage leverage ratios that are more than adequate. Cash reserves are more than adequate for all systems.

#### *Power System*

Total power system assets went from \$34,578,325 fiscal year ending June 30, 2012 to \$36,633,220 fiscal year ending June 30, 2013. Current assets went from \$15,964,648 to \$18,282,331. Plant, net of accumulated depreciation, decreased from \$18,087,045 to \$17,968,528. Other assets went from \$348,843 to \$365,926. Total power system liabilities went from \$4,762,497 to \$4,646,855. Current liabilities went from \$4,270,666 to \$4,134,032. Long-term liabilities went from \$491,831 to \$512,823.

Income before capital contributions for the power system decreased from \$3,047,276 in fiscal year ending 2012 to \$2,765,224 in fiscal year 2013. Total operating revenue decreased from \$34,371,361 to \$34,231,008. This is a function of weather, growth in our customer base, rate increases, and unbilled revenue. Operational and maintenance expenses increased from \$3,220,650 in 2012 to \$3,489,853 in 2013. Interest expense decreased from \$38,855 to \$4,216.

#### *Water System*

Total water system assets went from \$23,647,692 to \$23,374,766. Current assets went from \$7,618,926 to \$7,126,470. Plant, net of accumulated depreciation, increased from \$14,987,870 to \$15,204,928. Total liabilities decreased from \$3,664,396 to \$3,369,687. Long-term liabilities decreased from \$3,114,162 to \$2,964,030.

Income before capital contributions decreased from \$281,558 to \$(1,067). Total operating revenue showed a decrease from \$3,988,988 to \$3,894,154. Operational and maintenance expenses increased from \$2,869,577 to \$2,931,426. Interest expense decreased from \$80,152 to \$79,266.

#### *Sewerage System*

Total sewerage system assets increased from \$42,191,892 to \$46,326,579. Current assets went from \$6,292,238 to \$6,557,526. Plant, net of accumulated depreciation, increased from \$35,052,784 to \$39,676,195. Total liabilities went from \$22,579,410 to \$25,436,887. Long-term liabilities increased from \$22,093,239 to \$25,061,918.

Income before capital contributions for the sewerage system went from \$1,121,232 in fiscal year ending 2012 to \$1,090,126 in fiscal year ending 2013. Sewer rates are based on water usage and bill at approximately 135% of the water rate. Sewer operational and maintenance expenses showed an increase from \$2,091,968 to \$2,186,065. Interest expense decreased from \$165,455 to \$159,778.

Condensed Statement of Activities  
June 30, 2013

|                        | <u>Governmental activities</u> |                      | <u>Business-type activities</u> |                      | <u>Total</u>          |                      |
|------------------------|--------------------------------|----------------------|---------------------------------|----------------------|-----------------------|----------------------|
|                        | <u>2013</u>                    | <u>2012</u>          | <u>2013</u>                     | <u>2012</u>          | <u>2013</u>           | <u>2012</u>          |
| Revenues:              |                                |                      |                                 |                      |                       |                      |
| Program revenues:      |                                |                      |                                 |                      |                       |                      |
| Charges for services   | \$ 1,385,079                   | \$ 1,537,924         | \$ 42,056,921                   | \$ 42,299,075        | \$ 43,442,000         | \$ 43,836,999        |
| Operating grants       | 689,834                        | 710,026              | -                               | -                    | 689,834               | 710,026              |
| Capital grants         | 2,218,693                      | 255,951              | 209,934                         | 116,786              | 2,428,627             | 372,737              |
| General revenues:      |                                |                      |                                 |                      |                       |                      |
| Property taxes         | 6,073,881                      | 5,988,598            | -                               | -                    | 6,073,881             | 5,988,598            |
| Other taxes            | 5,032,095                      | 4,952,372            | -                               | -                    | 5,032,095             | 4,952,372            |
| Other                  | <u>2,150,420</u>               | <u>2,517,321</u>     | <u>76,288</u>                   | <u>106,450</u>       | <u>2,226,708</u>      | <u>2,623,771</u>     |
| Total revenues         | <u>17,550,002</u>              | <u>15,962,192</u>    | <u>42,343,143</u>               | <u>42,522,311</u>    | <u>59,893,145</u>     | <u>58,484,503</u>    |
| Expenses:              |                                |                      |                                 |                      |                       |                      |
| General government     | 4,878,661                      | 1,752,494            | -                               | -                    | 4,878,661             | 1,752,494            |
| Public recreation      | 1,421,193                      | 1,640,781            | -                               | -                    | 1,421,193             | 1,640,781            |
| Public safety          | 4,298,856                      | 6,378,161            | -                               | -                    | 4,298,856             | 6,378,161            |
| Public works           | 3,242,125                      | 3,318,612            | -                               | -                    | 3,242,125             | 3,318,612            |
| Airport                | 841,094                        | 1,044,329            | -                               | -                    | 841,094               | 1,044,329            |
| Welfare                | 254,709                        | 121,970              | -                               | -                    | 254,709               | 121,970              |
| Industrial development | 781,094                        | 138,570              | -                               | -                    | 781,094               | 138,570              |
| Interest on debt       | 10,734                         | 13,022               | -                               | -                    | 10,734                | 13,022               |
| Power                  | -                              | -                    | 31,492,002                      | 31,362,337           | 31,492,002            | 31,362,337           |
| Water                  | -                              | -                    | 3,933,275                       | 3,760,270            | 3,933,275             | 3,760,270            |
| Sewerage               | -                              | -                    | 2,853,649                       | 2,832,852            | 2,853,649             | 2,832,852            |
| Total expenses         | <u>15,728,466</u>              | <u>14,407,939</u>    | <u>38,278,926</u>               | <u>37,955,459</u>    | <u>54,007,392</u>     | <u>52,363,398</u>    |
| Change in net position |                                |                      |                                 |                      |                       |                      |
| before transfers       | 1,821,536                      | 1,554,253            | 4,064,217                       | 4,566,852            | 5,885,753             | 6,121,105            |
| Transfers              | <u>594,687</u>                 | <u>567,875</u>       | <u>(594,687)</u>                | <u>(567,875)</u>     | <u>-</u>              | <u>-</u>             |
| Change in net position | 2,416,223                      | 2,122,128            | 3,469,530                       | 3,998,977            | 5,885,753             | 6,121,105            |
| Net position-beginning | <u>29,488,987</u>              | <u>27,366,859</u>    | <u>69,411,606</u>               | <u>65,412,629</u>    | <u>98,900,593</u>     | <u>92,779,488</u>    |
| Net position-ending    | <u>\$ 31,905,210</u>           | <u>\$ 29,488,987</u> | <u>\$ 72,881,136</u>            | <u>\$ 69,411,606</u> | <u>\$ 104,786,346</u> | <u>\$ 98,900,593</u> |

Condensed Statement of Net Position  
June 30, 2013

|                          | <u>Governmental activities</u> |                      | <u>Business-type activities</u> |                      | <u>Total</u>          |                      |
|--------------------------|--------------------------------|----------------------|---------------------------------|----------------------|-----------------------|----------------------|
|                          | <u>2013</u>                    | <u>2012</u>          | <u>2013</u>                     | <u>2012</u>          | <u>2013</u>           | <u>2012</u>          |
| Current and other assets | \$ 16,515,825                  | \$ 14,891,934        | \$ 33,551,334                   | \$ 32,004,421        | \$ 50,067,159         | \$ 46,896,355        |
| Capital assets           | <u>24,037,613</u>              | <u>22,242,375</u>    | <u>72,849,651</u>               | <u>68,127,699</u>    | <u>96,887,264</u>     | <u>90,370,074</u>    |
| Total assets             | <u>40,553,438</u>              | <u>37,134,309</u>    | <u>106,400,985</u>              | <u>100,132,120</u>   | <u>146,954,423</u>    | <u>137,266,429</u>   |
| Long-term liabilities    | 1,348,097                      | 1,025,005            | 28,749,599                      | 26,095,914           | 30,097,696            | 27,120,919           |
| Other liabilities        | <u>7,300,131</u>               | <u>6,620,317</u>     | <u>4,616,070</u>                | <u>4,624,600</u>     | <u>11,916,201</u>     | <u>11,244,917</u>    |
| Total liabilities        | <u>8,648,228</u>               | <u>7,645,322</u>     | <u>33,365,669</u>               | <u>30,720,514</u>    | <u>42,013,897</u>     | <u>38,365,836</u>    |
| Net position:            |                                |                      |                                 |                      |                       |                      |
| Net investment in        |                                |                      |                                 |                      |                       |                      |
| capital assets           | 23,633,677                     | 22,032,263           | 44,773,565                      | 42,662,958           | 68,407,242            | 64,695,221           |
| Restricted               | 191,188                        | 232,343              | 829,870                         | 1,741,622            | 1,021,058             | 1,973,965            |
| Unrestricted             | <u>8,080,345</u>               | <u>7,224,381</u>     | <u>27,277,701</u>               | <u>25,007,026</u>    | <u>35,358,046</u>     | <u>32,231,407</u>    |
| Total net position       | <u>\$ 31,905,210</u>           | <u>\$ 29,488,987</u> | <u>\$ 72,881,136</u>            | <u>\$ 69,411,606</u> | <u>\$ 104,786,346</u> | <u>\$ 98,900,593</u> |

## **The City as a Whole**

The Statement of Net Position and Statement of Activities report information about the City as a whole and about its activities. The statements of the City are reported on the accrual basis of accounting. This means the expenses are recognized when they are incurred and revenues are accounted for when they are earned and not when the money is received. The financial stability of the City remains about the same from the prior year. The net position increased from the prior year which proves the stability of the City is increasing.

The Statement of Net Position and the Statement of Activities are divided into two categories. These two categories are governmental activities and business activities. The governmental activities report the basic services of the City such as public general administration, public safety, public works, parks and recreation and airport. The business type activities cover the business of the Shelbyville Power, Water and Sewerage System, which is maintained under a separate Charter.

## **Overview of the Financial Statements**

Total revenues for the general government increased \$1,587,810 from FY 2012 to FY 2013. This is due to the City receiving more grants. Some grants included were Airport grants for \$113,661, STP projects totaling \$267,574, and state street aid funding of \$82,477. The City's major income is property taxes, which supplied the City with 35 percent of total general fund revenue. The second major source of revenue was the local sales tax that supplied 21 percent of the City's general fund revenue. Property taxes, grants, sales taxes, franchise taxes, business licenses, and interest 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 revenues are recognized when cash is received.

Total general fund revenues for FY 2013 were \$15,989,276. This is an increase from FY 2012 of \$906,544.

As stated earlier, the City of Shelbyville's assets of its governmental activities exceeded its liabilities by \$31,905,210. The City's investments are in capital assets. These assets are used to provide services to the citizens of Shelbyville. Cash and cash equivalents of the City's governmental activities increased by \$54,220 from FY 2012 to FY 2013.

The financial statements of the Systems report information about the Systems using accounting methods similar to those used by private sector companies. These statements offer short-term (current) and long-term (noncurrent) financial information about its activities. The Statement of Net Position includes all of the Systems' assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing operating results, evaluating the capital structure of the Systems and assessing the liquidity and financial flexibility of the Systems. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Systems' operations over the past year, and can be used to determine whether the Systems have successfully recovered its costs through user fees and other charges, and to assess its profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Systems' cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities. It also provides information regarding resources of cash, uses of cash, and the change in the cash balance during the reporting period.

## Capital Assets

Some capital purchased items for this year include the following: tennis court resurfacing, indoor pool resurfacing, Purdy court playground equipment and park improvements, fire rescue pumper, signal added to Deery E. Lane, and road improvements at Stanley and East Lane. There was also construction at the airport on improving the taxiway that will be completed in the early spring of 2014.

The Systems' investment in capital assets as of June 30, 2013, amounts to \$72,849,651 (net of accumulated depreciation). Depreciation charges for the year totaled \$2,246,969. The total increase in the Systems' investment in capital assets for the current fiscal year was \$4,721,952 (6.93%).

### The Systems' Capital Assets (as of June 30,)

|                                | <u>2013</u>          | <u>2012</u>          |
|--------------------------------|----------------------|----------------------|
| Land and land rights           | \$ 634,862           | \$ 634,862           |
| Structures and improvements    | 19,938,988           | 19,466,934           |
| Distribution plant             | 66,871,343           | 65,514,028           |
| Furniture and fixtures         | 889,483              | 827,901              |
| Transportation equipment       | 2,320,529            | 2,275,679            |
| Equipment                      | 2,018,397            | 1,842,174            |
| Construction in process        | 23,169,229           | 18,775,800           |
| Less: Accumulated depreciation | <u>(42,993,180)</u>  | <u>(41,209,679)</u>  |
|                                | <u>\$ 72,849,651</u> | <u>\$ 68,127,699</u> |

## Long – Term Debt

At the end of the current fiscal year the governmental activities of the City of Shelbyville included total outstanding long-term debt of \$403,937. The long-term debt of the City is used to finance the assets acquired by the City. The City has issued new long-term debt during the year in the amount of \$300,000 which was used to purchase a new fire pumper and will be paid off in 2016. Repayments of debt have been made on the airport t-hangar debt. The capital outlay notes for the t-hangars were reduced by \$114,015.

At the end of the current fiscal year, the Systems had total outstanding debt for notes, bonds, and other obligations of \$28,361,607.

### The Systems' Outstanding Debt (as of June 30,)

|                        | <u>2013</u>          | <u>2012</u>          |
|------------------------|----------------------|----------------------|
| Bonds payable          | \$ 5,655,000         | \$ 5,880,000         |
| Less: deferred loss    | <u>(312,090)</u>     | <u>(331,080)</u>     |
|                        | <u>5,342,910</u>     | <u>5,548,920</u>     |
| Notes payable          | 22,963,176           | 20,141,415           |
| Less: deferred loss    | <u>-</u>             | <u>(594)</u>         |
|                        | <u>22,963,176</u>    | <u>20,140,821</u>    |
| Net OPEB obligation    | <u>55,521</u>        | <u>41,373</u>        |
| Total outstanding debt | <u>\$ 28,361,607</u> | <u>\$ 25,731,114</u> |

Power system notes, bonds and other obligation debt at fiscal year-end 2013 was \$18,507.

Water system notes, bonds and other obligation debt was \$3,064,972.

Sewer system notes, bonds and other obligation debt totaled \$25,278,128.

## **General Fund Budget Performance**

For fiscal year 2013, the city budgeted \$18,124,239 in total expenses for the original budget. This budget amount was amended at the end of the fiscal year to \$16,299,452. The budget amendment was based on the year-end amounts before audit adjustments. The City as a whole spent less than budgeted this year because of the economy and managements emphasis on controlling.

## **Rates**

Power system rates increased along with TVA rates quarterly during the fiscal year. Water system rates increased as of January 1, 2010, and sewer system rates increased as of January 1, 2011.

## **Looking to the Future**

The City is continuing to focus efforts on revising and enhancing our financial reporting and policies. The City plans to increase our grant participation to better serve the City. In the past year, the City has started the process of making some needed repairs to the buildings and equipment as well as buying needed fixed assets that have been delayed in the past few years because of the economy. The housing industry continues to face difficulties but we are beginning to see a slight change which is reflected in the very slight increase in the City's overall tax collections; it is anticipated that we will continue to see a slow growth in the retail economy which will increase our sales tax collections.

## **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City Treasurer, 201 North Spring Street, Shelbyville, Tennessee 37160.

**STATEMENT OF NET POSITION**  
**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2013**

|  | Governmental<br>Activities | Business-type<br>Activities | Total                 |
|--|----------------------------|-----------------------------|-----------------------|
| <b>ASSETS</b>  |                            |                             |                       |
| Cash and cash equivalents                                | \$ 6,548,982               | \$ 26,699,223               | \$ 33,248,205         |
| Taxes receivable - net                                   | 7,554,566                  | -                           | 7,554,566             |
| Accounts receivable                                      | 1,513                      | 4,730,785                   | 4,732,298             |
| Intergovernmental receivable                             | 1,850,612                  | -                           | 1,850,612             |
| Other receivables  | -                          | 225,084                     | 225,084               |
| Inventory and other assets                               | 81,493                     | 377,655                     | 459,148               |
| Overfunded net pension obligation                        | 478,659                    | -                           | 478,659               |
| Unamortized bond expense                                 | -                          | 60,067                      | 60,067                |
| Energy conservation loans                                | -                          | 365,926                     | 365,926               |
| Restricted assets:                                       |                            |                             |                       |
| Temporarily restricted:                                  |                            |                             |                       |
| Cash and cash equivalents                                | -                          | 1,092,594                   | 1,092,594             |
| Capital assets:  |                            |                             |                       |
| Land and construction in progress                        | 4,023,605                  | 23,804,091                  | 27,827,696            |
| Other capital assets, net of<br>accumulated depreciation | 20,014,008                 | 49,045,560                  | 69,059,568            |
| TOTAL ASSETS   | <u>40,553,438</u>          | <u>106,400,985</u>          | <u>146,954,423</u>    |
| <b>LIABILITIES</b>                                       |                            |                             |                       |
| Accounts payable   | 1,065,346                  | 2,783,190                   | 3,848,536             |
| Accrued expenses and other liabilities                   | 94,809                     | 73,782                      | 168,591               |
| Deposits   | 47,567                     | 1,573,464                   | 1,621,031             |
| Deferred revenue   | 6,012,870                  | -                           | 6,012,870             |
| Internal balances  | 77,090                     | (77,090)                    | -                     |
| Funds held in trust                                      | 2,449                      | -                           | 2,449                 |
| Liabilities payable from restricted assets               | -                          | 262,724                     | 262,724               |
| Noncurrent liabilities:                                  |                            |                             |                       |
| Due in one year  | 218,290                    | 210,828                     | 429,118               |
| Due in more than one year                                | 1,129,807                  | 28,538,771                  | 29,668,578            |
| TOTAL LIABILITIES  | <u>8,648,228</u>           | <u>33,365,669</u>           | <u>42,013,897</u>     |
| <b>NET POSITION</b>                                      |                            |                             |                       |
| Net investment in capital assets                         | 23,633,677                 | 44,773,565                  | 68,407,242            |
| Restricted for:  |                            |                             |                       |
| Highways and streets                                     | 142,142                    | -                           | 142,142               |
| Drug education and enforcement                           | 19,046                     | -                           | 19,046                |
| TV station   | 30,000                     | -                           | 30,000                |
| Debt service   | -                          | 829,870                     | 829,870               |
| Unrestricted   | 8,080,345                  | 27,277,701                  | 35,358,046            |
| TOTAL NET POSITION                                       | <u>\$ 31,905,210</u>       | <u>\$ 72,881,136</u>        | <u>\$ 104,786,346</u> |

The accompanying notes are an integral part of this financial statement.



**STATEMENT OF ACTIVITIES**  
**CITY OF SHELBYVILLE, TENNESSEE**

For the year ended June 30, 2013

| Functions/ Programs            | Expenses             | PROGRAM REVENUES        |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                             | Total                 |
|--------------------------------|----------------------|-------------------------|--|--|--|-----------------------------|-----------------------|
|                                |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government                                   |                             |                       |
|                                |                      |                         |  |  | Governmental<br>Activities                           | Business-type<br>Activities |                       |
| Primary government:            |                      |                         |  |  |  |                             |                       |
| Governmental activities:       |                      |                         |  |  |  |                             |                       |
| General government             | \$ 4,878,661         | \$ 87,478               | \$ 20,733                                | \$ 2,396                               | \$ (4,768,054)                                       | \$ -                        | \$ (4,768,054)        |
| Public recreation              | 1,421,193            | 285,702                 | 1,620                                    | 34,898                                 | (1,098,973)  | -                           | (1,098,973)           |
| Public safety                  | 4,298,856            | 294,640                 | 48,174                                   | -                                      | (3,956,042)  | -                           | (3,956,042)           |
| Public works                   | 3,242,125            | 9,701                   | 610,439                                  | 1,353,726                              | (1,268,259)  | -                           | (1,268,259)           |
| Airport                        | 841,094              | 707,558                 | -  | 772,173                                | 638,637  | -                           | 638,637               |
| Welfare                        | 254,709              | -                       | -  | -                                      | (254,709)  | -                           | (254,709)             |
| Industrial development         | 781,094              | -                       | 8,868                                    | 55,500                                 | (716,726)  | -                           | (716,726)             |
| Interest on long-term debt     | 10,734               | -                       | -  | -                                      | (10,734)   | -                           | (10,734)              |
| Total governmental activities  | <u>15,728,466</u>    | <u>1,385,079</u>        | <u>689,834</u>                           | <u>2,218,693</u>                       | <u>(11,434,860)</u>                                  | <u>-</u>                    | <u>(11,434,860)</u>   |
| Business-type activities       |                      |                         |  |  |  |                             |                       |
| Power system                   | 31,492,002           | 34,231,008              | -  | -                                      | -  | 2,739,006                   | 2,739,006             |
| Water system                   | 3,933,275            | 3,894,154               | -  | 22,850                                 | -  | (16,271)                    | (16,271)              |
| Sewerage system                | 2,853,649            | 3,931,759               | -  | 187,084                                | -  | 1,265,194                   | 1,265,194             |
| Total business-type activities | <u>38,278,926</u>    | <u>42,056,921</u>       | <u>-</u>                                 | <u>209,934</u>                         | <u>-</u>   | <u>3,987,929</u>            | <u>3,987,929</u>      |
| Total primary government       | <u>\$ 54,007,392</u> | <u>\$ 43,442,000</u>    | <u>\$ 689,834</u>                        | <u>\$ 2,428,627</u>                    | <u>\$ (11,434,860)</u>                               | <u>\$ 3,987,929</u>         | <u>\$ (7,446,931)</u> |
|                                |                      | General revenues:       |  |  |  |                             |                       |
|                                |                      |                         |  |  | \$ 6,073,881   | \$ -                        | \$ 6,073,881          |
|                                |                      |                         |  |  | 384,428  | -                           | 384,428               |
|                                |                      |                         |  |  | 3,405,318  | -                           | 3,405,318             |
|                                |                      |                         |  |  | 762,818  | -                           | 762,818               |
|                                |                      |                         |  |  | 137,604  | -                           | 137,604               |
|                                |                      |                         |  |  | 204,671  | -                           | 204,671               |
|                                |                      |                         |  |  | 77,361   | -                           | 77,361                |
|                                |                      |                         |  |  | 1,932,217  | -                           | 1,932,217             |
|                                |                      |                         |  |  | 137,256  | -                           | 137,256               |
|                                |                      |                         |  |  | 57,270   | -                           | 57,270                |
|                                |                      |                         |  |  | 72,868   | -                           | 72,868                |
|                                |                      |                         |  |  | 10,704   | 76,288                      | 86,992                |
|                                |                      |                         |  |  | 594,687  | (594,687)                   | -                     |
|                                |                      |                         |  |  | <u>13,851,083</u>                                    | <u>(518,399)</u>            | <u>13,332,684</u>     |
|                                |                      |                         |  |  | 2,416,223  | 3,469,530                   | 5,885,753             |
|                                |                      |                         |  |  | 29,488,987   | 69,411,606                  | 98,900,593            |
|                                |                      |                         |  |  | <u>\$ 31,905,210</u>                                 | <u>\$ 72,881,136</u>        | <u>\$ 104,786,346</u> |

The accompanying notes are an integral part of this financial statement.

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**

June 30, 2013

|                                      | General              | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------------|----------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                        |                      |                                |                                |
| Cash                                 | \$ 6,376,005         | \$ 172,977                     | \$ 6,548,982                   |
| Taxes receivable - net               | 7,538,075            | 16,491                         | 7,554,566                      |
| Accounts receivable                  | 1,513                | -                              | 1,513                          |
| Intergovernmental receivable         | 1,763,712            | 86,900                         | 1,850,612                      |
| Inventory and other assets           | 81,493               | -                              | 81,493                         |
| Total assets                         | <u>\$ 15,760,798</u> | <u>\$ 276,368</u>              | <u>\$ 16,037,166</u>           |
| <b>Liabilities and fund balances</b> |                      |                                |                                |
| <b>Liabilities:</b>                  |                      |                                |                                |
| Accounts payable                     | \$ 1,046,276         | \$ 19,070                      | \$ 1,065,346                   |
| Accrued wages                        | 94,809               | -                              | 94,809                         |
| Deposits                             | 47,567               | -                              | 47,567                         |
| Deferred revenue                     | 6,796,809            | -                              | 6,796,809                      |
| Due to other funds                   | 53,595               | 23,495                         | 77,090                         |
| Funds held in trust                  | -                    | 2,449                          | 2,449                          |
| Total liabilities                    | <u>8,039,056</u>     | <u>45,014</u>                  | <u>8,084,070</u>               |
| <b>Fund balances:</b>                |                      |                                |                                |
| <b>Nonspendable</b>                  |                      |                                |                                |
| Inventory and other assets           | 81,493               | -                              | 81,493                         |
| <b>Restricted</b>                    |                      |                                |                                |
| Cable TV                             | 30,000               | -                              | 30,000                         |
| Police                               | -                    | 59,212                         | 59,212                         |
| State street aid                     | -                    | 142,142                        | 142,142                        |
| <b>Committed</b>                     |                      |                                |                                |
| Assigned                             | -                    | 30,000                         | 30,000                         |
| Stormwater management                | 159,341              | -                              | 159,341                        |
| Sanitation                           | 49,043               | -                              | 49,043                         |
| State road projects                  | 786,507              | -                              | 786,507                        |
| Capital assets                       | 1,225,126            | -                              | 1,225,126                      |
| Unassigned                           | 5,390,232            | -                              | 5,390,232                      |
| Total fund balances                  | <u>7,721,742</u>     | <u>231,354</u>                 | <u>7,953,096</u>               |
| Total liabilities and fund balances  | <u>\$ 15,760,798</u> | <u>\$ 276,368</u>              |                                |

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

|  |                      |
|--|----------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                    | 24,037,613           |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.                   | 1,262,598            |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (1,348,097)          |
|  | <u>\$ 31,905,210</u> |

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2013

|  | General       | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>                             |               |                                |                                |
| Taxes  | \$ 10,634,894 | \$ 137,256                     | \$ 10,772,150                  |
| Payments in lieu of taxes                    | 204,671       | -                              | 204,671                        |
| Penalties and interest                       | 77,361        | -                              | 77,361                         |
| Licenses and permits                         | 49,875        | -                              | 49,875                         |
| Intergovernmental                            | 3,543,128     | 522,217                        | 4,065,345                      |
| Charges for services                         | 1,113,838     | -                              | 1,113,838                      |
| Fines  | 266,654       | 4,587                          | 271,241                        |
| Miscellaneous                                | 88,415        | 2,477                          | 90,892                         |
| Investment earnings                          | 10,440        | 264                            | 10,704                         |
| Total revenues                               | 15,989,276    | 666,801                        | 16,656,077                     |
| <b>Expenditures:</b>                         |               |                                |                                |
| <b>Current:</b>                              |               |                                |                                |
| General government                           | 4,861,623     | -                              | 4,861,623                      |
| Parks and recreation                         | 1,475,756     | -                              | 1,475,756                      |
| Public safety                                | 5,081,786     | 30,747                         | 5,112,533                      |
| Public works                                 | 2,955,095     | 563,118                        | 3,518,213                      |
| Airport                                      | 1,604,306     | -                              | 1,604,306                      |
| Welfare                                      | 250,080       | -                              | 250,080                        |
| Industrial development                       | -             | 137,256                        | 137,256                        |
| <b>Debt service:</b>                         |               |                                |                                |
| Principal retirement                         | 106,175       | -                              | 106,175                        |
| Interest payments on notes                   | 10,734        | -                              | 10,734                         |
| Total expenditures                           | 16,345,555    | 731,121                        | 17,076,676                     |
| Excess of revenues over (under) expenditures | (356,279)     | (64,320)                       | (420,599)                      |
| <b>Other financing sources (uses):</b>       |               |                                |                                |
| Transfers in                                 | 594,687       | -                              | 594,687                        |
| Sales of general capital assets              | 34,583        | -                              | 34,583                         |
| Capital outlay notes issued                  | 300,000       | -                              | 300,000                        |
| Insurance recoveries                         | 127,588       | -                              | 127,588                        |
| Total other financing sources (uses)         | 1,056,858     | -                              | 1,056,858                      |
| Net change in fund balances                  | 700,579       | (64,320)                       | 636,259                        |
| Fund balances - July 1, 2012                 | 7,021,163     | 295,674                        | 7,316,837                      |
| Fund balances - June 30, 2013                | \$ 7,721,742  | \$ 231,354                     | \$ 7,953,096                   |

The accompanying notes are an integral part of this financial statement.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**CITY OF SHELBYVILLE, TENNESSEE**

For the year ended June 30, 2013

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

|  |            |
|--|------------|
| Net change in fund balances - total governmental funds | \$ 636,259 |
|--|------------|

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

|                                     |           |
|-------------------------------------|-----------|
| Capital asset purchases capitalized | 2,564,170 |
| Depreciation expense                | (727,693) |

The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net position:

|  |           |
|--|-----------|
| Donations of capital assets received                 | 605,000   |
| Capital assets donated to Bedford Railroad Authority | (643,838) |
| Sales and abandonments of capital assets             | (2,401)   |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

|                            |         |
|----------------------------|---------|
| Change in deferred revenue | 129,155 |
|----------------------------|---------|

The issuance of long-term debt (e.g., bonds, leases) 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.

|                                    |           |
|------------------------------------|-----------|
| Promissory note principal payments | 106,175   |
| Capital outlay note issued         | (300,000) |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

|                        |           |
|------------------------|-----------|
| Compensated absences   | (21,293)  |
| Net pension obligation | 178,663   |
| Net OPEB obligation    | (107,974) |

|   |                            |
|---|----------------------------|
| Change in net position of governmental activities | <u><u>\$ 2,416,223</u></u> |
|---|----------------------------|

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2013

|                                   | Original<br>Budget | Final<br>Budget   | Actual            | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|-----------------------------------|--------------------|-------------------|-------------------|---|
| <b>REVENUES</b>                   |                    |                   |                   |   |
| Taxes:                            |                    |                   |                   |   |
| Property                          | \$ 5,566,843       | \$ 5,839,577      | \$ 5,944,726      | \$ 105,149  |
| Business                          | 380,711            | 384,428           | 384,428           | -   |
| Local sales                       | 3,556,830          | 3,405,318         | 3,405,318         | -   |
| Beverage                          | 733,978            | 762,818           | 762,818           | -   |
| Franchise                         | 135,529            | 137,604           | 137,604           | -   |
| Payments in lieu of taxes         | 190,164            | 204,671           | 204,671           | -   |
| Penalties and interest            | 81,404             | 77,361            | 77,361            | -   |
| Licenses and permits              | 35,586             | 49,875            | 49,875            | -   |
| Intergovernmental revenues        |                    |                   |                   |   |
| State sales tax allocation        | 1,380,610          | 1,412,850         | 1,409,788         | (3,062)   |
| State income tax allocation       | 65,000             | 106,274           | 106,274           | -   |
| State beer tax allocation         | 10,166             | 10,054            | 10,054            | -   |
| State mixed drink tax allocation  | 33,517             | 32,397            | 35,459            | 3,062   |
| State gasoline and motor fuel tax | 41,679             | 41,775            | 41,775            | -   |
| State excise tax allocation       | 25,000             | 93,016            | 93,016            | -   |
| State TVA in lieu                 | 208,384            | 235,851           | 235,851           | -   |
| State and federal grant funds     | 2,615,916          | 1,723,888         | 1,564,687         | (159,201)   |
| State supplements                 | 54,015             | 46,224            | 46,224            | -   |
| Charges for services              | 1,378,644          | 1,112,745         | 1,112,673         | (72)  |
| Fines                             | 323,308            | 266,654           | 266,654           | -   |
| Miscellaneous                     | 6,776              | 88,317            | 88,415            | 98  |
| Investment earnings               | 24,000             | 10,440            | 10,440            | -   |
| TOTAL REVENUES                    | <u>16,848,060</u>  | <u>16,042,137</u> | <u>15,988,111</u> | <u>(54,026)</u>   |
| <b>EXPENDITURES</b>               |                    |                   |                   |   |
| General government:               |                    |                   |                   |   |
| General government                |                    |                   |                   |   |
| Salaries                          | 345,308            | 346,925           | 342,003           | 4,922   |
| Professional services             | 163,283            | 225,037           | 225,037           | -   |
| Payroll taxes                     | 490,520            | 465,239           | 465,239           | -   |
| Utilities                         | 10,637             | 11,142            | 11,142            | -   |
| Mayor and council salaries        | 57,600             | 57,600            | 57,600            | -   |
| Maintenance and repair            | 13,000             | 20,972            | 20,972            | -   |
| Health and disability insurance   | 1,196,672          | 1,327,552         | 1,200,146         | 127,406   |
| Retirement                        | 1,260,050          | 1,272,301         | 1,237,994         | 34,307  |
| Insurance                         | 381,400            | 368,652           | 368,652           | -   |
| Electric tax equivalent           | 130,000            | 133,805           | 133,805           | -   |
| Advertising                       | 17,000             | 22,679            | 22,679            | -   |
| Employee recognition programs     | 65,914             | 63,252            | 63,252            | -   |
| Capital outlay                    | 114,000            | 182,053           | 89,497            | 92,556  |
| Other general government          | 168,935            | 121,281           | 121,383           | (102)   |
|                                   | <u>4,414,319</u>   | <u>4,618,490</u>  | <u>4,359,401</u>  | <u>259,089</u>  |

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2013

|                            | Original<br>Budget | Final<br>Budget | Actual     | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|----------------------------|--------------------|-----------------|------------|---|
| EXPENDITURES (Continued)   |                    |                 |            |   |
| General government:        |                    |                 |            |   |
| Planning and zoning        |                    |                 |            |   |
| Salaries                   | \$ 148,197         | \$ 147,270      | \$ 145,337 | \$ 1,933  |
| Professional services      | 30,400             | 68,480          | 68,480     | -   |
| Utilities                  | 5,029              | 6,128           | 6,128      | -   |
| Maintenance and repair     | 1,350              | 1,689           | 1,689      | -   |
| Fees paid to state         | 19,366             | 16,797          | 16,797     | -   |
| Slum clearance             | 30,000             | 6,789           | 6,789      | -   |
| Capital outlay             | 13,875             | 12,326          | 12,326     | -   |
| Other planning and zoning  | 18,085             | 14,488          | 14,488     | -   |
|                            | 266,302            | 273,967         | 272,034    | 1,933   |
| Cemetery                   |                    |                 |            |   |
| Salaries                   | 86,960             | 89,044          | 88,837     | 207   |
| Utilities                  | 6,343              | 5,386           | 5,386      | -   |
| Maintenance and repair     | 3,800              | 3,192           | 3,192      | -   |
| Chemical supplies          | 3,630              | 2,586           | 2,586      | -   |
| Gasoline and oil           | 5,787              | 6,870           | 6,870      | -   |
| Capital outlay             | 7,000              | 6,299           | 6,299      | -   |
| Other cemetery             | 4,900              | 3,260           | 3,260      | -   |
|                            | 118,420            | 116,637         | 116,430    | 207   |
| Animal control             |                    |                 |            |   |
| Salaries                   | 77,672             | 74,976          | 74,564     | 412   |
| Utilities                  | 6,975              | 6,385           | 6,385      | -   |
| Maintenance and repair     | 2,300              | 2,364           | 2,364      | -   |
| Gasoline and oil           | 6,120              | 4,427           | 4,427      | -   |
| Capital outlay             | 76,033             | 22,426          | 22,426     | -   |
| Other animal control       | 4,458              | 3,592           | 3,592      | -   |
|                            | 173,558            | 114,170         | 113,758    | 412   |
| Public recreation:         |                    |                 |            |   |
| Parks and recreation       |                    |                 |            |   |
| Salaries                   | 306,330            | 265,671         | 266,787    | (1,116)   |
| Utilities                  | 30,800             | 23,000          | 23,000     | -   |
| Maintenance and repair     | 48,505             | 50,784          | 50,784     | -   |
| Gasoline and oil           | 25,250             | 19,640          | 19,640     | -   |
| Chemical supplies          | 9,965              | 6,342           | 6,342      | -   |
| Capital outlay             | 127,582            | 146,379         | 146,379    | -   |
| Other parks and recreation | 25,049             | 27,064          | 27,064     | -   |
|                            | 573,481            | 538,880         | 539,996    | (1,116)   |

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2013

|                                 | Original<br>Budget | Final<br>Budget  | Actual           | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|---------------------------------|--------------------|------------------|------------------|---|
| EXPENDITURES (Continued)        |                    |                  |                  |   |
| General government:             |                    |                  |                  |   |
| Recreational center             |                    |                  |                  |   |
| Salaries                        | \$ 427,974         | \$ 427,734       | \$ 435,562       | \$ (7,828)  |
| Utilities                       | 169,302            | 158,781          | 158,781          | -   |
| Maintenance and repair          | 44,376             | 47,790           | 47,790           | -   |
| Recreational programming        | 13,220             | 10,776           | 10,776           | -   |
| Office supplies and materials   | 3,500              | 4,074            | 4,074            | -   |
| Chemical supplies               | 20,720             | 15,079           | 15,079           | -   |
| Employee education and training | 5,975              | 5,648            | 5,648            | -   |
| Capital outlay                  | 164,600            | 168,520          | 168,520          | -   |
| Other recreational center       | 48,034             | 29,610           | 29,610           | -   |
|                                 | <u>897,701</u>     | <u>868,012</u>   | <u>875,840</u>   | <u>(7,828)</u>  |
| Sports league                   |                    |                  |                  |   |
| Salaries                        | 40,767             | 31,835           | 32,304           | (469)   |
| Professional services           | 34,252             | 16,279           | 16,279           | -   |
| Clothing and uniforms           | 6,478              | 5,191            | 5,191            | -   |
| Materials                       | 2,890              | 2,594            | 2,594            | -   |
| Other sports league             | 4,190              | 3,552            | 3,552            | -   |
|                                 | <u>88,577</u>      | <u>59,451</u>    | <u>59,920</u>    | <u>(469)</u>  |
| Public safety:                  |                    |                  |                  |   |
| Police                          |                    |                  |                  |   |
| Salaries                        | 2,167,763          | 2,125,630        | 2,114,040        | 11,590  |
| Salary supplement               | 31,815             | 34,407           | 34,407           | -   |
| Employee education and training | 40,725             | 22,371           | 22,371           | -   |
| Utilities                       | 46,836             | 42,345           | 42,345           | -   |
| Maintenance and repair          | 70,047             | 59,750           | 60,445           | (695)   |
| Gasoline and fuel               | 155,100            | 113,681          | 113,681          | -   |
| Machinery and equipment rental  | 12,850             | 12,543           | 12,543           | -   |
| Expendable tools and materials  | 15,748             | 21,524           | 21,524           | -   |
| Office supplies and materials   | 9,184              | 8,389            | 8,389            | -   |
| Clothing and uniforms           | 13,792             | 10,283           | 10,283           | -   |
| Capital outlay                  | 239,554            | 205,990          | 205,295          | 695   |
| Other police                    | 34,226             | 37,443           | 37,443           | -   |
|                                 | <u>2,837,640</u>   | <u>2,694,356</u> | <u>2,682,766</u> | <u>11,590</u>   |

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2013

|                                 | Original<br>Budget | Final<br>Budget  | Actual           | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|---------------------------------|--------------------|------------------|------------------|---|
| <b>EXPENDITURES (Continued)</b> |                    |                  |                  |   |
| <b>Public safety:</b>           |                    |                  |                  |   |
| <b>Fire</b>                     |                    |                  |                  |   |
| Salaries                        | \$ 1,555,163       | \$ 1,487,702     | \$ 1,477,357     | \$ 10,345   |
| Salary supplement               | 22,200             | 20,400           | 20,400           | -   |
| Volunteer firemen               | 10,920             | 9,770            | 9,770            | -   |
| Employee education and training | 12,630             | 16,045           | 16,045           | -   |
| Utilities                       | 38,584             | 37,652           | 37,652           | -   |
| Maintenance and repair          | 32,611             | 37,164           | 37,164           | -   |
| Gasoline and fuel               | 24,150             | 22,500           | 22,500           | -   |
| Fire hydrant rental             | 152,573            | 139,629          | 139,629          | -   |
| Expendable tools                | 13,509             | 14,543           | 14,543           | -   |
| Clothing and uniforms           | 12,500             | 11,370           | 11,370           | -   |
| Capital outlay                  | 747,572            | 586,719          | 586,719          | -   |
| Other fire                      | 22,369             | 25,871           | 25,871           | -   |
|                                 | <u>2,644,781</u>   | <u>2,409,365</u> | <u>2,399,020</u> | <u>10,345</u>   |
| <b>Public works:</b>            |                    |                  |                  |   |
| <b>Streets</b>                  |                    |                  |                  |   |
| Salaries                        | 820,779            | 799,717          | 786,318          | 13,399  |
| Utilities                       | 24,431             | 24,558           | 24,558           | -   |
| Maintenance and repair          | 55,085             | 51,390           | 51,390           | -   |
| Gasoline and fuel               | 114,900            | 89,390           | 89,390           | -   |
| Expendable materials            | 36,000             | 41,127           | 41,127           | -   |
| Construction material           | 39,000             | 20,145           | 20,145           | -   |
| Clothing and uniforms           | 9,852              | 8,461            | 8,461            | -   |
| Chemical supplies               | 21,817             | 7,753            | 7,753            | -   |
| State road paving               | 88,222             | 99,571           | 99,571           | -   |
| State road projects             | 957,419            | 825,442          | 815,888          | 9,554   |
| Capital outlay                  | 553,382            | 381,731          | 381,731          | -   |
| Other streets                   | 30,202             | 22,461           | 22,461           | -   |
|                                 | <u>2,751,089</u>   | <u>2,371,746</u> | <u>2,348,793</u> | <u>22,953</u>   |
| <b>Stormwater management</b>    |                    |                  |                  |   |
| Professional services           | 6,003              | 17,038           | 17,038           | -   |
| Gasoline and oil                | 2,516              | 1,972            | 1,972            | -   |
| Construction material           | 80,000             | 35,851           | 35,851           | -   |
| Infrastructure                  | 50,000             | 44,900           | -                | 44,900  |
| Other stormwater management     | 13,073             | 7,353            | 7,501            | (148)   |
|                                 | <u>151,592</u>     | <u>107,114</u>   | <u>62,362</u>    | <u>44,752</u>   |



**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2013

|  | Original<br>Budget | Final<br>Budget | Actual       | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|--------------------|-----------------|--------------|---|
| <b>EXPENDITURES (Continued)</b>  |                    |                 |              |   |
| <b>Finance</b>   |                    |                 |              |   |
| Retirement of capital outlay notes                                     | \$ 104,667         | \$ 106,175      | \$ 106,175   | \$ -  |
| Interest on capital outlay notes                                       | 9,348              | 10,734          | 10,734       | -   |
|  | 114,015            | 116,909         | 116,909      | -   |
| <b>Airport</b>   |                    |                 |              |   |
| Salaries   | 131,631            | 118,188         | 117,219      | 969   |
| Professional services  | 55,000             | 55,000          | 55,000       | -   |
| Utilities  | 40,087             | 40,189          | 40,189       | -   |
| Maintenance and repair   | 25,415             | 15,641          | 15,641       | -   |
| Fuel for resale  | 803,460            | 502,509         | 502,509      | -   |
| Products for resale  | 7,400              | 7,612           | 7,612        | -   |
| Bank service charges   | 19,626             | 14,368          | 14,368       | -   |
| Capital outlay   | 1,727,500          | 983,824         | 828,824      | 155,000   |
| Other recreational center  | 26,816             | 22,944          | 22,944       | -   |
|  | 2,836,935          | 1,760,275       | 1,604,306    | 155,969   |
| <b>Welfare</b>   | 255,829            | 250,080         | 250,080      | -   |
| <b>TOTAL EXPENDITURES</b>  | 18,124,239         | 16,299,452      | 15,801,615   | 497,837   |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b>                | (1,276,179)        | (257,315)       | 186,496      | 443,811   |
| <b>OTHER FINANCING SOURCES (USES)</b>                                  |                    |                 |              |   |
| Transfers in   | 577,794            | 594,687         | 594,687      | -   |
| Transfers out  | (582,488)          | (582,972)       | (584,897)    | (1,925)   |
| Sales of general capital assets  | 600                | 34,583          | 34,583       | -   |
| Capital outlay note issued   | -                  | 300,000         | 300,000      | -   |
| Standby letter of credit   | -                  | 102,500         | 102,500      | -   |
| Insurance recoveries   | -                  | 25,088          | 25,088       | -   |
| <b>TOTAL OTHER FINANCING USES</b>                                      | (4,094)            | 473,886         | 471,961      | (1,925)   |
| <b>NET CHANGE IN FUND BALANCE</b>                                      | \$ (1,280,273)     | \$ 216,571      | 658,457      | \$ 441,886  |
| <b>FUND BALANCE - BEGINNING</b>  |                    |                 | 7,014,241    |   |
| <b>FUND BALANCE - END</b>  |                    |                 | \$ 7,672,698 |   |
| <b>Reconciliation to fund financial statements:</b>                    |                    |                 |              |   |
| Excess of revenues over expenditures - budgetary                       |                    |                 | \$ 658,457   |   |
| <b>Revenues and expenditures not included in budgetary statements:</b> |                    |                 |              |   |
| Sanitation - charges for services                                      |                    |                 | 1,165        |   |
| Sanitation - expenditures  |                    |                 | (543,940)    |   |
| General fund transfer to sanitation fund                               |                    |                 | 584,897      |   |
| Excess of revenues over expenditures - page 19                         |                    |                 | \$ 700,579   |   |

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2013

|  | Business type activities - Enterprise Funds |                      |                      |                       |
|--|---|----------------------|----------------------|-----------------------|
|  | Power<br>System                             | Water<br>System      | Sewerage<br>System   | Total                 |
| <b>ASSETS</b>  |   |                      |                      |                       |
| Current assets:  |   |                      |                      |                       |
| Cash and cash equivalents                                | \$ 13,567,904                               | \$ 6,813,252         | \$ 6,318,067         | \$ 26,699,223         |
| Accounts receivable, net of allowance                    | 4,271,716                                   | 165,488              | 216,491              | 4,653,695             |
| Other receivables  | 78,067                                      | 145,865              | 1,152                | 225,084               |
| Inventory  | 347,575                                     | -                    | 21,816               | 369,391               |
| Due from other funds                                     | 10,670                                      | -                    | -                    | 10,670                |
| Other assets   | 6,399                                       | 1,865                | -                    | 8,264                 |
| Total current assets                                     | <u>18,282,331</u>                           | <u>7,126,470</u>     | <u>6,557,526</u>     | <u>31,966,327</u>     |
| Noncurrent assets:                                       |   |                      |                      |                       |
| Restricted cash and cash equivalents                     | 16,435                                      | 983,301              | 92,858               | 1,092,594             |
| Energy conservation loans                                | 365,926                                     | -                    | -                    | 365,926               |
| Unamortized bond expense                                 | -   | 60,067               | -                    | 60,067                |
| Capital assets   | 17,968,528                                  | 15,204,928           | 39,676,195           | 72,849,651            |
| Total noncurrent assets                                  | <u>18,350,889</u>                           | <u>16,248,296</u>    | <u>39,769,053</u>    | <u>74,368,238</u>     |
| TOTAL ASSETS   | <u>\$ 36,633,220</u>                        | <u>\$ 23,374,766</u> | <u>\$ 46,326,579</u> | <u>\$ 106,334,565</u> |
| <b>LIABILITIES</b>                                       |   |                      |                      |                       |
| Current liabilities:                                     |   |                      |                      |                       |
| Accounts payable   | \$ 2,707,656                                | \$ 26,102            | \$ 49,432            | \$ 2,783,190          |
| Notes payable  | -   | -                    | 210,828              | 210,828               |
| Accrued expenses and other liabilities                   | 20,166                                      | 327                  | -                    | 20,493                |
| Accrued interest   | -   | -                    | 53,289               | 53,289                |
| Due to other funds                                       | -   | 10,670               | -                    | 10,670                |
| Customer deposits  | 1,406,210                                   | 160,834              | 6,420                | 1,573,464             |
| Total current liabilities                                | <u>4,134,032</u>                            | <u>197,933</u>       | <u>319,969</u>       | <u>4,651,934</u>      |
| Current liabilities payable from restricted assets:      |   |                      |                      |                       |
| Bonds payable  | -   | 175,000              | 55,000               | 230,000               |
| Accrued interest   | -   | 32,724               | -                    | 32,724                |
| Total current liabilities payable from restricted assets | <u>-</u>                                    | <u>207,724</u>       | <u>55,000</u>        | <u>262,724</u>        |
| Noncurrent liabilities:                                  |   |                      |                      |                       |
| Conservation - TVA program                               | 365,926                                     | -                    | -                    | 365,926               |
| Accrued vacation   | 128,390                                     | 74,058               | 49,618               | 252,066               |
| Bonds payable  | -   | 2,871,465            | 2,241,445            | 5,112,910             |
| Notes payable  | -   | -                    | 22,752,348           | 22,752,348            |
| Net OPEB liability                                       | 18,507                                      | 18,507               | 18,507               | 55,521                |
| Total noncurrent liabilities                             | <u>512,823</u>                              | <u>2,964,030</u>     | <u>25,061,918</u>    | <u>28,538,771</u>     |
| TOTAL LIABILITIES  | <u>4,646,855</u>                            | <u>3,369,687</u>     | <u>25,436,887</u>    | <u>33,453,429</u>     |
| <b>NET POSITION</b>                                      |   |                      |                      |                       |
| Net investment in capital assets                         | 17,968,528                                  | 12,333,463           | 14,471,574           | 44,773,565            |
| Restricted   | 16,435                                      | 775,577              | 37,858               | 829,870               |
| Unrestricted   | 14,001,402                                  | 6,896,039            | 6,380,260            | 27,277,701            |
| TOTAL NET POSITION                                       | <u>\$ 31,986,365</u>                        | <u>\$ 20,005,079</u> | <u>\$ 20,889,692</u> | <u>\$ 72,881,136</u>  |

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS**

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2013

|  | Business type activities - Enterprise Funds |                      |                      |                      |
|--|---|----------------------|----------------------|----------------------|
|  | Power<br>System                             | Water<br>System      | Sewerage<br>System   | Total                |
| Operating revenues:  |   |                      |                      |                      |
| Charges for services pledged as security for revenue bonds | \$ 33,628,715                               | \$ 3,831,703         | \$ 3,884,008         | \$ 41,344,426        |
| Forfeited discounts and penalties                          | 199,376                                     | 31,783               | 47,751               | 278,910              |
| Rental income  | 270,295                                     | -                    | -                    | 270,295              |
| Other operating revenue                                    | 132,622                                     | 30,668               | -                    | 163,290              |
| <b>TOTAL OPERATING REVENUE</b>                             | <b>34,231,008</b>                           | <b>3,894,154</b>     | <b>3,931,759</b>     | <b>42,056,921</b>    |
| Operating expenses:  |   |                      |                      |                      |
| Purchased power  | 27,126,694                                  | -                    | -                    | 27,126,694           |
| Operational expenses                                       | 2,622,453                                   | 2,197,423            | 1,746,210            | 6,566,086            |
| Maintenance expense  | 867,400                                     | 734,003              | 439,855              | 2,041,258            |
| Depreciation and amortization                              | 838,481                                     | 922,583              | 507,806              | 2,268,870            |
| <b>TOTAL OPERATING EXPENSES</b>                            | <b>31,455,028</b>                           | <b>3,854,009</b>     | <b>2,693,871</b>     | <b>38,002,908</b>    |
| <b>OPERATING INCOME</b>                                    | <b>2,775,980</b>                            | <b>40,145</b>        | <b>1,237,888</b>     | <b>4,054,013</b>     |
| Nonoperating revenues (expenses):                          |   |                      |                      |                      |
| Interest income  | 26,218                                      | 38,054               | 12,016               | 76,288               |
| Interest expense   | (4,216)                                     | (79,266)             | (159,778)            | (243,260)            |
| Other income (expenses)                                    | (32,758)                                    | -                    | -                    | (32,758)             |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>              | <b>(10,756)</b>                             | <b>(41,212)</b>      | <b>(147,762)</b>     | <b>(199,730)</b>     |
| <b>INCOME BEFORE CONTRIBUTIONS</b>                         | <b>2,765,224</b>                            | <b>(1,067)</b>       | <b>1,090,126</b>     | <b>3,854,283</b>     |
| Transfers out  | (594,687)                                   | -                    | -                    | (594,687)            |
| Capital contributions                                      | -   | 22,850               | 11,100               | 33,950               |
| Contributions in aid-grants                                | -   | -                    | 175,984              | 175,984              |
| <b>CHANGE IN NET POSITION</b>                              | <b>2,170,537</b>                            | <b>21,783</b>        | <b>1,277,210</b>     | <b>3,469,530</b>     |
| <b>NET POSITION, BEGINNING OF YEAR</b>                     | <b>29,815,828</b>                           | <b>19,983,296</b>    | <b>19,612,482</b>    | <b>69,411,606</b>    |
| <b>NET POSITION, END OF YEAR</b>                           | <b>\$ 31,986,365</b>                        | <b>\$ 20,005,079</b> | <b>\$ 20,889,692</b> | <b>\$ 72,881,136</b> |

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2013

|   | Business type activities - Enterprise Funds |                     |                     |                      |
|---|---|---------------------|---------------------|----------------------|
|   | Power System                                | Water System        | Sewerage System     | Total                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |   |                     |                     |                      |
| Receipts from customers (including other funds)                         | \$ 34,063,057                               | \$ 4,067,957        | \$ 4,081,550        | \$ 42,212,564        |
| Payments to suppliers   | (28,659,871)                                | (1,719,094)         | (1,433,867)         | (31,812,832)         |
| Cash paid to employees  | (1,920,382)                                 | (1,348,848)         | (836,075)           | (4,105,305)          |
| NET CASH PROVIDED BY OPERATING ACTIVITIES                               | <u>3,482,804</u>                            | <u>1,000,015</u>    | <u>1,811,608</u>    | <u>6,294,427</u>     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>         |   |                     |                     |                      |
| Capital contributed   | -   | 22,850              | 187,084             | 209,934              |
| Donated labor   | (4,216)                                     | -                   | -                   | (4,216)              |
| Proceeds from issuance of long-term debt, net of issuance cost          | -   | -                   | 3,219,037           | 3,219,037            |
| Acquisition and construction of capital assets                          | (718,897)                                   | (1,118,861)         | (5,128,939)         | (6,966,697)          |
| Principal paid on long-term debt  | (190,000)                                   | (170,000)           | (262,276)           | (622,276)            |
| Interest paid on long-term debt   | (36,494)                                    | (81,590)            | (159,196)           | (277,280)            |
| NET CASH USED BY CAPITAL FINANCING ACTIVITIES                           | <u>(949,607)</u>                            | <u>(1,347,601)</u>  | <u>(2,144,290)</u>  | <u>(4,441,498)</u>   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                  |   |                     |                     |                      |
| Increase in customer deposits   | 116,252                                     | 7,761               | -                   | 124,013              |
| Issuance of energy conservation loans                                   | (17,656)                                    | -                   | -                   | (17,656)             |
| Payments to DREMC for transfers of members                              | (638)                                       | -                   | -                   | (638)                |
| Transfers to other funds  | (594,687)                                   | -                   | -                   | (594,687)            |
| Home weatherization loan advances                                       | 17,656                                      | -                   | -                   | 17,656               |
| NET CASH PROVIDED(USED) BY NON-CAPITAL FINANCING ACTIVITIES             | <u>(479,073)</u>                            | <u>7,761</u>        | <u>-</u>            | <u>(471,312)</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES - Interest and other income</b> |   |                     |                     |                      |
|   | <u>26,733</u>                               | <u>38,634</u>       | <u>11,697</u>       | <u>77,064</u>        |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS                    | 2,080,857                                   | (301,191)           | (320,985)           | 1,458,681            |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR                            | 11,503,482                                  | 8,097,744           | 6,732,060           | 26,333,286           |
| CASH AND CASH EQUIVALENTS, END OF YEAR                                  | <u>\$ 13,584,339</u>                        | <u>\$ 7,796,553</u> | <u>\$ 6,411,075</u> | <u>\$ 27,791,967</u> |
| <b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>                            |   |                     |                     |                      |
| Unrestricted cash and cash equivalents                                  | \$ 13,567,904                               | \$ 6,813,252        | \$ 6,318,217        | \$ 26,699,373        |
| Restricted cash and cash equivalents                                    | 16,435                                      | 983,301             | 92,858              | 1,092,594            |
|   | <u>\$ 13,584,339</u>                        | <u>\$ 7,796,553</u> | <u>\$ 6,411,075</u> | <u>\$ 27,791,967</u> |

**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2013**

|  | Business type activities - Enterprise Funds |                     |                     |                     |
|--|---|---------------------|---------------------|---------------------|
|  | Power<br>System                             | Water<br>System     | Sewerage<br>System  | Total               |
| RECONCILIATION OF OPERATING INCOME TO  |   |                     |                     |                     |
| NET CASH PROVIDED BY OPERATING ACTIVITIES  |   |                     |                     |                     |
| Operating income   | \$ 2,775,980                                | \$ 40,145           | \$ 1,237,888        | \$ 4,054,013        |
| Adjustments to reconcile operating income<br>to net cash provided by operating activities: |   |                     |                     |                     |
| Depreciation and amortization  | 838,481                                     | 922,583             | 507,806             | 2,268,870           |
| Provision for bad debts  | 86,598                                      | 15,019              | 22,815              | 124,432             |
| (Increase) decrease in:  |   |                     |                     |                     |
| Accounts receivable  | (362,749)                                   | 167,893             | 149,652             | (45,204)            |
| Inventory  | 6,081                                       | (4,527)             | (4,402)             | (2,848)             |
| Other assets   | (614)                                       | -                   | -                   | (614)               |
| Due from other funds   | 194,798                                     | 5,910               | 139                 | 200,847             |
| Increase (decrease) in:  |   |                     |                     |                     |
| Accounts payable   | (57,898)                                    | (51,301)            | (20,169)            | (129,368)           |
| Other liabilities  | -   | -                   | 4,716               | 4,716               |
| Due to other funds   | (1,640)                                     | (104,041)           | (95,166)            | (200,847)           |
| Accrued expenses   | 3,767                                       | 8,334               | 8,329               | 20,430              |
| Total adjustments  | 706,824                                     | 959,870             | 573,720             | 2,240,414           |
| NET CASH PROVIDED BY OPERATING ACTIVITIES  | <u>\$ 3,482,804</u>                         | <u>\$ 1,000,015</u> | <u>\$ 1,811,608</u> | <u>\$ 6,294,427</u> |

The accompanying notes are an integral part of this financial statement.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2013**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Financial reporting entity and introduction

The City of Shelbyville, Tennessee (the City) was incorporated in 1819, and its citizens elect a Mayor at large and six-member governing council (council) by wards. As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Shelbyville (the government) and its component units. There are no legally separate component units of City of Shelbyville, which meet the criteria for being reported as part of the government.

The enterprise funds of the City are the Shelbyville Power, Water and Sewerage Systems (Systems). These proprietary fund types issue separately audited general purpose financial statements, copies of which may be obtained from their administrative office, 308 South Main Street, Shelbyville, Tennessee.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. 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:

(2) 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 of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's power, water, and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2013

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fund financial statements provide information about the government's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund - This fund is the government'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 government reports the following major enterprise funds:

Power System - This fund accounts for the activities of the government's power distributions operations.

Water System - This fund accounts for the activities of the government's water distribution system.

Sewerage System - This fund accounts for the activities of the government's sewerage collection system.

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2013

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Measurement focus and basis of accounting

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 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.

The 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 government considers revenues to be available if they are collected within 60 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. For expenditure-driven grants, in a departure from the 60 day period defined above, the consideration to defer recognition of revenue is considered in situations where reimbursement is not expected within a reasonable period. All other revenue items are considered to be measurable and available only when cash is received by the government.

(4) Revenues and expenditures/expenses

Amounts reported as 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes attach as an enforceable lien on real property as of January 1st. Taxes are levied on October 1 and are due and payable on or before February 28 of the following year. All unpaid taxes become delinquent March 1. The City bills and collects its own property taxes.



NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2013

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise funds are charges to customers for sales and services. The Shelbyville Power, Water and Sewerage Systems recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(5) Fund balance policies

Governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable fund balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council has not authorized anyone to make assignments.

Unassigned fund balance – the residual classification of the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When this occurs the government will determine the best use of funds based on the specific facts and circumstances at that time.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2013

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(6) Net position flow assumption

The City will on occasion fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

(7) Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category as of June 30, 2013.

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 acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City does not have any items that qualify for reporting in this category as of June 30, 2013.

(8) Energy Conservation Loans

The Shelbyville Power System is fiscal intermediary for the TVA energy conservation program whereby loans are made to the System's customers to be used in connection with TVA's Residential Energy Services Program. Pursuant to the terms of an agreement with TVA, the energy conservation loans made to the System's customers are funded and guaranteed by TVA. These loans to customers are recorded as other assets, with the corresponding liability to TVA recorded as long-term debt.

(9) Bond discounts/ issuance costs

Bond discounts and issuance costs are deferred and amortized over the terms of the bonds using the straight-line method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

(10) Inventories and prepaid items

Governmental funds' fuel and merchandise inventory is valued using the first-in/ first-out method and is recorded as an expenditure when consumed rather than when purchased. The enterprise funds' materials and supplies inventories are stated at lower of cost or market, with cost being determined on an average cost basis.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2013

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/ expenses when consumed rather than when purchased.

(11) Budgetary Information

Formal budgetary accounting is employed as a management control for all governmental funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund, special revenue funds, and capital projects funds; the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a basis consistent with generally accepted accounting principles. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council approves all budget amendments.

Under *Tennessee Code Annotated* section 68-211-874, the City is required to account for its solid waste collection activities in a separate fund. The City accounts for these activities in a separate sanitation fund which does not qualify as a special revenue fund under generally accepted accounting principles. Accordingly, for fund reporting, the sanitation fund is included as a part of the general fund, but for budgetary reporting is not included as part of the general fund. Page 25 includes a reconciliation of the general fund budgetary reporting to the general fund reporting on page 19 under generally accepted accounting principles.

(12) Compensated Absences

The government's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. Accumulated sick leave lapses when employees leave the employ of the government and, upon separation from service, no monetary obligation exists.

(13) Statement of Cash Flows

For the purposes of the statement of cash flows, the government considers all cash deposits and certificates of deposit with an original maturity of three months or less when acquired to be cash equivalents.

(14) Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2013

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets, which include property, plant, equipment, 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, except for land and infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Land need only cost \$1 to be reported as a capital asset and only infrastructure projects that cost more than \$20,000 are reported as capital assets.

As the government constructs or acquires additional capital assets each period they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. Interest capitalized by the enterprise funds during the year ended June 30, 2013, totaled \$564,018.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the government are depreciated using the straight-line method over the following estimated useful lives:

| <u>Capital asset classes</u> | <u>Lives</u> |
|------------------------------|--------------|
| Buildings and improvements   | 15 - 75      |
| Equipment                    | 3 - 20       |
| Vehicles                     | 10 - 35      |
| Infrastructure               | 75 - 100     |

(15) Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles. An allowance is established for delinquent taxes to the extent that their collectability is improbable. The allowance for uncollectible property taxes at June 30, 2013, is \$22,551.

Customer utility accounts receivable of the enterprise funds are presented net of an allowance for uncollectible accounts of \$141,446. Bad debt expense for the current year is \$124,432. Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The enterprise funds use the reserve method, based upon a review of the current status of receivables and historical experience, in determining bad debt expense.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2013

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The power system has unbilled revenue of \$1,040,117 as of June 30, 2013. The water system and the sewerage system have followed the practice of not recording unbilled revenue unless considered significant.

NOTE B - DEPOSITS AND INVESTMENTS

Deposits:

Cash of the enterprise funds includes petty cash and amounts in demand deposits and money market accounts. The enterprise funds invest cash in excess of current requirements in various interest-bearing accounts such as certificates of deposit with financial institutions which are carried at cost. The governmental funds invest funds in an interest bearing public funds checking account. These funds are stated at cost which approximates fair value.

The government does not have a formal policy that limits custodial credit risk for deposits. Custodial credit risk is the risk that in the event of a bank failure the government's deposits may not be returned to it. However, the government follows state statutes which require all deposits with financial institutions to be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure. For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that deposits be collateralized with collateral whose market value is equal to 105% of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the government.

At June 30, 2013, the entire carrying amount of the government's cash deposits, excluding its proprietary funds, were covered by F.D.I.C. insurance or were held with a financial institution participating in the bank collateral pool administered by the state treasurer.

At June 30, 2013, the carrying amount of the Systems' deposits was \$27,791,817 and the amount of the banks balances was \$29,692,096. Of the bank balances, \$1,500,000 was covered by Federal depository insurance, and \$8,206,762 was collateralized with securities pledged that comply with statutes as acceptable collateral, and \$19,985,334 was collateralized by the banks' participation in the Tennessee State Collateral Pool.

Investments:

State statutes authorize the government to invest in bonds, notes, or treasury bills of the U.S. government 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 U.S. government or its agencies as the underlying securities, and the Local Government Investment Pool established by Title 9, Chapter 4, Part 7, *Tennessee Code Annotated*. Statutes also require that securities

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2013**

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. The government had no investments as of June 30, 2013.

NOTE C - INCOME TAXES

Being a municipality, all funds of the government, including its proprietary funds, are exempt from Federal and State income taxes.

NOTE D - RELATED ORGANIZATIONS

The mayor and councilmembers are responsible for appointing board members of the Shelbyville Housing Authority and the Industrial Development Board, but the government's accountability for these organizations does not extend beyond making the appointments.

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

|  | <u>Beginning</u>     |                     |                     | <u>Ending</u>        |
|--|----------------------|---------------------|---------------------|----------------------|
|  | <u>Balance</u>       | <u>Increases</u>    | <u>Decreases</u>    | <u>Balance</u>       |
| Governmental activities:                     |                      |                     |                     |                      |
| Capital assets, not being depreciated:       |                      |                     |                     |                      |
| Land   | \$ 2,488,415         | \$ 51,101           | \$ -                | \$ 2,539,516         |
| Construction in progress                     | 1,157,208            | 2,504,580           | 2,177,699           | 1,484,089            |
| Total capital assets, not being depreciated  | <u>3,645,623</u>     | <u>2,555,681</u>    | <u>2,177,699</u>    | <u>4,023,605</u>     |
| Capital assets, being depreciated:           |                      |                     |                     |                      |
| Buildings                                    | 10,902,977           | 235,978             | -                   | 11,138,955           |
| Equipment                                    | 1,823,302            | 341,688             | 22,155              | 2,142,835            |
| Vehicles                                     | 5,663,433            | 892,561             | 143,857             | 6,412,137            |
| Infrastructure                               | <u>8,445,806</u>     | <u>677,124</u>      | <u>-</u>            | <u>9,122,930</u>     |
| Total capital assets being depreciated       | 26,835,518           | 2,147,351           | 166,012             | 28,816,857           |
| Less accumulated depreciation for:           |                      |                     |                     |                      |
| Buildings                                    | 2,996,530            | 205,903             | 11,847              | 3,190,586            |
| Equipment                                    | 1,085,649            | 120,493             | 19,754              | 1,186,388            |
| Vehicles                                     | 3,002,696            | 287,386             | 132,009             | 3,158,073            |
| Infrastructure                               | <u>1,153,891</u>     | <u>113,911</u>      | <u>-</u>            | <u>1,267,802</u>     |
| Total accumulated depreciation               | <u>8,238,766</u>     | <u>727,693</u>      | <u>163,610</u>      | <u>8,802,849</u>     |
| Total capital assets, being depreciated, net | <u>18,596,752</u>    | <u>1,419,658</u>    | <u>2,402</u>        | <u>20,014,008</u>    |
| Governmental activities capital assets, net  | <u>\$ 22,242,375</u> | <u>\$ 3,975,339</u> | <u>\$ 2,180,101</u> | <u>\$ 24,037,613</u> |

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2013**

NOTE E - CAPITAL ASSETS (Continued)

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u>    | <u>Ending<br/>Balance</u> |
|--|------------------------------|---------------------|---------------------|---------------------------|
| Business-type activities:                    |                              |                     |                     |                           |
| Capital assets, not being depreciated:       |                              |                     |                     |                           |
| Land   | \$ 634,862                   | \$ -                | \$ -                | \$ 634,862                |
| Construction in progress                     | 18,775,800                   | 7,082,525           | 2,689,096           | 23,169,229                |
| Total capital assets, not being depreciated  | <u>19,410,662</u>            | <u>7,082,525</u>    | <u>2,689,096</u>    | <u>23,804,091</u>         |
| Capital assets, being depreciated:           |                              |                     |                     |                           |
| Structures and improvements                  | 19,466,934                   | 472,054             | -                   | 19,938,988                |
| Distribution plant                           | 65,514,028                   | 2,088,518           | 731,203             | 66,871,343                |
| Furniture and fixtures                       | 827,901                      | 61,582              | -                   | 889,483                   |
| Transportation equipment                     | 2,275,679                    | 44,850              | -                   | 2,320,529                 |
| Equipment                                    | <u>1,842,174</u>             | <u>205,223</u>      | <u>29,000</u>       | <u>2,018,397</u>          |
| Total capital assets, being depreciated      | 89,926,716                   | 2,872,227           | 760,203             | 92,038,740                |
| Less accumulated depreciation for:           |                              |                     |                     |                           |
| Structures and improvements                  | 5,389,576                    | 581,964             | -                   | 5,971,540                 |
| Distribution plant                           | 31,133,159                   | 1,541,028           | 434,466             | 32,239,721                |
| Furniture and fixtures                       | 740,719                      | 72,704              | -                   | 813,423                   |
| Transportation equipment                     | 2,134,126                    | 8,765               | -                   | 2,142,891                 |
| Equipment                                    | <u>1,812,099</u>             | <u>42,506</u>       | <u>29,000</u>       | <u>1,825,605</u>          |
| Total accumulated depreciation               | <u>41,209,679</u>            | <u>2,246,967</u>    | <u>463,466</u>      | <u>42,993,180</u>         |
| Total capital assets, being depreciated, net | <u>48,717,037</u>            | <u>625,260</u>      | <u>296,737</u>      | <u>49,045,560</u>         |
| Business-type activities capital assets, net | <u>\$ 68,127,699</u>         | <u>\$ 7,707,785</u> | <u>\$ 2,985,833</u> | <u>\$ 72,849,651</u>      |

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

|  |                   |
|--|-------------------|
| Governmental activities:                             |                   |
| General government                                   | \$ 51,039         |
| Public recreation                                    | 151,161           |
| Public safety  | 228,691           |
| Public works   | 224,134           |
| Airport  | 68,039            |
| Welfare  | <u>4,629</u>      |
| Total depreciation expense - governmental activities | <u>\$ 727,693</u> |

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2013**

NOTE E - CAPITAL ASSETS (Continued)

|   |  |                     |
|---|--|---------------------|
| Business-type activities:                             |  |                     |
| Power system  |  | \$ 839,486          |
| Water system  |  | 901,804             |
| Sewerage system                                       |  | <u>505,677</u>      |
| Total depreciation expense - business-type activities |  | <u>\$ 2,246,967</u> |

NOTE F - LONG-TERM DEBT

Capital outlay notes

The government has issued \$900,000 of capital outlay notes to finance the cost of constructing t-hangers at the municipal airport. These capital outlay notes are direct obligations and are secured by the t-hangers and related leases and rents. The government has also issued \$300,000 of capital outlay notes to finance the purchase of a fire truck. These capital outlay notes are direct obligations and are secured by the full faith and credit of the government. Capital outlay notes currently outstanding are as follows:

| <u>Purpose</u>          | <u>Interest rate</u> | <u>Maturity</u> | <u>Amount</u>     |
|-------------------------|----------------------|-----------------|-------------------|
| Governmental activities | 4.90%                | 2014            | \$ 103,937        |
| Governmental activities | 1.99                 | 2015            | <u>300,000</u>    |
|                         |                      |                 | <u>\$ 403,937</u> |

Annual debt service requirements to maturity for capital outlay notes are as follows:

| <u>Year Ending</u><br><u>June 30</u> | <u>Governmental Activities</u> |                  |
|--------------------------------------|--------------------------------|------------------|
|                                      | <u>Principal</u>               | <u>Interest</u>  |
| 2014                                 | \$ 200,937                     | \$ 7,527         |
| 2015                                 | 100,000                        | 3,045            |
| 2016                                 | <u>103,000</u>                 | <u>1,025</u>     |
| Total                                | <u>\$ 403,937</u>              | <u>\$ 11,597</u> |

Revenue bonds and notes payable

Revenue bonds and notes payable of the business-type activities outstanding at year-end are as follows:

| <u>Purpose</u>                      | <u>Interest rates</u> | <u>Maturity</u> | <u>Amount</u>        |
|-------------------------------------|-----------------------|-----------------|----------------------|
| Water and sewer - revenue bonds     | 4.0 – 4.500%          | 8/01/2037       | \$ 2,350,000         |
| Water system – revenue bonds        | 2.0 – 4.625%          | 8/01/2013       | 135,000              |
| Water system – refunding bonds      | 1.25 – 2.80%          | 8/01/2028       | 3,170,000            |
| Sewerage system – revolving loan    | 1.70%                 | 6/30/2037       | 3,303,811            |
| Sewerage system – construction note | *                     | *               | <u>19,659,365</u>    |
|                                     |                       |                 | <u>\$ 28,618,176</u> |

\* Terms of the loan will be finalized when construction is complete.



**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2013**

NOTE F - LONG-TERM DEBT (Continued)

The bonds are, among other things, secured by the revenues of the Systems. In addition, the Systems have complied with the bond resolution requirements as adopted by the Systems.

Annual debt service requirements to maturity for the enterprise funds' bonds and notes are as follows:

| Year Ending<br>June 30 | Business-Type Activities |                     |                     |
|------------------------|--------------------------|---------------------|---------------------|
|                        | Bonds                    | Notes               | Total               |
| 2014                   | \$ 230,000               | \$ 210,828          | \$ 440,828          |
| 2015                   | 240,000                  | 214,440             | 454,440             |
| 2016                   | 240,000                  | 218,112             | 458,112             |
| 2017                   | 245,000                  | 221,856             | 466,856             |
| 2018                   | 255,000                  | 225,648             | 480,648             |
| 2019-2023              | 1,370,000                | 1,187,592           | 2,557,592           |
| 2024-2028              | 1,590,000                | 1,025,335           | 2,615,335           |
| 2029-2033              | 800,000                  | -                   | 800,000             |
| 2034-2038              | <u>685,000</u>           | <u>-</u>            | <u>685,000</u>      |
| Total                  | <u>\$ 5,655,000</u>      | <u>\$ 3,303,811</u> | <u>\$ 8,958,811</u> |

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

|                                    | Beginning<br>Balance | Additions           | Reductions        | Ending<br>Balance    | Due Within<br>One Year |
|------------------------------------|----------------------|---------------------|-------------------|----------------------|------------------------|
| Governmental activities:           |                      |                     |                   |                      |                        |
| Capital outlay notes               | \$ 210,112           | \$ 300,000          | \$ 106,175        | \$ 403,937           | \$ 200,937             |
| Post-employment benefit obligation | 305,765              | 142,126             | 34,152            | 413,739              | -                      |
| Compensated absences               | <u>509,129</u>       | <u>405,329</u>      | <u>384,037</u>    | <u>530,421</u>       | <u>17,353</u>          |
| Long-term liabilities              | <u>\$1,025,006</u>   | <u>\$ 847,455</u>   | <u>\$ 524,364</u> | <u>\$ 1,348,097</u>  | <u>\$ 218,290</u>      |
| Business-type activities:          |                      |                     |                   |                      |                        |
| Revenue bonds                      | \$ 5,548,920         | \$ 18,990           | \$ 225,000        | \$ 5,342,910         | \$ 230,000             |
| Notes payable                      | 20,489,091           | 3,237,287           | 397,276           | 23,329,102           | 210,828                |
| Compensated absences               | 241,530              | 10,536              | -                 | 252,066              | -                      |
| Post-employment benefit obligation | <u>41,373</u>        | <u>14,148</u>       | <u>-</u>          | <u>55,521</u>        | <u>-</u>               |
| Long-term liabilities              | <u>\$ 26,320,914</u> | <u>\$ 3,280,961</u> | <u>\$ 622,276</u> | <u>\$ 28,979,599</u> | <u>\$ 440,828</u>      |

NOTE G - CLEAN WATER STATE REVOLVING FUNDS

Beginning in 2007, the sewerage system received funding for sanitary sewer system improvements through the Clean Water State Revolving Fund. The total amount of funding is projected to be \$24,800,000. Funds drawn on the loan fund totaled \$19,659,635 as of June 30, 2013. Funds received during the year ended June 30, 2013, totaled \$3,219,037.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2013

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NOTE H - COMMITMENTS AND CONTINGENCIES

The water system and four other water systems in the Upper Duck River area entered into an agreement with the Tennessee Valley Authority (TVA) whereby, commencing February 25, 1972, each water system began paying monthly to TVA five cents (\$.05) for each 1,000 gallons of water sold by it during the preceding month. The funds will go to return the Agencies' portion of the debt incurred to build the Normandy and Columbia reservoirs. Such payments shall be made regardless of the source of water sold and shall continue until a total of \$16,200,000 has been paid to TVA by the group. There has been no division of the total liability between the parties to the contract.

The government is party to legal proceedings that normally occur in governmental operations. Any proceedings are unlikely to have a material adverse effect on its financial position.

Under its power contract, effective as of August 15, 1979, the power system is committed to purchase its electric power from TVA. This contract expired in 1999, and an amendment was signed to extend the contract. The amendment continues the contract for a term not less than five years, subject to termination by either party, with not less than five years written notice. The rates paid for the power and energy supplied by TVA shall be in accordance with the provisions of the Wholesale Power Rate - Schedule WS.

At June 30, 2013, the Systems had several construction projects in process. The Systems take bids for these projects and award construction contracts to various companies.

The government has contracted with Mountain States Contractors, LLC to perform rehabilitation to the airport apron and taxiway. The contract is for \$3,033,825 of which \$576,177 had been incurred as of June 30, 2013.

NOTE I - PENSION PLAN

GENERAL GOVERNMENT:

Plan Description

The Retirement Plan for Full-Time Employees of the City of Shelbyville, Tennessee, (Plan), is a single-employer defined benefit pension plan that covers full time employees who have completed one (1) year of continuous service and have reached age 21 and who were not hired after age 59. The Plan was amended effective July 1, 2005, to freeze the Plan to new participants. The Plan provides retirement, termination, disability and death benefits to plan members and beneficiaries. The council assigns the City Manager to administer the Plan who in turn delegates certain daily administrative duties to employees of the administrative staff. All the benefits and provisions of the Plan are at the discretion of the council and are consistent with the laws of Tennessee and the United States government. The Plan does not issue a publicly available financial report.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2013**

NOTE I - PENSION PLAN (Continued)

Funding Policy

Effective for Plan years after December 31, 1984, Plan members may not contribute to the Plan. Prior to January 1, 1985, Plan members were required to contribute. The City has no regulatory amount to contribute, but has established an informal policy to annually contribute, on a quarterly basis, an actuarially determined amount based on the previous January 1 actuarial valuation. For the year ended June 30, 2013, the City contributed \$1,023,492.

The annual required contribution (ARC) for the fiscal year ended June 30, 2013, was determined as part of the actuarial valuation for the Plan Year beginning January 1, 2012, and is the December 31, 2012 recommended contribution using the traditional unit credit cost method. The actuarial assumptions included (a) funding rate of 7.75% per year compounded annually and (b) projected salary increase of 4.0% per year. The actuarial value of assets is equal to the market value of the assets held in the separate accounts at Aetna Life Insurance Company. The unfunded actuarial liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2012, ranged from 6 to 20 years depending on the date the amortization base was established.

The government's annual pension cost (APC) and net pension asset (NPA) for the Plan are as follows:

|                                      |                     |
|--------------------------------------|---------------------|
| Annual required contribution (ARC)   | \$ 839,506          |
| Interest on NPA                      | (22,500)            |
| Amortization of NPA                  | <u>27,823</u>       |
| Annual pension cost (APC)            | 844,829             |
| Contributions made                   | <u>(1,023,492)</u>  |
| Increase in net pension asset        | (178,663)           |
| Net pension asset, beginning of year | <u>(299,996)</u>    |
| Net pension asset, end of year       | <u>\$ (478,659)</u> |

The government's APC, percentage of APC contributed, and NPA for the plan for the current year and each of the two preceding years were as follows:

| Fiscal Year<br>Ended June 30, | Annual Pension<br>Cost (APC) | Percentage of<br>APC Contributed | Net Pension<br>Obligation\<br>(Asset) |
|-------------------------------|------------------------------|----------------------------------|---------------------------------------|
| 2013                          | \$ 844,829                   | 121.1%                           | \$ (478,659)                          |
| 2012                          | 887,616                      | 115.7                            | (299,996)                             |
| 2011                          | 933,615                      | 109.8                            | (164,120)                             |

The council established the benefit provisions of this plan, and they have the authority to amend those provisions. They also authorize the contributions to the plan.

As of January 1, 2013, the most recent actuarial valuation date, the funded status of the plan was as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2013

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NOTE I - PENSION PLAN (Continued)

|   |                     |
|---|---------------------|
| Actuarial accrued liability (AAL)                 | \$ 11,701,152       |
| Actuarial value of plan assets                    | <u>7,311,932</u>    |
| Unfunded actuarial accrued liability (UAAL)       | <u>\$ 4,389,220</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 62%                 |
| Covered payroll                                   | \$ 3,157,429        |
| UAAL as a percentage of covered payroll           | 139.01%             |

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

PROPRIETARY FUNDS:

Plan Description

The System's defined benefit plan, "Shelbyville Power, Water and Sewerage Systems" provides retirement and death benefits to plan members and beneficiaries. The Systems joined the Central Service Association Pension Plan (CSA), a cost sharing multiple employer defined benefit pension plan for utility systems in 1997. Benefits are determined by a formula using the member's average monthly earnings and years of service. A reduced retirement benefit is available to vested members who are age 55 and have 10 years of service. The CSA issues a publicly available financial report that includes the financial statements and required supplementary information for CSA. That report can be obtained by writing to CSA, P. O. Box 3480, Tupelo, Mississippi 38803-3480.

Funding Policy

The Systems are required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by CSA. If a participant becomes totally disabled before termination of employment, he is 100% vested. After completing five years of service, an employee is entitled to 100% of his accrued benefit. The plan is available to employees after attaining age 24 ½ and completing 6 months of service. Market value of assets as of October 1, 2012 totaled \$12,426,972. Contributions totaled \$982,849 for both employer and employee portions. The covered payroll totaled \$3,651,682.

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City maintains two separate single-employer defined benefit post-employment healthcare plans. One covers the general government while the other covers employees of Shelbyville Power, Water, and Sewerage Systems.

The following is a summary of each of these plans:

PLAN DESCRIPTION-SHELBYVILLE POWER, WATER AND SEWER SYSTEMS

The Systems sponsor a single-employer post retirement medical plan. The plan provides medical, prescription and death benefits to eligible retirees and their spouses. The Plan allows employees to continue health insurance between the ages of 62 and 65.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2013**

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

PLAN DESCRIPTION-GENERAL GOVERNMENT

The government administers a single-employer defined benefit healthcare plan which provides postemployment healthcare benefits for retirees. The government will continue coverage under its medical insurance plan until the employee is eligible for Medicare in the same manner as then current employees. For employees with twenty years or more of service the government pays the full cost of the coverage. Employees with less than twenty years of service are reimbursed a percentage of coverage based on years of service, but not less than fifty percent. The council may amend the benefit provisions. A separate report was not issued for the plan.

FUNDING POLICY-SHELBYVILLE POWER, WATER, AND SEWERAGE SYSTEMS

Employees pay the premium except for a small amount contributed by the Systems that is based on years of service. Payments in the amount of \$2,478 were made during the year ended June 30, 2013. The Systems intend to continue their policy of funding OPEB liabilities on a pay-as-you-go basis and to not pre-fund any unfunded annual required contribution as determined under GASB statement 45.

FUNDING POLICY-GENERAL GOVERNMENT

Retirees are not required to make any contributions. The benefits of the postretirement benefit plans are unfunded, and no assets have been segregated and restricted to provide for postretirement medical benefits. For the year ended June 30, 2013, the City contributed \$34,152 to fund premiums for retirees receiving benefits.

ANNUAL OPEB COST, NET OPEB OBLIGATION AND FUNDED STATUS

Both plans' annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of OPEB cost for the year, the amount actually contributed to the plans, and changes in the net OPEB obligation:

|  | <u>SPWS</u>      | <u>General<br/>Government</u> |
|--|------------------|-------------------------------|
| Annual required contribution               | \$ 18,189        | \$ 148,324                    |
| Interest on net OPEB obligation            | 1,862            | 9,173                         |
| Adjustment to annual required contribution | <u>(2,260)</u>   | <u>(15,371)</u>               |
| Annual OPEB cost (expense)                 | 17,791           | 142,126                       |
| Contributions made                         | <u>(3,643)</u>   | <u>(34,152)</u>               |
| Increase in net OPEB obligation            | 14,148           | 107,974                       |
| Net OPEB obligation, beginning of year     | <u>41,373</u>    | <u>305,765</u>                |
| Net OPEB obligation, end of year           | <u>\$ 55,521</u> | <u>\$ 413,739</u>             |

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2013**

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

The government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the plan for current and preceding two fiscal years are as follows:

General Government:

| <u>Fiscal Year</u><br><u>Ended</u> | <u>Annual OPEB</u><br><u>Cost</u> | <u>Percentage of</u><br><u>Annual OPEB</u><br><u>Cost Contributed</u> | <u>Net OPEB</u><br><u>Obligation</u> |
|------------------------------------|-----------------------------------|---|--------------------------------------|
| June 30, 2011                      | \$ 91,785                         | 31.9%   | \$ 208,791                           |
| June 30, 2012                      | 145,198                           | 33.2%   | 305,765                              |
| June 30, 2013                      | 142,126                           | 24.0%   | 413,739                              |

Enterprise Funds:

| <u>Fiscal Year</u><br><u>Ended</u> | <u>Annual OPEB</u><br><u>Cost</u> | <u>Percentage of</u><br><u>Annual OPEB</u><br><u>Cost Contributed</u> | <u>Net OPEB</u><br><u>Obligation</u> |
|------------------------------------|-----------------------------------|---|--------------------------------------|
| June 30, 2011                      | \$ 19,491                         | 25.1%   | \$ 28,333                            |
| June 30, 2012                      | 17,474                            | 25.4%   | 41,373                               |
| June 30, 2013                      | 17,791                            | 20.5%   | 55,521                               |

As of July 1, 2012, the most recent actuarial valuation dates, both plans were 0% funded.

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial accrued unfunded liability (UAAL) for benefits at June 30, 2013, as well as actuarial methods and assumptions for both plans, was as follows:

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2013**

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

|                                  | <u>Systems</u>           | <u>General<br/>Government</u> |
|----------------------------------|--------------------------|-------------------------------|
| Actuarial valuation date         | 7/01/2012                | 7/01/2012                     |
| UAAL                             | \$ 152,076               | \$ 1,096,852                  |
| Covered payroll                  | \$ 3,790,091             | \$ 5,588,802                  |
| Ratio of UAAL to covered payroll | 4.02%                    | 19.6%                         |
| Actuarial cost method            | Projected<br>unit credit | Projected<br>unit credit      |
| Remaining amortization period    | 26 yrs                   | 26 yrs                        |
| Inflation rate                   | 4.5%                     | 3.0%                          |

The actuarial assumptions include an annual medical cost trend rate. For the Systems the medical cost trend rate is 8% initially reduced by the decrements to an ultimate rate of 5% after three years. For the general government the medical cost trend rate is 5%. The valuations did not include an investment rate of return on plan assets as there were no plan assets at the valuation date. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historic pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE K - RETIREMENT HEALTH SAVINGS PROGRAM

The City's general government sponsors a retiree health savings plan for all full-time employees who have completed one year of service. The general government contributes 2% of each eligible employee's annual salary to the plan. Employees are vested 50% in employer contributions after 3 years of service, 60% after 4 years, 75% after 5 years, 90% after 6 years, and 100% after 7 years of service. Employees are eligible to receive benefits at retirement, age 60, or immediately upon separation from service. Eligible benefits consist of all medical expenses eligible under IRC Section 213 other than direct long-term care expenses. Effective February, 2008, employees may no longer contribute to the plan. Total employer contributions for the plan year were \$45,945.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2013

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NOTE L - JOINT VENTURES

The City of Shelbyville and Bedford County jointly fund the Argie Cooper Public Library (the Library), which operates under Tennessee state law and the rules and regulations of the Highland Rim Regional Library. The Library is governed by a voluntary, fourteen member Board of Directors, seven appointed by the County and seven by the City. The City has control over budgeting and financing of the joint venture only to the extent of representation by the seven board members appointed. The City contributed \$130,500 to the operations of the Library during the year ended June 30, 2013. Complete financial statements of the Argie Cooper Public Library can be obtained at 100 South Main Street, Shelbyville, Tennessee 37160.

Bedford Railroad Authority (the Authority) was created by Bedford County and the cities of Shelbyville and Wartrace, Tennessee, to provide for the continuation of rail service on a section of existing rail spur line located within Bedford County between the cities of Shelbyville and Wartrace. The Authority is governed by a board of directors including the County Mayor, the Mayor of each city, and members selected by the governing bodies of each county and city who are members of the Authority. For the year ended June 30, 2013, no funds had been contributed by the City of Shelbyville to this organization. Complete financial statements of Bedford Railroad Authority can be obtained at 366 Riverbend Road, Shelbyville, Tennessee 37160.

Summary financial information as of June 30, 2013, of these organizations is shown below.

|                                     | Bedford<br>Railroad | Argie Cooper<br>Public Library |
|-------------------------------------|---------------------|--------------------------------|
| Total assets                        | \$ 4,413,706        | \$ 499,088                     |
| Total liabilities                   | <u>117,527</u>      | <u>22,832</u>                  |
| Net position                        | <u>\$ 4,296,179</u> | <u>\$ 476,256</u>              |
| Revenues                            | \$ 822,040          | \$ 330,926                     |
| Expenditures                        | <u>215,642</u>      | <u>329,920</u>                 |
| Increase (decrease) in net position | <u>\$ 606,398</u>   | <u>\$ 1,006</u>                |

NOTE M - NONEXCHANGE TRANSACTION

The government receives shared revenue from the State of Tennessee for a tax the state assesses on the earnings of certain financial institutions. The government is required to recognize receivables and deferred revenues as the banks earn the income. However, the banks file at different times of the year, and it is difficult to follow state statutes' guidance concerning what time period is being filed on. Therefore, the receivable and deferred revenue at June 30, 2013, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2013, the government received \$93,016 from the State of Tennessee for this shared revenue.



NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2013

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NOTE N - DEFINED CONTRIBUTION PLAN

The City's general government participates in a defined contribution plan, City of Shelbyville Employees Defined Contribution and 401(k) Plan (Plan). The Plan was established November 1, 1985, and is administered externally by a plan administrator. Plan provisions are established or amended by council resolution. The Plan covers all employees between twenty-one and sixty-four years of age having completed one year of service. For employees hired prior to July 1, 2004, participation in the plan is voluntary. For employees hired after June 30, 2004, the City contributes an amount equal to 5% of such employees' annual compensation. Employees have the option to invest in group annuity contracts or agreements with financial service providers that offer a wide variety of investment options. Employees are vested 50% after 3 years of service, 60% after 4 years, 75% after five years, 90% after six years, and 100% after 7 years of service. The Plan is qualified under section 401(k) of the Internal Revenue Code. Total employee contributions for the plan year were \$187,502. Employer contributions totaled \$114,864. Employees who retire at or after age 65 are entitled to a joint and survivor annuity, a lump sum payment, installment payments or an annuity purchase.

NOTE O - DEFERRED COMPENSATION PLAN

Effective January 1, 2012, the general government offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan allows employees to defer a portion of their salary until future years. Compensation deferred under this plan is not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency. The general government has contracted with ICMA Retirement Corporation to administer the Plan. The assets of the Plan are held in trust for the exclusive benefit of the employees and their beneficiaries. Employer contributions to the Plan totaled \$6,038 for the year ended June 30, 2013.

The Systems also offer employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan was adopted in November 1997. Participation in the plan is optional for employees who may defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The financial statements of the Section 457 plan are not reported in these financial statements since the Systems do not have any administrative involvement nor does it perform the investing function for the plan. The amounts deferred are held in trust for the exclusive benefit of employees and is not accessible by the Systems or their creditors. No employer contributions were made for the year ended June 30, 2013.

NOTE P - RESTRICTED NET POSITION

Net position of governmental funds restricted by enabling legislation to specific purposes include limited purpose state gasoline and motor fuel taxes and fines and forfeitures from drug related offenses together totaling \$161,188.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2013**

**NOTE Q - SEIZED MONEY HELD FOR DISPOSITION**

As mandated by the State, the City opened a checking account titled “Police Evidence Account” in which seized money awaiting disposition is deposited. When City officers seize money, it is booked as evidence using the police department’s normal procedures and then turned over to the City Treasurer for deposit into the above referenced account. A seizure hearing is conducted by the State of Tennessee Department of Safety to determine if the funds were seized pursuant to the applicable sections of Tennessee Code Annotated. The Department of Safety then issues an Order of Delegation and Forfeiture for disposition of the seized funds. The funds are deposited into the Police Drug Fund’s regular checking account if the Department of Safety orders that the property be forfeited to the seizing agency. If the Department of Safety orders the return of the funds to the original holder, a check is issued to that individual from the Police Evidence Account. At June 30, 2013, \$2,449 is included in the Police Drug fund as seized money held for disposition.

**NOTE R - INTERFUND TRANSFERS**

The composition of interfund transfers for the year ended June 30, 2013, is as follows:

|                      |                       |
|----------------------|-----------------------|
| <u>Transfers in:</u> | <u>Transfers out:</u> |
|                      | <u>Power fund</u>     |
| General fund         | <u>\$ 594,687</u>     |

During the year the power fund remits in lieu taxes to the general fund on a monthly basis. There were no one-time transfers during the year ended June 30, 2013.

**NOTE S - INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2013, is as follows:

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u>    |
|------------------------|---------------------|------------------|
| Power                  | Water               | \$ 10,670        |
| Power                  | State Street Aid    | 23,495           |
| Power                  | General             | <u>53,595</u>    |
| Total                  |                     | <u>\$ 87,760</u> |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2013

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NOTE T - GRANTS

The government participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the government may be required to reimburse the grantor government. As of June 30, 2013, significant amounts of grant expenditures have not been audited, but the government believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the government.

NOTE U - BUDGET RESERVE

As of June 30, 2013, the council had identified \$200,000 of the unassigned fund balance as a "budget reserve." The purpose of these funds is to have money available to cover cash needs in the event of a revenue shortfall or unanticipated large expenditure in any budget year. There are no formal constraints placed on the use of these funds, and the council may use the funds or add to the funds at their discretion.

NOTE V - CONTINGENCY

The government is named as a defendant in a federal lawsuit brought by plaintiffs alleging \$10,000,000 in damages for violation of their constitutional rights to due process concerning their application for a special exemption use permit for a rock quarry and crusher. The government's insurer has taken the position that a policy exclusion applies to any damages. A potential range of loss cannot be determined at this time.

NOTE W - RISK MANAGEMENT

The government has exposure to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The general government obtains insurance coverage covering these risks through a public risk entity pool (Pool) established by the Tennessee Municipal League. The Pool limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring certain levels of risks with various reinsurance companies. In general, such reinsurance contracts limit the Pool's retention on individual occurrences as follows: workers' compensation - \$750,000; general liability, personal injury liability, errors and omissions liability and auto liability - \$700,000; property and crime coverage - \$300,000. Failure to perform on the part of the commercial insurance companies could result in additional assessments to the members of the Pool. No estimate of any possible future assessments has been made. The amounts of settlements have not exceeded insurance coverage for any of the past three fiscal years.

The general government continues to carry commercial insurance for all other risks of loss, including disability and employee health and accident. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2013**

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NOTE W - RISK MANAGEMENT (Continued)

The Systems are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Systems purchase commercial insurance for claims and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE X - SUBSEQUENT EVENT

On November 14, 2013, the government issued \$1,700,000 of capital outlay notes to fund energy efficiency capital projects. The interest rate on the notes is 2.66%, and the maturity date is November 1, 2025.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**POST-EMPLOYMENT BENEFITS**  
**SCHEDULE OF FUNDING PROGRESS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**June 30, 2013**

Shelbyville Power, Water and Sewerage Systems medical plan

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b) – (a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage Of Covered Payroll ((b-a)/c) |
|--------------------------|------------------------------------|---------------------------------------|-------------------------------|--------------------|---------------------|---|
| July 1, 2010             | \$ -                               | \$ 158,132                            | \$ 158,132                    | 0.0%               | \$3,397,441         | 5.66%   |
| July 1, 2011             | -                                  | 152,076                               | 152,076                       | 0.0                | 3,608,384           | 4.48  |
| July 1, 2012             | -                                  | 152,076                               | 152,076                       | 0.0                | 3,790,091           | 4.02  |

City of Shelbyville post-employment health benefits plan

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b) – (a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|------------------------------------|---------------------------------------|-------------------------------|--------------------|---------------------|---|
| July 1, 2009             | \$ -                               | \$ 827,525                            | \$ 827,525                    | 0.0%               | \$ 4,125,775        | 20.06%  |
| July 1, 2011             | -                                  | 1,089,405                             | 1,089,405                     | 0.0                | 5,588,802           | 19.50   |
| July 1, 2012             | -                                  | 1,096,852                             | 1,096,852                     | 0.0                | 5,588,802           | 19.63   |

**REQUIRED SUPPLEMENTARY INFORMATION**

**PENSION BENEFITS**

**SCHEDULE OF FUNDING PROGRESS**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2013**

Retirement Plan for Full-Time Employees of the City of Shelbyville, Tennessee

*(Dollar amounts in thousands)*

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Plan<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL) –<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b) – (a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>Of Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|--|---|--|--------------------------|---------------------------|---|
| January 1, 2011                | \$5,678  | \$9,955   | \$4,276                                | 57.0%                    | \$3,415                   | 125.24%   |
| January 1, 2012                | 6,242  | 9,852   | 3,610                                  | 63.3                     | 3,169                     | 113.90  |
| January 1, 2013                | 7,312  | 11,701  | 4,389                                  | 62.5                     | 3,157                     | 139.01  |

Shelbyville Power, Water and Sewerage Systems pension plan

*(Dollar amounts in thousands)*

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Plan<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL) –<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b) – (a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>Of Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|--|---|--|--------------------------|---------------------------|---|
| October 1, 2010                | \$11,077                                       | \$15,155  | \$4,078                                | 73.1%                    | \$3,445                   | 118.37%   |
| October 1, 2011                | 11,611   | 15,813  | 4,203                                  | 73.4                     | 3,452                     | 121.74  |
| October 1, 2012                | 12,427   | 16,898  | 4,472                                  | 73.5                     | 3,652                     | 122.45  |

## **SUPPLEMENTAL INFORMATION**

## NONMAJOR GOVERNMENTAL FUNDS

### **Special Revenue Funds**

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

State Street Aid Fund - This fund is used to account for the government's share of gasoline and motor vehicle fuel tax revenues that are legally restricted for street-related purposes.

Hotel/ Motel Fund - This fund is used to account for the privilege tax levied upon the privilege of occupancy in any hotel by each transient which is legally restricted for specific purposes.

Police Drug Fund - This fund is used to account for the government's use of fines from drug offenses and forfeited cash and the proceeds from the sale of property forfeited to the city.

Police Equipment Fund - This fund is used to account for court fines collected and used to purchase equipment for the police department.

### **Capital Projects Funds**

Greenway Fund - This fund is used to account for grants funding the construction of a recreational walkway trail.



**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
CITY OF SHELBYVILLE, TENNESSEE**

For the year ended June 30, 2013

|  | Special Revenue Funds |                  |                  |                     | Capital Projects Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------------|------------------|------------------|---------------------|-----------------------|--|
|  | State<br>Street Aid   | Hotel/<br>Motel  | Police<br>Drug   | Police<br>Equipment | Greenway              |  |
| <b>Assets:</b>                             |                       |                  |                  |                     |                       |  |
| Cash in bank                               | \$ 81,259             | \$ -             | \$ 21,552        | \$ 40,166           | \$ 30,000             | \$ 172,977                                 |
| Intergovernmental receivable               | 86,900                | -                | -                | -                   | -                     | 86,900                                     |
| Other assets                               | -                     | -                | -                | -                   | -                     | -  |
| Taxes receivable                           | -                     | 16,491           | -                | -                   | -                     | 16,491                                     |
| <b>Total assets</b>                        | <b>\$ 168,159</b>     | <b>\$ 16,491</b> | <b>\$ 21,552</b> | <b>\$ 40,166</b>    | <b>\$ 30,000</b>      | <b>\$ 276,368</b>                          |
| <b>Liabilities:</b>                        |                       |                  |                  |                     |                       |  |
| Accounts payable                           | \$ 2,522              | \$ 16,491        | \$ 57            | \$ -                | \$ -                  | \$ 19,070                                  |
| Funds held in trust                        | -                     | -                | 2,449            | -                   | -                     | 2,449                                      |
| Due to proprietary funds                   | 23,495                | -                | -                | -                   | -                     | 23,495                                     |
| <b>Total liabilities</b>                   | <b>26,017</b>         | <b>16,491</b>    | <b>2,506</b>     | <b>-</b>            | <b>-</b>              | <b>45,014</b>                              |
| <b>Fund balances:</b>                      |                       |                  |                  |                     |                       |  |
| Nonspendable                               | -                     | -                | -                | -                   | -                     | -  |
| Restricted                                 | 142,142               | -                | 19,046           | 40,166              | -                     | 201,354                                    |
| Committed                                  | -                     | -                | -                | -                   | -                     | -  |
| Assigned                                   | -                     | -                | -                | -                   | 30,000                | 30,000                                     |
| <b>Total fund balances</b>                 | <b>142,142</b>        | <b>-</b>         | <b>19,046</b>    | <b>40,166</b>       | <b>30,000</b>         | <b>231,354</b>                             |
| <b>Total liabilities and fund balances</b> | <b>\$ 168,159</b>     | <b>\$ 16,491</b> | <b>\$ 21,552</b> | <b>\$ 40,166</b>    | <b>\$ 30,000</b>      | <b>\$ 276,368</b>                          |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**

For the year ended June 30, 2013

|  | Special Revenue Funds |                 |                  |                     | Capital Projects Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------------|-----------------|------------------|---------------------|-----------------------|--|
|  | State<br>Street Aid   | Hotel/<br>Motel | Police<br>Drug   | Police<br>Equipment | Greenway              |  |
| Revenues:                                    |                       |                 |                  |                     |                       |  |
| Intergovernmental                            | \$ 522,217            | \$ -            | \$ -             | \$ -                | \$ -                  | \$ 522,217                                 |
| Taxes  | -                     | 137,256         | -                | -                   | -                     | 137,256                                    |
| Interest income                              | 230                   | -               | 34               | -                   | -                     | 264  |
| Fines and forfeitures                        | -                     | -               | 1,116            | 3,471               | -                     | 4,587                                      |
| Miscellaneous                                | -                     | -               | -                | 2,477               | -                     | 2,477                                      |
| Total revenues                               | <u>522,447</u>        | <u>137,256</u>  | <u>1,150</u>     | <u>5,948</u>        | <u>-</u>              | <u>666,801</u>                             |
| Expenditures:                                |                       |                 |                  |                     |                       |  |
| Public works                                 | 563,118               | -               | -                | -                   | -                     | 563,118                                    |
| Public safety                                | -                     | -               | 1,634            | 29,113              | -                     | 30,747                                     |
| Industrial development                       | -                     | 137,256         | -                | -                   | -                     | 137,256                                    |
| Total expenditures                           | <u>563,118</u>        | <u>137,256</u>  | <u>1,634</u>     | <u>29,113</u>       | <u>-</u>              | <u>731,121</u>                             |
| Excess of revenues over (under) expenditures | (40,671)              | -               | (484)            | (23,165)            | -                     | (64,320)                                   |
| Other financing sources (uses):              |                       |                 |                  |                     |                       |  |
| Transfers in - general fund                  | -                     | -               | -                | -                   | -                     | -  |
| Transfers out - general fund                 | -                     | -               | -                | -                   | -                     | -  |
| Net change in fund balances                  | <u>(40,671)</u>       | <u>-</u>        | <u>(484)</u>     | <u>(23,165)</u>     | <u>-</u>              | <u>(64,320)</u>                            |
| Fund balances - July 1, 2012                 | 182,813               | -               | 19,530           | 63,331              | 30,000                | 295,674                                    |
| Fund balances - June 30, 2013                | <u>\$ 142,142</u>     | <u>\$ -</u>     | <u>\$ 19,046</u> | <u>\$ 40,166</u>    | <u>\$ 30,000</u>      | <u>\$ 231,354</u>                          |

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - STATE STREET AID SPECIAL REVENUE FUND  
CITY OF SHELBYVILLE, TENNESSEE**

For the year ended June 30, 2013

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <u>Variance with<br/>Final Budget -<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------|-------------------------|-------------------|---|
| <b>Revenues:</b>   |                            |                         |                   |   |
| Apportionment of gasoline tax<br>from State of Tennessee | \$ 510,000                 | \$ 522,217              | \$ 522,217        | \$ -  |
| Interest income  | 600                        | 230                     | 230               | -   |
|  | <u>510,600</u>             | <u>522,447</u>          | <u>522,447</u>    | <u>-</u>  |
| <b>Expenditures:</b>                                     |                            |                         |                   |   |
| Street lighting  | 295,833                    | 280,223                 | 280,223           | -   |
| Street maintenance                                       | 180,000                    | 184,243                 | 184,243           | -   |
| Salt expense   | 18,000                     | -                       | -                 | -   |
| Street marking   | 15,000                     | 11,610                  | 11,610            | -   |
| Capital outlay   | 91,836                     | 87,042                  | 87,042            | -   |
|  | <u>600,669</u>             | <u>563,118</u>          | <u>563,118</u>    | <u>-</u>  |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES          | <u>\$ (90,069)</u>         | <u>\$ (40,671)</u>      | (40,671)          | <u>\$ -</u>   |
| Fund balance - July 1, 2012                              |                            |                         | 182,813           |   |
| Fund balance - June 30, 2013                             |                            |                         | <u>\$ 142,142</u> |   |

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - HOTEL/ MOTEL SPECIAL REVENUE FUND**

**CITY OF SHELBYVILLE, TENNESSEE**

For the year ended June 30, 2013

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>  | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|---|----------------------------|-------------------------|----------------|---|
| Revenues:                                       |                            |                         |                |   |
| Taxes   | \$ 136,664                 | \$ 137,256              | \$ 137,256     | \$ -  |
| Interest income                                 | -                          | -                       | -              | -   |
|   | <u>136,664</u>             | <u>137,256</u>          | <u>137,256</u> | <u>-</u>  |
| Expenditures:                                   |                            |                         |                |   |
| Payments to Chamber of Commerce                 | 133,760                    | 134,306                 | 134,306        | -   |
| Accounting services                             | 2,904                      | 2,950                   | 2,950          | -   |
| TOTAL EXPENDITURES                              | <u>136,664</u>             | <u>137,256</u>          | <u>137,256</u> | <u>-</u>  |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | <u>\$ -</u>                | <u>\$ -</u>             | <u>-</u>       | <u>\$ -</u>   |
| Fund balance - July 1, 2012                     |                            |                         | <u>-</u>       |   |
| Fund balance - June 30, 2013                    |                            |                         | <u>\$ -</u>    |   |

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - POLICE DRUG SPECIAL REVENUE FUND**

**CITY OF SHELBYVILLE, TENNESSEE**

For the year ended June 30, 2013

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|---|----------------------------|-------------------------|------------------|---|
| Revenues:                                       |                            |                         |                  |   |
| Court fines                                     | \$ 600                     | \$ 1,116                | \$ 1,116         | \$ -  |
| Forfeitures                                     | 1,800                      | -                       | -                | -   |
| Interest income                                 | 120                        | 34                      | 34               | -   |
| TOTAL REVENUES                                  | <u>2,520</u>               | <u>1,150</u>            | <u>1,150</u>     | <u>-</u>  |
| Expenditures:                                   |                            |                         |                  |   |
| Drug dog expense                                | 2,400                      | 1,524                   | 1,524            | -   |
| Employee education and training                 | 240                        | 110                     | 110              | -   |
| Capital outlay                                  | -                          | -                       | -                | -   |
| TOTAL EXPENDITURES                              | <u>2,640</u>               | <u>1,634</u>            | <u>1,634</u>     | <u>-</u>  |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | <u>\$ (120)</u>            | <u>\$ (484)</u>         | (484)            | <u>\$ -</u>   |
| Fund balance - July 1, 2012                     |                            |                         | <u>19,530</u>    |   |
| Fund balance - June 30, 2013                    |                            |                         | <u>\$ 19,046</u> |   |

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - POLICE EQUIPMENT SPECIAL REVENUE FUND**

**CITY OF SHELBYVILLE, TENNESSEE**

For the year ended June 30, 2013

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|---|----------------------------|-------------------------|------------------|---|
| <b>Revenues:</b>                                |                            |                         |                  |   |
| Court fines                                     | \$ 1,200                   | \$ 3,372                | \$ 3,372         | \$ -  |
| Forfeitures                                     | -                          | 1,579                   | 99               | (1,480)   |
| Miscellaneous                                   | -                          | 2,477                   | 2,477            | -   |
| TOTAL REVENUES                                  | <u>1,200</u>               | <u>7,428</u>            | <u>5,948</u>     | <u>(1,480)</u>  |
| <b>Expenditures:</b>                            |                            |                         |                  |   |
| Employee education and training                 | -                          | -                       | -                | -   |
| Capital outlay                                  | 18,071                     | 29,113                  | 29,113           | -   |
| TOTAL EXPENDITURES                              | <u>18,071</u>              | <u>29,113</u>           | <u>29,113</u>    | <u>-</u>  |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | <u>\$ (16,871)</u>         | <u>\$ (21,685)</u>      | (23,165)         | <u>\$ (1,480)</u>   |
| Fund balance - July 1, 2012                     |                            |                         | 63,331           |   |
| Fund balance - June 30, 2013                    |                            |                         | <u>\$ 40,166</u> |   |

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GREENWAY CAPITAL PROJECTS FUND**

**CITY OF SHELBYVILLE, TENNESSEE**

For the year ended June 30, 2013

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance with<br/>Final Budget -<br/>Favorable<br/>(Unfavorable)</u> |
|---|----------------------------|-------------------------|------------------|---|
| Revenues:   |                            |                         |                  |   |
| Federal grants  | \$ -                       | \$ -                    | \$ -             | \$ -  |
| Allocated donations                                     | -                          | -                       | -                | -   |
| <b>TOTAL REVENUES</b>                                   | <u>-</u>                   | <u>-</u>                | <u>-</u>         | <u>-</u>  |
| Expenditures:   |                            |                         |                  |   |
| Phase II costs  | -                          | -                       | -                | -   |
| Phase III costs   | -                          | -                       | -                | -   |
| Phase V costs   | -                          | -                       | -                | -   |
| Phase VI costs  | -                          | -                       | -                | -   |
| Other costs   | -                          | -                       | -                | -   |
| <b>TOTAL EXPENDITURES</b>                               | <u>-</u>                   | <u>-</u>                | <u>-</u>         | <u>-</u>  |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | -                          | -                       | -                | -   |
| Other financing sources:                                |                            |                         |                  |   |
| Transfers in (out) - general fund                       | -                          | -                       | -                | -   |
| <b>NET CHANGE IN FUND BALANCE</b>                       | <u>\$ -</u>                | <u>\$ -</u>             | <u>-</u>         | <u>\$ -</u>   |
| Fund balance - July 1, 2012                             |                            |                         | <u>30,000</u>    |   |
| Fund balance - June 30, 2013                            |                            |                         | <u>\$ 30,000</u> |   |

**SCHEDULE OF LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR - ALL FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
For the year ended June 30, 2013

| Fiscal Year<br>Ending<br>June 30, | Capital Outlay Note<br>Series 2012 |                 | Capital Outlay Note<br>SRF 2003-172 |                   | Water Refunding Bonds<br>Series 2003 |                 | Water Revenue and Tax<br>Bonds - Series 2007 |                     | Water Revenue and Tax<br>Bonds - Series 2011 |                   | Capital Outlay Note<br>T-hangers |                 | Totals              |                     |
|-----------------------------------|------------------------------------|-----------------|-------------------------------------|-------------------|--------------------------------------|-----------------|--|---------------------|--|-------------------|----------------------------------|-----------------|---------------------|---------------------|
|                                   | Principal                          | Interest        | Principal                           | Interest          | Principal                            | Interest        | Principal                                    | Interest            | Principal                                    | Interest          | Principal                        | Interest        | Principal           | Interest            |
| 2014                              | \$ 97,000                          | \$ 5,005        | \$ 210,828                          | \$ 54,528         | \$ 135,000                           | \$ 2,430        | \$ 55,000                                    | \$ 100,507          | \$ 40,000                                    | \$ 73,905         | \$ 103,937                       | \$ 2,522        | \$ 641,765          | \$ 238,897          |
| 2015                              | 100,000                            | 3,045           | 214,440                             | 50,916            | -                                    | -               | 60,000                                       | 98,208              | 180,000                                      | 72,255            | -                                | -               | 554,440             | 224,424             |
| 2016                              | 103,000                            | 1,025           | 218,112                             | 47,244            | -                                    | -               | 60,000                                       | 95,807              | 180,000                                      | 69,555            | -                                | -               | 561,112             | 213,631             |
| 2017                              | -                                  | -               | 221,856                             | 43,500            | -                                    | -               | 60,000                                       | 93,407              | 185,000                                      | 66,817            | -                                | -               | 466,856             | 203,724             |
| 2018                              | -                                  | -               | 225,648                             | 39,708            | -                                    | -               | 65,000                                       | 90,826              | 190,000                                      | 63,768            | -                                | -               | 480,648             | 194,302             |
| 2019                              | -                                  | -               | 229,524                             | 35,832            | -                                    | -               | 65,000                                       | 88,062              | 190,000                                      | 60,205            | -                                | -               | 484,524             | 184,099             |
| 2020                              | -                                  | -               | 233,448                             | 31,908            | -                                    | -               | 70,000                                       | 85,194              | 200,000                                      | 56,305            | -                                | -               | 503,448             | 173,407             |
| 2021                              | -                                  | -               | 237,444                             | 27,912            | -                                    | -               | 75,000                                       | 82,114              | 200,000                                      | 52,105            | -                                | -               | 512,444             | 162,131             |
| 2022                              | -                                  | -               | 241,524                             | 23,832            | -                                    | -               | 75,000                                       | 78,926              | 205,000                                      | 47,445            | -                                | -               | 521,524             | 150,203             |
| 2023                              | -                                  | -               | 245,652                             | 19,704            | -                                    | -               | 80,000                                       | 75,632              | 210,000                                      | 42,360            | -                                | -               | 535,652             | 137,696             |
| 2024                              | -                                  | -               | 249,864                             | 15,492            | -                                    | -               | 85,000                                       | 72,126              | 215,000                                      | 36,940            | -                                | -               | 549,864             | 124,558             |
| 2025                              | -                                  | -               | 254,148                             | 11,208            | -                                    | -               | 85,000                                       | 68,514              | 220,000                                      | 31,175            | -                                | -               | 559,148             | 110,897             |
| 2026                              | -                                  | -               | 258,504                             | 6,852             | -                                    | -               | 90,000                                       | 64,794              | 230,000                                      | 24,985            | -                                | -               | 578,504             | 96,631              |
| 2027                              | -                                  | -               | 262,819                             | 2,429             | -                                    | -               | 95,000                                       | 60,863              | 235,000                                      | 18,357            | -                                | -               | 592,819             | 81,649              |
| 2028                              | -                                  | -               | -                                   | -                 | -                                    | -               | 95,000                                       | 56,827              | 240,000                                      | 11,350            | -                                | -               | 335,000             | 68,177              |
| 2029                              | -                                  | -               | -                                   | -                 | -                                    | -               | 100,000                                      | 52,683              | 250,000                                      | 3,875             | -                                | -               | 350,000             | 56,558              |
| 2030                              | -                                  | -               | -                                   | -                 | -                                    | -               | 105,000                                      | 48,248              | -  | -                 | -                                | -               | 105,000             | 48,248              |
| 2031                              | -                                  | -               | -                                   | -                 | -                                    | -               | 110,000                                      | 43,518              | -  | -                 | -                                | -               | 110,000             | 43,518              |
| 2032                              | -                                  | -               | -                                   | -                 | -                                    | -               | 115,000                                      | 38,568              | -  | -                 | -                                | -               | 115,000             | 38,568              |
| 2033                              | -                                  | -               | -                                   | -                 | -                                    | -               | 120,000                                      | 33,368              | -  | -                 | -                                | -               | 120,000             | 33,368              |
| 2034                              | -                                  | -               | -                                   | -                 | -                                    | -               | 125,000                                      | 27,917              | -  | -                 | -                                | -               | 125,000             | 27,917              |
| 2035                              | -                                  | -               | -                                   | -                 | -                                    | -               | 130,000                                      | 22,243              | -  | -                 | -                                | -               | 130,000             | 22,243              |
| 2036                              | -                                  | -               | -                                   | -                 | -                                    | -               | 135,000                                      | 16,313              | -  | -                 | -                                | -               | 135,000             | 16,313              |
| 2037                              | -                                  | -               | -                                   | -                 | -                                    | -               | 145,000                                      | 10,013              | -  | -                 | -                                | -               | 145,000             | 10,013              |
| 2038                              | -                                  | -               | -                                   | -                 | -                                    | -               | 150,000                                      | 3,375               | -  | -                 | -                                | -               | 150,000             | 3,375               |
|                                   | <u>\$ 300,000</u>                  | <u>\$ 9,075</u> | <u>\$ 3,303,811</u>                 | <u>\$ 411,065</u> | <u>\$ 135,000</u>                    | <u>\$ 2,430</u> | <u>\$ 2,350,000</u>                          | <u>\$ 1,508,053</u> | <u>\$ 3,170,000</u>                          | <u>\$ 731,402</u> | <u>\$ 103,937</u>                | <u>\$ 2,522</u> | <u>\$ 9,362,748</u> | <u>\$ 2,664,547</u> |



**UNCOLLECTED DELINQUENT TAXES FILED IN ACCORDANCE WITH APPLICABLE LAWS**

**CITY OF SHELBYVILLE, TENNESSEE**

**Year ended June 30, 2013**

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During the year ended June 30, 2013, the government turned over \$219,409 of 2011 property taxes receivable to the clerk and master in accordance with applicable laws.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - SOLID WASTE FUND**

**CITY OF SHELBYVILLE, TENNESSEE**

For the year ended June 30, 2013

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | Variance with<br>Final Budget -<br>Favorable<br><u>(Unfavorable)</u> |
|---|----------------------------|-------------------------|------------------|--|
| Revenues:   |                            |                         |                  |  |
| Collection fees - transfer station                      | \$ -                       | \$ 1,165                | \$ 1,165         | \$ -   |
| Interest income   | -                          | -                       | -                | -  |
| <b>TOTAL REVENUES</b>                                   | <u>-</u>                   | <u>1,165</u>            | <u>1,165</u>     | <u>-</u>   |
| Expenditures:   |                            |                         |                  |  |
| Salaries  | 339,326                    | 318,821                 | 319,856          | (1,035)  |
| Employee education and training                         | -                          | 350                     | 350              | -  |
| Postage   | 12                         | -                       | -                | -  |
| Freight   | 300                        | 460                     | 460              | -  |
| Subscriptions and dues                                  | 250                        | -                       | -                | -  |
| Utilities   | 3,000                      | 2,426                   | 2,426            | -  |
| Repairs and maintenance                                 | 36,352                     | 27,809                  | 28,622           | (813)  |
| Landfill services                                       | 129,660                    | 141,665                 | 141,665          | -  |
| State maintenance fee                                   | 1,500                      | -                       | -                | -  |
| Expendable materials                                    | 696                        | 757                     | 757              | -  |
| Chemicals   | 600                        | -                       | -                | -  |
| Uniforms  | 2,292                      | 3,944                   | 3,944            | -  |
| Gasoline and oil  | 61,800                     | 45,635                  | 45,712           | (77)   |
| Tools   | 6,100                      | 113                     | 113              | -  |
| Miscellaneous   | 600                        | 35                      | 35               | -  |
| Capital outlay  | -                          | -                       | -                | -  |
| <b>TOTAL EXPENDITURES</b>                               | <u>582,488</u>             | <u>542,015</u>          | <u>543,940</u>   | <u>(1,925)</u>   |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <u>(582,488)</u>           | <u>(540,850)</u>        | <u>(542,775)</u> | <u>(1,925)</u>   |
| Other financing sources:                                |                            |                         |                  |  |
| Transfers in - general fund                             | 582,488                    | 582,972                 | 584,897          | 1,925  |
| <b>NET CHANGE IN FUND BALANCE</b>                       | <u>\$ -</u>                | <u>\$ 42,122</u>        | <u>42,122</u>    | <u>\$ -</u>  |
| Fund balance - July 1, 2012                             |                            |                         | 6,921            |  |
| Fund balance - June 30, 2013                            |                            |                         | <u>\$ 49,043</u> |  |

The above schedule is presented to demonstrate compliance with TCA 68-211-874.

UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2013

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**POWER SYSTEM:**

RESIDENTIAL

|                           |                    |
|---------------------------|--------------------|
| Customer charge           | \$ 10.61           |
| Energy charge             | \$ 0.09426 per KWH |
| First 1,000 KWH per month | \$ 104.87          |

COMMERCIAL

GSA (less than 50 KW):

If customer's currently effective contract demand, if any, or its highest billing demand during the latest 12 month period is not more than 50 KW and the customer's monthly energy takings for any month during such period do not exceed 15,000 kilowatt hours:

|                 |                    |
|-----------------|--------------------|
| Customer charge | \$ 15.77           |
| Energy charge   | \$ 0.10451 per KWH |

GSA (from 50 KW to 1000 KW):

If customer's currently effective contract demand, if any, or its highest billing demand during the latest 12 month period is greater than 50 KW but not more than 1,000 KW and the customer's monthly energy takings for any month during such period exceed 15,000 kilowatt hours:

|                                       |                    |
|---------------------------------------|--------------------|
| Consumer charge                       | \$ 46.20           |
| Demand charge:                        |                    |
| First 50 kilowatt hours per month     | NO CHARGE          |
| Over 50 kilowatt hours per month      | \$ 12.62 per KW    |
| Energy charge:                        |                    |
| First 15,000 kilowatt hours per month | \$ 0.10599 per KWH |
| Over 15,000 kilowatt hours per month  | \$ 0.06411 per KWH |

GSA3 (Greater than 1,000 KW contract or highest 12 month measured KW greater than 1,000 KW but measured KW for month is less than 1,000 KW):

|                                      |                     |
|--------------------------------------|---------------------|
| Customer charge                      | \$163.67            |
| Demand charge:                       |                     |
| First 1,000 kilowatt hours per month | \$ 11.42 per KW     |
| Over 1,000 kilowatt hours per month  | \$ 11.53 per KW     |
| Energy charge – all KWH              | \$ 0.06742 per KWHR |

**UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2013

GSA3 (Greater than 1,000 KW contract or highest 12 month measured KW greater than 1,000 KW  
but measured KW for month is less than 1,000 KW)  
(must be eligible for small manufacturing credit):

|                                      |                    |
|--------------------------------------|--------------------|
| Customer charge                      | \$163.67           |
| Demand charge:                       |                    |
| First 1,000 kilowatt hours per month | \$ 10.04per KW     |
| Over 1,000 kilowatt hours per month  | \$ 10.15 per KW    |
| Energy charge – all KWHR             | \$ 0.06202 per KWH |

MSB (Greater than 5,000 KW contract or highest 12 month measured KW greater than 5,000 KW  
and SIC is 20-39 but measured KW for month is less than 5,000 KW)

|  |                     |
|--|---------------------|
| Customer charge                              | \$1,850.00          |
| Demand charge:                               |                     |
| All KW On-Peak                               | \$ 16.45 per KW     |
| All KW Off-Peak                              | \$ 4.00 per KW      |
| Energy charge                                |                     |
| First 425 KWH/KW On-Peak (all KWHR)          | \$ 0.08166 per KWHR |
| First 425 KWH/KW Off-Peak                    | \$ 0.04737 per KWHR |
| (example 425 * KW compared to measured KWHR) |                     |
| Next 195 KWH/KW Off-Peak                     | \$ 0.02871          |
| Additional KWH Off-Peak                      | \$ 0.01286          |

|  |                                  |
|--|----------------------------------|
| Facilities Rental (Delivery Point less than 46 KV) | \$ 0.93 per KW                   |
| Equipment Rental                                   | 1.5% of installed cost per month |

SMSB (Greater than 5,000 KW contract or highest 12 month measured KW greater than 5,000 KW  
and SIC is 20-39 but measured KW for month is less than 5,000 KW)

|                 |                     |
|-----------------|---------------------|
| Customer charge | \$1,850.00          |
| Demand charge:  |                     |
| All KW          | \$ 18.74 per KW     |
| Energy charge   |                     |
| All KWHR        | \$ 0.04206 per KWHR |

|  |                                  |
|--|----------------------------------|
| Facilities Rental (Delivery Point less than 46 KV) | \$ 0.93 per KW                   |
| Equipment Rental                                   | 1.5% of installed cost per month |

**SECURITY LIGHTS**

|  |         |
|--|---------|
| 175 watt mercury vapor                       | \$ 7.40 |
| 400 watt mercury vapor (Flood or Cobra head) | 14.46   |
| 200 watt high pressure sodium                | 10.11   |
| 250 watt high pressure sodium                | 11.65   |
| 100 watt high pressure sodium                | 6.94    |

**UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2013

**WATER SYSTEM:**

Residential, Commercial and Industrial

|                      | <u>Inside City</u>      | <u>Outside City</u>     |
|----------------------|-------------------------|-------------------------|
| First 2,000 gallons  | \$ 11.40 minimum charge | \$ 15.20 minimum charge |
| Next 8,000 gallons   | 4.30 per 1,000 gallons  | 6.00 per 1,000 gallons  |
| Next 10,000 gallons  | 2.75 per 1,000 gallons  | 3.85 per 1,000 gallons  |
| Next 30,000 gallons  | 2.40 per 1,000 gallons  | 3.30 per 1,000 gallons  |
| Next 50,000 gallons  | 2.15 per 1,000 gallons  | 3.00 per 1,000 gallons  |
| Over 100,000 gallons | 2.05 per 1,000 gallons  | 2.65 per 1,000 gallons  |

An additional \$.05 per 1,000 gallons for Duck River Agency charge is included in billing, but is not reflected in the above rates.

Utility Districts

|                          |                          |
|--------------------------|--------------------------|
| Flat Creek Water Co-op - |                          |
| First 6,000,000 gallons  | Inside Rate              |
| Over 6,000,000 gallons   | \$2.75 per 1,000 gallons |

Sprinkler Connections

|                              |                   |
|------------------------------|-------------------|
| Valve heads or fire hydrants | \$23.60 per month |
| City fire hydrants           | 10.30 per month   |

**SEWERAGE SYSTEM:**

|                      | <u>Inside City</u>     | <u>Outside City</u>    |
|----------------------|------------------------|------------------------|
| First 2,000 gallons  | \$16.70 minimum charge | \$21.50 minimum charge |
| Next 8,000 gallons   | 7.40 per 1,000 gallons | 9.55 per 1,000 gallons |
| Next 10,000 gallons  | 5.75 per 1,000 gallons | 7.00 per 1,000 gallons |
| Next 30,000 gallons  | 5.10 per 1,000 gallons | 6.15 per 1,000 gallons |
| Next 50,000 gallons  | 4.75 per 1,000 gallons | 5.75 per 1,000 gallons |
| Over 100,000 gallons | 4.40 per 1,000 gallons | 5.50 per 1,000 gallons |

**Average number of customers for fiscal year 2013:**

|                 |       |
|-----------------|-------|
| Power System    | 9,811 |
| Water System    | 8,783 |
| Sewerage System | 7,981 |

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

Water Audit Report for: **SHELBYVILLE POWER, WATER & SEWERAGE SYSTEMS**  
 Reporting Year: **2013** / **7/2012 - 6/2013**

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

**WATER SUPPLIED** << Enter grading in column 'E'

|   |     |                  |                                 |
|---|-----|------------------|---------------------------------|
| Volume from own sources:                              | 9   | 1,332.473        | Million gallons (US)/yr (MG/Yr) |
| Master meter error adjustment (enter positive value): | 4   | 26.650           | under-registered MG/Yr          |
| Water imported:                                       | n/a |                  | MG/Yr                           |
| Water exported:                                       | n/a |                  | MG/Yr                           |
| <b>WATER SUPPLIED:</b>                                |     | <b>1,359.123</b> | MG/Yr                           |

**AUTHORIZED CONSUMPTION**

|                                |     |                  |       |
|--------------------------------|-----|------------------|-------|
| Billed metered:                | 9   | 1,040.330        | MG/Yr |
| Billed unmetered:              | n/a |                  | MG/Yr |
| Unbilled metered:              | 7   | 34.923           | MG/Yr |
| Unbilled unmetered:            | 7   | 33.200           | MG/Yr |
| <b>AUTHORIZED CONSUMPTION:</b> |     | <b>1,108.453</b> | MG/Yr |

Pcnt: Value: 33.200

**WATER LOSSES (Water Supplied - Authorized Consumption)** 250.670 MG/Yr

**Apparent Losses**

|   |   |        |       |             |        |
|---|---|--------|-------|-------------|--------|
| Unauthorized consumption:   |   | 3.398  | MG/Yr | Pcnt: 0.25% | Value: |
| Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed    |   |        |       |             |        |
| Customer metering inaccuracies:   | 8 | 33.255 | MG/Yr | 3.00%       |        |
| Systematic data handling errors:  |   | 0.000  | MG/Yr |             |        |
| <b>Systematic data handling errors are likely, please enter a non-zero value; otherwise grade = 5</b> |   |        |       |             |        |
| Apparent Losses:  |   | 36.653 |       |             |        |

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

Real Losses = Water Losses - Apparent Losses: 214.017 MG/Yr

**WATER LOSSES:** 250.670 MG/Yr

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

**NON-REVENUE WATER**

NON-REVENUE WATER: 318.793 MG/Yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

|  |    |       |                 |
|--|----|-------|-----------------|
| Length of mains:                                   | 10 | 202.0 | miles           |
| Number of active AND inactive service connections: | 9  | 9,211 |                 |
| Connection density:                                |    | 46    | conn./mile main |
| Average length of customer service line:           | 7  | 27.0  | ft              |
| Average operating pressure:                        | 7  | 74.0  | psi             |

**COST DATA**

|   |    |             |                      |
|---|----|-------------|----------------------|
| Total annual cost of operating water system:            | 10 | \$3,829,894 | \$/Year              |
| Customer retail unit cost (applied to Apparent Losses): | 8  | \$3.74      | \$/1000 gallons (US) |
| Variable production cost (applied to Real Losses):      | 10 | \$2,891.79  | \$/Million gallons   |

**PERFORMANCE INDICATORS**

**Financial Indicators**

|   |           |
|---|-----------|
| Non-revenue water as percent by volume of Water Supplied: | 23.5%     |
| Non-revenue water as percent by cost of operating system: | 24.9%     |
| Annual cost of Apparent Losses:                           | \$137,082 |
| Annual cost of Real Losses:                               | \$618,893 |

**Operational Efficiency Indicators**

|  |        |                            |
|--|--------|----------------------------|
| Apparent Losses per service connection per day:              | 10.90  | gallons/connection/day     |
| Real Losses per service connection per day*:                 | 63.66  | gallons/connection/day     |
| Real Losses per length of main per day*:                     | N/A    |                            |
| Real Losses per service connection per day per psi pressure: | 0.86   | gallons/connection/day/psi |
| Unavoidable Annual Real Losses (UARL):                       | 76.38  | million gallons/year       |
| From Above, Real Losses = Current Annual Real Losses (CARL): | 214.02 | million gallons/year       |
| Infrastructure Leakage Index (ILI) [CARL/UARL]:              | 2.80   |                            |

\* only the most applicable of these two indicators will be calculated

**WATER AUDIT DATA VALIDITY SCORE:**

**\*\*\* YOUR SCORE IS: 79 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: Master meter error adjustment
  - 2: Volume from own sources
  - 3: Unauthorized consumption

**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE-BY LEVY YEAR**

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2013

| <u>Tax Year</u> | Balance<br>June 30,<br>2012 | Taxes<br>Levied    | <u>Collections</u>   | Discoveries<br>and<br><u>Adjustments</u> | Balance<br>June 30,<br>2013 |
|-----------------|-----------------------------|--------------------|----------------------|--|-----------------------------|
| 2013            | \$ -                        | \$6,012,870        | \$ -                 | \$ -                                     | \$6,012,870                 |
| 2012            | 5,994,310                   |                    | (5,542,553)          | 80,814                                   | 532,571                     |
| 2011            | 505,232                     | -                  | (270,028)            | 8,304                                    | 243,508                     |
| 2010            | 139,410                     | -                  | (118,077)            | (43)                                     | 21,290                      |
| 2009            | 18,903                      | -                  | (10,673)             | 736                                      | 8,966                       |
| 2008            | 11,547                      | -                  | (5,072)              | -  | 6,475                       |
| 2007            | 6,613                       | -                  | (132)                | (85)                                     | 6,396                       |
| 2006            | 4,370                       | -                  | (43)                 | -  | 4,327                       |
| 2005            | 5,399                       | -                  | (40)                 | -  | 5,359                       |
| 2004            | 1,272                       | -                  | (60)                 | -  | 1,212                       |
| 2003            | 487                         | -                  | -                    | -  | 487                         |
| 2002            | 274                         | -                  | (164)                | -  | 110                         |
| 2001            | 950                         | -                  | (638)                | -  | 312                         |
| 2000            | 1,818                       | -                  | -                    | -  | 1,818                       |
|                 | <u>\$6,690,585</u>          | <u>\$6,012,870</u> | <u>\$(5,947,480)</u> | <u>\$ 89,726</u>                         | 6,845,701                   |

|                                       |                    |
|---------------------------------------|--------------------|
| Less estimated uncollectible accounts | (22,551)           |
| Net receivable balance June 30, 2013  | <u>\$6,823,150</u> |

NOTES: All uncollected taxes for years prior to 2012 have been turned over to the Clerk and Master for collection.

**PROPERTY TAX RATES AND ASSESSMENTS – LAST TEN YEARS**

**CITY OF SHELBYVILLE, TENNESSEE**

**Year ended June 30, 2013**

---

| <u>Tax Year</u> | Total<br>Assessed<br>Value | <u>Tax Rate</u> | <u>Levy</u>  |
|-----------------|----------------------------|-----------------|--------------|
| 2013            | \$ 357,132,772             | \$ 1.65         | \$ 5,892,788 |
| 2012            | 354,545,784                | 1.65            | 5,850,117    |
| 2011            | 346,455,651                | 1.65            | 5,716,613    |
| 2010            | 340,979,371                | 1.41            | 4,807,791    |
| 2009            | 353,220,696                | 1.41            | 4,980,363    |
| 2008            | 346,666,837                | 1.41            | 4,887,976    |
| 2007            | 348,923,684                | 1.41            | 4,919,810    |
| 2006            | 340,454,422                | 1.41            | 4,800,354    |
| 2005            | 275,559,867                | 1.47            | 4,050,746    |
| 2004            | 278,210,070                | 1.47            | 4,089,758    |



**INTERNAL CONTROL AND COMPLIANCE/SINGLE AUDIT SECTION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2013

| Grantor Agency                           | CFDA<br>Number                   | Contract<br>Number | Beginning<br>Accrued | Cash<br>Receipts | Expenditures | Ending<br>Accrued |
|--|----------------------------------|--------------------|----------------------|------------------|--------------|-------------------|
| <u>FEDERAL AWARDS</u>                    |                                  |                    |                      |                  |              |                   |
| Department of Transportation (1)         | 20.205                           | STP-M-9314(6)      | \$ 42,800            | \$ 165,184       | \$ 646,226   | \$ 523,842        |
| Department of the Interior (2)           | 15.904                           | GG1032861          | -                    | 1,936            | 1,936        | -                 |
| Department of Transportation (1)         | 20.106                           | 3-47-SBGP-44       | -                    | 100,454          | 639,745      | 539,291           |
|  | TOTAL FEDERAL AWARDS             |                    | 42,800               | 267,574          | 1,287,907    | 1,063,133         |
| <u>STATE FINANCIAL ASSISTANCE</u>        |                                  |                    |                      |                  |              |                   |
| TN Dept. of Transportation               | N/A                              | AERO-M12-258       | 9,009                | 9,009            | -            | -                 |
| TN Dept. of Transportation               | N/A                              | AERO-M13-325       | -                    | 2,184            | 7,495        | 5,311             |
| TN Dept. of Agriculture                  | N/A                              | DG1339727          | -                    | 2,396            | 2,396        | -                 |
| TN Dept. of Transportation               | N/A                              | CMA-1457           | -                    | 2,936            | 88,222       | 85,286            |
| TN Dept. of Transportation               | N/A                              | AERO-13-147-00     | -                    | 57,781           | 87,742       | 29,961            |
| TN Dept. of Environment and Conservation | N/A                              | Unknown            | -                    | -                | 24,898       | 24,898            |
| TN Dept. of Transportation               | N/A                              | AERO-12-325-00     | -                    | 44,687           | 44,687       | -                 |
| TN Dept. of Environment and Conservation | N/A                              | GG-11-35126-00     | 10,000               | 10,000           | -            | -                 |
| TN Dept. of Economic and Community Dev.  | N/A                              | GG-10-31639        | 82,477               | 82,477           | -            | -                 |
|  | TOTAL STATE FINANCIAL ASSISTANCE |                    | 101,486              | 211,470          | 255,440      | 145,456           |
|  | TOTAL FEDERAL AND STATE AWARDS   |                    | \$ 144,286           | \$ 479,044       | \$ 1,543,347 | \$ 1,208,589      |

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**Note 1:** This Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of City of Shelbyville under programs of the federal and state governments for the year ended June 30, 2013. The schedule is presented using the modified accrual basis of accounting.

- (1) - Federal funds passed through the State of Tennessee, Department of Transportation
- (2) - Federal funds passed through the State of Tennessee, Tennessee Historical Commission

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

Honorable Mayor and City Councilmembers  
City of Shelbyville  
Shelbyville, 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 City of Shelbyville, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Shelbyville, Tennessee's basic financial statements and have issued our report thereon dated January 31, 2014. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the Shelbyville Power, Water, and Sewerage Systems, as described in our report on City of Shelbyville, Tennessee's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2011-2, 2013-1, 2013-2, 2013-3, 2013-4, 2013-5, and 2013-6)

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Shelbyville, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2011-3.

## **City of Shelbyville, Tennessee's Response to Findings**

City of Shelbyville, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Shelbyville, Tennessee'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 result 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.

*Winnett Associates, PLLC*

January 31, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor and City Councilmembers  
City of Shelbyville, Tennessee  
Shelbyville, Tennessee

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

We have audited City of Shelbyville, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Shelbyville, Tennessee's major federal programs for the year ended June 30, 2013. City of Shelbyville, Tennessee's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Shelbyville, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Shelbyville, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on each Major Federal Program***

In our opinion, City of Shelbyville, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of City of Shelbyville, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Shelbyville, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Shelbyville, Tennessee's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Winnitt Associates, PLLC*

January 31, 2014

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## CITY OF SHELBYVILLE, TENNESSEE

June 30, 2013

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### **Section I - Summary of auditors' results**

- 1 - Type of auditors' report issued on the financial statements - unqualified
- 2 - Internal control over financial reporting:
- |                                      |               |
|--------------------------------------|---------------|
| Material weaknesses identified?      | yes           |
| Significant deficiencies identified? | none reported |
- 3 - Noncompliance material to the financial statements noted    no
- 4 - Compliance and internal control over compliance for each major program:
- |                                      |               |
|--------------------------------------|---------------|
| Material weaknesses identified?      | none reported |
| Significant deficiencies identified? | none reported |
- 5 - Type of report issued on compliance and internal control over compliance for major programs - unmodified
- 6 - Audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?    none reported
- 7 - Programs tested as major programs:
- Airport improvement program, CFDA 20.106  
Highway planning and construction, CFDA 20.205
- 8 - Threshold for distinguishing Types A and B programs - \$300,000.
- 9 - The City of Shelbyville, Tennessee did not qualify as a low-risk auditee.

### **Section II - Findings - Financial Statements Audit**

#### **Prior Year Findings - Corrective Action Has Been Taken**

##### Finding 2011-1

*Condition, Criteria, Cause and Effect:* The State of Tennessee requires municipalities to comply with the *Internal Control and Compliance Manual for Tennessee Municipalities*. Title 4, Chapter 2, Section 1, requires the accounting records of the City to use fund accounting in accordance with generally accepted accounting principles (GAAP). The following is a listing of accounting practices noted during the audit that do not meet this requirement:

- 1) Depreciation was recorded in the general fund and the solid waste fund. GAAP do not allow depreciation to be recorded in either the general fund or special revenue funds.
- 2) The balances of long-term debt including accrued vacation, note payable, and postretirement medical benefits were recorded in the general fund. GAAP does not allow for the balances of long-term debt to be recorded in any governmental funds.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2013**

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**Prior Year Findings - Corrective Action Has Been Taken (Continued)**

- 3) The City's records include a self-balancing set of accounts used to record the balances of capital assets and related depreciation expense and accumulated depreciation. These accounts included current year capital outlays. GAAP require capital outlays be recorded in the general fund, capital projects funds or special revenue funds. Fund accounting does not allow the recording of capital asset balances in any fund.
- 4) Activity in accrued vacation was recorded in the general fund. Accrued vacation is part of long-term debt and should be only included in the government-wide presentation.
- 5) Postretirement medical plan expenses meant to record the net OPEB obligation were included in the general fund. These expenses should only be included in the government-wide presentation.

*Status:* All five points noted no longer exist.

Finding 2011-4

*Condition, Criteria, Cause and Effect:* Accounting standards require a net pension obligation, if present, to be recorded in the government-wide statement of net position. However, the City's net pension obligation is not included in the City's accounting records. It appears the City does not have a procedure in place to determine and record its net pension obligation liability.

*Status:* The records of the City were updated to reflect the correct net pension obligation as of June 30, 2013.

Finding 2011-5

*Condition, Criteria, Cause and Effect:* While auditing the general fund, we noted that the fund balance account balances did not agree to the prior year audited financial statements. City personnel were unable to identify the differences and several audit adjustments were necessary to correct the fund balances.

*Status:* A procedure was added to balance the general fund's equity account prior to the audit.

Finding 2012-1

*Condition, Criteria, Cause and Effect:* Accounting principles require all capital assets to be recorded as part of the government-wide presentation. During our audit we identified assets exceeding the capitalization policy that were not included in the listing of capital assets. For the most part these appeared to be overlooked because they were located in funds other than the general fund.

*Status:* No assets exceeding the capitalization policy were identified that were not included in the listing of capital assets.



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

June 30, 2013

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**Prior Year-Corrective Action Has Been Taken (Continued)**

Finding 2012-2

*Condition, Criteria, Cause and Effect:* While performing our audit procedures we noted land with a recorded cost of \$125,170 had been sold but not removed from the capital asset records.

*Status:* During the current year's audit we noted no land sold but not removed from the capital asset records.

**Prior Year-Corrective Action Has Not Been Taken**

Finding 2011-2

*Condition, Criteria, Cause and Effect:* Accounting principles address the recording of amounts related to grants. Additionally, the State of Tennessee Department of Audit, *Audit Manual* requires that a Schedule of Expenditures of Federal Awards and State Financial Assistance be included in annual audited financial statements. Audit adjustments were necessary to properly record receivables and payables relative to current year grant activity.

*Status:* Audit adjustments were necessary to properly record receivables and payables relative to current year grant activity. Applicable grants for the fiscal year ended June 30, 2013, included the airport taxiway repair grant, airport tractor grant, railroad spur grant and STP grant.

*Recommendation:* City personnel should take advantage of opportunities to gain experience and knowledge for proper accounting of grant activity. To aid in this we suggest City personnel draft the state required Schedule of Expenditures of Federal Awards and State Financial Assistance as part of year-end closing procedures.

*Management Response:* Much work has been done to improve the tracking and status of all current grants and grants being applied for. A tracking sheet has been created and used during this year for activity; however there are still some areas that need improvement. We will add a step in our process to create and update the suggested Schedule of Expenditures of Federal Awards and State Financial Assistance.

Finding 2011-3:

*Condition, Criteria, Cause and Effect:* Tennessee Code Annotated section 6-56-203 requires the City to adopt and operate under an annual budget. Budget ordinances are adopted for the original budget as well as another to amend the budget to reflect actual revenues and expenditures. These ordinances include a detail of expenditures by department. Included in the line item details were expenditures entitled "depreciation." It is our understanding from conversations with representatives of the State of Tennessee, Department of Municipal Audit, that it is not appropriate to budget depreciation. Additionally, audit adjustments resulted in expenditures exceeding the amount appropriated in the general government department.

*Status:* Depreciation is no longer included in the budget. However, audit adjustments resulted in expenditures exceeding appropriations for the public recreation departments.

*Recommendation:* All expenditures should be authorized either in the original budget or an amendment to that budget.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2013**

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**Prior Year Findings - Corrective Action Has Not Been Taken (Continued)**

*Management Response:* We concur. As was noted, Management City Staff no longer includes department's depreciation in the line to budget. This finding should not re-occur.

**Current Year Findings**

Finding 2013-1

*Condition, Criteria, Cause and Effect:* The City deeded a railroad spur to the Bedford Railroad Authority prior to June 30, 2013. The costs of the spur were not removed from the City's construction in process and an audit adjustment was necessary to correct the overstatement of construction in progress.

*Recommendation:* The status of all projects included in construction in progress should be reviewed regularly and assets removed accordingly.

*Management Response:* This transfer cited was a one-time transfer and should not occur again. Additional procedures are being implemented to capture these which will include a more in depth monthly review of all CIP, added assets and delted assets. This will also be reviewed again prior to year end closing.

Finding 2013-2

*Condition, Criteria, Cause and Effect:* The City's records include an allowance for uncollectible property taxes. We noted there is no process in place to update this account. An adjustment was necessary to correct the balance presented for audit.

*Recommendation:* A method for calculating the allowance for doubtful accounts should be developed and the allowance updated regularly.

*Management Response:* The City will implement a procedure to address this and calculate our uncollectible property taxes and add this to our year end procedures.

Finding 2013-3

*Condition, Criteria, Cause and Effect:* The City's accrued accounts receivable listing contained multiple items that had already been received and thus were not receivable as of June 30, 2013. Audit adjustments were necessary to remove these items. Likewise, the accrued accounts payable listing included a payable that had already been paid and an audit adjustment was necessary to remove the overstated payables.

*Recommendation:* The City should at the end of each month review the listings of receivables and payables for amounts received or paid and remove applicable items accordingly.

*Management Response:* These will be reviewed in more depth monthly and this should no re-occur.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2013**

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**Current Year Findings (Continued)**

Finding 2013-4

*Condition, Criteria, Cause and Effect:* During the audit we identified several prepaid asset accounts that had not been reconciled during the year audited. In one instance an entry was necessary to correct the recorded balance.

*Recommendation:* We recommend the prepaid asset accounts be balanced monthly.

*Management Response:* We agree. Additional training will be pursued on how to accurately record the deferred revenues of the city.

Finding 2013-5

*Condition, Criteria, Cause and Effect:* The City's records must include a liability (deferred revenue) for property taxes receivable but not received within sixty days of the end of the fiscal year. While the City's records do include this liability, the balance could not be supported, and an entry was necessary to adjust the balance.

*Recommendation:* City personnel should take advantage of opportunities to gain experience and knowledge for proper accounting of deferred revenues.

*Management Response:* We agree. Additional training will be pursued on how to accurately record the deferred revenues of the city.

Finding 2013-6

*Condition, Criteria, Cause and Effect:* The City records its accounts payable based on the applicable period as purchases are made and services are incurred. The incorrect period was used for the July 2013 health insurance invoice. Oversight controls did not detect this error resulting in its incorrect inclusion in accounts payable at June 30, 2013 and an overstatement of expenditures. An audit entry was necessary to correct the overstated payable and related expenditure.

*Recommendation:* Appropriate comparisons of expenditures should be made each month which might include budget to actual and comparisons with prior months or years. Unexpected results should be investigated.

*Management Response:* Our current monthly comparison process will be improved to insure these are captured.

**Section III - Findings and questioned costs for Federal awards**

None reported