

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

INTRODUCTORY SECTION

CONTENTS

INTRODUCTORY SECTION

Officials.....	Page	5
----------------	------	---

FINANCIAL SECTION

Independent Auditor's Report.....	7
Management's Discussion and Analysis.....	10
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund	
Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
In Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures, and Changes in Fund	
Balance – Budget and Actual – General Fund.....	21
Statement of Net Position – Proprietary Funds	26
Statement of Revenues, Expenses, and Changes in	
Net Position – Proprietary Funds.....	27
Statement of Cash Flows – Proprietary Funds.....	28
Statement of Net Position – Fiduciary Fund	30
Statement of Changes in Net Position – Fiduciary Fund.....	31
Notes to the Financial Statements.....	32
Required Supplementary Information:	
Schedule of Funding Progress	59
Schedule of Changes in Net Pension Liability and Related Ratios	60
Schedule of Contributions	61
Schedule of Changes in Net Pension Liability and Related Ratios – Proprietary Funds.....	62
Schedule of Contributions – Proprietary Funds.....	63
Supplemental Information:	
Description of Nonmajor Governmental Funds	65
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	66
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances – Nonmajor Governmental Funds.....	67
Schedules of Revenues, Expenditures, and Changes in	
Fund Balances – Budget and Actual:	
State Street Aid Special Revenue Fund.....	68
Hotel/ Motel Special Revenue Fund	69
Police Drug Special Revenue Fund.....	70
Police Equipment Special Revenue Fund	71
Capital Fund Capital Projects Fund	72
Greenway Capital Projects Fund.....	73
Industrial Development Capital Projects Fund	74

C O N T E N T S (Continued)

Miscellaneous Schedules:

Schedule of Long-Term Debt Principal and Interest Requirements by Fiscal Year – General Government	75
Schedule of Long-Term Debt Principal and Interest Requirements by Fiscal Year – Shelbyville Power, Water, and Sewerage Systems	76
Uncollected Delinquent Taxes Filed in Accordance With Applicable Laws	77
Utility Rate Structure and Number of Customers	78
AWWA Reporting Worksheet	81
AWWA System Attributes and Performance Indicators	82
Schedule of Changes in Property Taxes Receivable-by Levy Year	83
Property Tax Rates and Assessments – Last Ten Years.....	84
 Schedule of Expenditures of Federal Awards and State Financial Assistance.....	 85

INTERNAL CONTROL AND COMPLIANCE

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	87
 Schedule of Findings.....	 89
 Schedule of Prior Year Findings and Questioned Costs	 91

OFFICIALS
CITY OF SHELBYVILLE, TENNESSEE
JUNE 30, 2016

MAYOR Wallace Cartwright

VICE-MAYOR Thomas Landers

COUNCILMEMBERS Ward 1 - Henry Feldhaus III

 Ward 2 - Sam Meek

 Ward 3 - Kay Rose

 Ward 4 - William Christie

 Ward 5 - Jean Pruitt

 Ward 6 - Thomas Landers

OTHER OFFICIALS City Manager - Jay Johnson

 City Recorder - Anna Mai*

 City Treasurer - Jamey Owen

 City Judge - John T. Bobo

 City Attorney - Ginger Shofner

* Anna Mai was Acting City Recorder as of June 30, 2016. Subsequent to June 30, 2016, Anna Mai was named the City Recorder.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Councilmembers
City of 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 the City of Shelbyville, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Shelbyville, Tennessee'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 are both major funds and 100 percent of the assets, net position, and revenues of the business-type activities. Those 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison 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 on pages 10 through 15, the schedules of funding progress on page 59, and the pension information on pages 60 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, and 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 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, based on our audit, the procedures performed as described above, and the report of the other auditors, 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 25, 2017, 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 the City of Shelbyville, Tennessee's internal control over financial reporting and compliance.

Winnitt Associates, PLLC

January 25, 2017

CITY OF SHELBYVILLE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2016

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, 2016. 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 three types of funds, governmental, proprietary and fiduciary. 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 information for the Systems are included in the report as "Enterprise Funds."

Financial Highlights

- The City's governmental activities' deferred inflows of resources increased by \$235,135 which was driven by the property tax re-evaluation this year and included in the deferred inflows.
- The assets and deferred outflows of resources of the governmental activities of the City of Shelbyville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended 2015 by \$36,452,836 which is an increase of \$4,690,318 from the prior year.

- Governmental activities total expenses decreased by \$209,263 for 2016. The decrease in spending is mainly the result of the control in spending due to result of the flume debt.
- The assets and deferred outflows of resources of the Shelbyville Power, Water and Sewerage Systems exceeded their liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$77,235,059. Of this amount, \$23,158,348 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 \$1,752,118.

According to the Shelbyville Power, Water and Sewerage Systems' management, the statement of net position of the Systems is very solid. The 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 considered adequate. Cash reserves are adequate for all systems.

Power System

Total power system assets went from \$40,654,301 fiscal year ending June 30, 2015 to \$41,138,940 fiscal year ending June 30, 2016, an increase of 1.2%. Current assets increased from \$22,053,856 to \$22,779,816. Plant, net of accumulated depreciation, decreased from \$18,187,013 to \$18,026,754. Other assets decreased from \$413,432 to \$332,370. Total power system liabilities decreased from \$6,644,355 to \$6,572,668. Current liabilities decreased from \$4,356,356 to \$3,866,347. Long-term liabilities increased from \$2,287,999 to \$2,706,321. Deferred outflows of resources increased from \$396,739 to \$1,052,159 while deferred inflows of resources decreased from \$15,958 to \$11,969.

Income before capital contributions for the power system decreased from \$2,383,763 in fiscal year ending 2015 to \$1,901,415 in fiscal year ending 2016, a 20.23% decrease due to slight but normal increased expenses. Total operating revenue decreased from \$34,535,639 to \$33,559,978. This is a function of weather and unbilled revenue. Operational and maintenance expenses increased from \$3,508,543 in 2015 to \$3,632,367 in 2016. Other expense decreased from \$2,582 to \$1,875. Interest expense on customer deposits decreased from \$36,280 to \$27,515.

Water System

Total water system assets increased from \$23,206,645 to \$23,236,770, a .13% increase. Current assets decreased from \$7,335,978 to \$6,419,331. Plant, net of accumulated depreciation, increased from \$14,878,130 to \$15,816,012. Deferred outflow of resources increased from \$379,100 to \$617,124. Total liabilities increased from \$3,977,313 to \$4,003,139. Long-term liabilities increased from \$3,463,705 to \$3,561,057 due mainly to increase in pension liability because debt liability is decreasing. Deferred inflows decreased from \$6,206 to \$4,655.

Income (loss) before capital contributions decreased from \$272,326 to \$173,584, a 36.26% increase due to fairly flat revenue and general increase in expense. Rates were adjusted upward toward the end of the year in response to that change. Total operating revenue showed an increase from \$4,162,467 to \$4,305,382. Operational and maintenance expenses increased from \$2,904,021 to \$3,110,614. Interest expense decreased from \$70,895 to \$70,441.

Sewerage System

Total sewerage system assets decreased from \$46,288,518 to \$45,375,540, a 1.97% decrease. Current assets decreased from \$6,705,094 to \$4,907,250. Plant, net of accumulated depreciation, increased from \$39,487,855 to \$40,373,509. Deferred outflows of resources increased from \$183,676 to \$487,112 while deferred inflows of resources decreased from \$7,389 to \$5,541. Total liabilities decreased from \$24,956,817 to \$24,056,614. Long-term liabilities decreased from \$23,716,671 to \$22,801,166.

Income before capital contributions for the sewerage system decreased from \$321,829 in fiscal year ending 2015 to \$228,453 in fiscal year ending 2016, a 29.01% decrease due to fairly flat revenue and general increase in expenses. Rates were adjusted upward toward the end of the year in response to that change. Sewer rates are based on water usage and bill at approximately 135% of the water rate. Operational and maintenance expenses showed an increase from \$2,256,022 to \$2,400,548. Interest expense decreased from \$490,490 to \$470,900.

Condensed Statement of Activities
June 30, 2016

	Governmental activities		Business-type activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,546,313	\$ 1,516,694	\$ 42,279,038	\$ 42,982,926	\$ 43,825,351	\$ 44,499,620
Operating grants	814,376	695,685	-	-	814,376	695,685
Capital grants	2,115,837	959,535	134,346	107,849	2,250,183	1,067,384
General revenues:						
Property taxes	6,982,360	6,189,809	-	-	6,982,360	6,189,809
Other taxes	5,809,204	5,523,827	-	-	5,809,204	5,523,827
Other	<u>2,280,683</u>	<u>2,098,282</u>	<u>64,267</u>	<u>51,138</u>	<u>2,344,950</u>	<u>2,149,420</u>
Total revenues	<u>19,548,773</u>	<u>16,983,832</u>	<u>42,477,651</u>	<u>43,141,913</u>	<u>62,026,424</u>	<u>60,125,745</u>
Expenses:						
General government	4,624,159	4,319,119	-	-	4,624,159	4,319,119
Public recreation	1,624,817	1,527,867	-	-	1,624,817	1,527,867
Public safety	5,334,896	5,048,936	-	-	5,334,896	5,048,936
Public works	2,549,022	3,489,510	-	-	2,549,022	3,489,510
Airport	878,419	931,853	-	-	878,419	931,853
Welfare	252,239	263,795	-	-	252,239	263,795
Industrial development	208,910	181,755	-	-	208,910	181,755
Interest on debt	132,006	50,896	-	-	132,006	50,896
Power	-	-	31,686,078	32,170,970	31,686,078	32,170,970
Water	-	-	4,128,820	3,914,351	4,128,820	3,914,351
Sewerage	-	-	<u>4,164,622</u>	<u>3,971,158</u>	<u>4,164,622</u>	<u>3,971,158</u>
Total expenses	<u>15,604,468</u>	<u>15,813,731</u>	<u>39,979,520</u>	<u>40,056,479</u>	<u>55,583,988</u>	<u>55,870,210</u>
Excess (deficiency) in net position before transfers	3,944,305	1,170,101	2,498,131	3,085,434	6,442,436	4,255,535
Transfers	<u>746,013</u>	<u>662,333</u>	<u>(746,013)</u>	<u>(662,333)</u>	-	-
Change in net position	4,690,318	1,832,434	1,752,118	2,423,101	6,442,436	4,255,535
Net position-beginning	<u>31,762,518</u>	<u>29,930,084</u>	<u>75,500,941</u>	<u>73,077,840</u>	<u>107,263,459</u>	<u>103,007,924</u>
Net position-ending	<u>\$ 36,452,836</u>	<u>\$ 31,762,518</u>	<u>\$ 77,253,059</u>	<u>\$ 75,500,941</u>	<u>\$ 113,705,895</u>	<u>\$ 107,263,459</u>

Condensed Statement of Net Position
June 30, 2016

	Governmental activities		Business-type activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 19,698,778	\$ 17,668,233	\$ 35,462,308	\$ 37,522,132	\$ 55,161,086	\$ 55,190,365
Capital assets	<u>33,334,761</u>	<u>29,519,274</u>	<u>74,216,275</u>	<u>72,552,998</u>	<u>107,551,036</u>	<u>102,072,272</u>
Total assets	<u>53,033,539</u>	<u>47,187,507</u>	<u>109,678,583</u>	<u>110,075,130</u>	<u>162,712,122</u>	<u>157,262,637</u>
Total deferred outflows of resources	<u>1,192,839</u>	<u>535,941</u>	<u>2,156,395</u>	<u>959,515</u>	<u>3,349,234</u>	<u>1,495,456</u>
Long-term liabilities	9,031,384	6,867,586	30,165,656	29,468,375	39,197,040	36,335,961
Other liabilities	<u>1,518,845</u>	<u>2,105,166</u>	<u>4,394,098</u>	<u>6,035,776</u>	<u>5,912,943</u>	<u>8,140,942</u>
Total liabilities	<u>10,550,229</u>	<u>8,972,752</u>	<u>34,559,754</u>	<u>35,504,151</u>	<u>45,109,983</u>	<u>44,476,903</u>
Total deferred inflows of resources	<u>7,223,313</u>	<u>6,988,178</u>	<u>22,165</u>	<u>29,553</u>	<u>7,245,478</u>	<u>7,017,731</u>
Net position:						
Net investment in capital assets	28,970,611	26,782,660	53,273,698	50,538,371	82,244,309	77,321,031
Restricted	324,866	265,020	821,013	818,797	1,145,879	1,083,817
Unrestricted	<u>7,157,359</u>	<u>4,714,838</u>	<u>23,158,348</u>	<u>24,143,773</u>	<u>30,315,707</u>	<u>28,858,611</u>
Total net position	<u>\$ 36,452,836</u>	<u>\$ 31,762,518</u>	<u>\$ 77,253,059</u>	<u>\$ 75,500,941</u>	<u>\$ 113,705,895</u>	<u>\$ 107,263,459</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 is continuing to recover from last year and the increase in fund balance is largely due to the raise in property taxes to support the flume debt and the reduction in spending to rebuild our reserves from the prior year. A \$500,000 Capital Outlay Note was issued during the physical year of FY2015 and in July 2015 a \$1,000,000 Capital Outlay Note was issued for the repair and replacement of a portion of our flume which was a carryover issue from FY2015. In July 2015 the City Council raised property taxes to repay this debt which was mostly able to be used to rebuild reserves for the first year due to only interest being due on the bonds in year one of the notes. A third failure occurred in August 2015, and again a Capital Outlay Note in the amount of \$2,000,000 was issued for this flume repair cost. Costs were recovered from Shelbyville Power and Sewer which was taken and used to pay off the \$2,000,000 note.

The Statement of Net Position and the Statement of Activities are divided into two categories. These two categories are governmental activities and business-type 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 were \$16,897,707 which is an increase of \$1,365,113 from FY 2015. There were a total of twenty-three active grants in FY2016. Some of the larger grants that the City participated in included the Airport Electrical at \$1,211,434, TAP Phase 1 at \$256,883, a FEMA grant for the Fire Department for 30 SCBA at \$152,036. The total amount of grant monies that were brought into the City for these at various different stages of the grants was \$1,926,637. The City's major income is property taxes, which supplied the City with 41 percent of total general fund revenue. The second major source of revenue was the local sales tax that supplied 23 percent of the City's general fund revenue. City staff monitors local sales tax on a monthly basis. 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.

As stated earlier, the City of Shelbyville's assets and deferred outflows of resources of its governmental activities exceeded its liabilities and deferred inflows of resources by \$36,452,836. 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 \$800,060 from FY 2015 to FY 2016.

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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: the joint purchase of 86 acres for the new Industrial Park which was a joint venture with Bedford County, four Police cars, the rebuild of a pavilion at Never Rest Park, 30 SCBA for the Fire Department with use of a FEMA grant, a transfer trailer for Solid Waste, and the replacement of our security system at the Recreation Center.

The Systems' investment in capital assets as of June 30, 2016, amounts to \$74,216,275 (net of accumulated depreciation). Depreciation charges for the year totaled \$3,636,446. The total increase in the Systems' investment in capital assets for the current fiscal year was \$1,663,227 (2.29%), an increase in capital assets of \$5,121,772 and an increase in depreciation expense of \$3,458,495 for the net change of \$1,663,227.

The Systems' Capital Assets

(as of June 30,)

	2016	2015
Land and land rights	\$ 634,862	\$ 634,862
Structures and improvements	41,118,055	41,011,387
Distribution plant	71,966,522	70,152,926
Furniture and fixtures	1,197,159	1,003,021
Transportation equipment	2,851,706	2,598,619
Equipment	2,093,563	2,069,271
Construction in process	5,599,389	2,869,398
Less: Accumulated depreciation	<u>(51,244,981)</u>	<u>(47,786,486)</u>
	<u>\$ 74,216,275</u>	<u>\$ 72,552,998</u>

Long – Term Debt

At the end of the current fiscal year the governmental activities of the City of Shelbyville included a total outstanding long-term debt of \$4,398,793. The long-term debt of the City is used generally to finance the assets acquired by the City. However, in FY2015 and FY2016 there have been three notes that have been necessary in order to maintain the City's flume infrastructure after its failure, one of which was paid off prior to June 30th, 2016. The three of these notes totaled \$4,065,373.26 (including interest) one at \$531,518.00 in FY2015, one for \$1,150,081.07 and one for \$2,383,774.19 in FY2016. The note for \$2,383,774.19 was paid off prior to June 30th, 2016 and not include in the total number of \$4,398,793 as mentioned previously. There was also the issuance of a new note for \$728,638.33 for the City's portion of the joint venture for the new Industrial Park that is on Highway 231 North.

At the end of the current fiscal year, the Systems had total outstanding debt for notes, bonds, and other obligations of \$29,786,045, a decrease of \$388,855 (1.29% decrease) from last year.

The Systems' Outstanding Debt

(as of June 30,)

	2016	2015
Bonds payable	\$ 4,945,000	\$ 5,185,000
Less: deferred loss	<u>(5,202)</u>	<u>(5,444)</u>
	4,939,798	5,179,556
Notes payable	20,667,382	21,745,318
Net pension liability	4,066,914	3,159,210
Net OPEB obligation	<u>111,951</u>	<u>90,816</u>
Total outstanding debt	<u>\$ 29,786,045</u>	<u>\$ 30,174,900</u>

Power system notes, bonds and other obligation debt at fiscal year-end 2016 was \$2,233,450.

Water system notes, bonds and other obligation debt was \$3,661,369.

Sewer system notes, bonds and other obligation debt totaled \$23,891,226.

General Fund Budget Performance

For fiscal year 2016, the City budgeted \$17,530,156 in total expenses for the original budget. This budget amount was amended at the end of the fiscal year to \$21,273,797 due mostly to bond issues. The budget amendment was based on the year-end amounts before audit adjustments. Although the final numbers show that the City spent more in expenses than originally budgeted for five departments while other departments held expenses, continued to control spending and were under their departmental budgets. There will continue to be effort stressed on how to control and capture spending projections for year-end estimates.

Rates

Power system rates increased along with TVA rates quarterly during the fiscal year. Water system rates increased as of May 1, 2016, and sewer system rates increased as of May 1, 2016.

Customers

The average number of customers for each system were as follows: Power 10,129 (increase of 178 or 1.7889%), Water 8,981 (increase of 84 or .9441%), and Sewer 8,155 (increase of 76 or .9407%).

Looking to the Future

The City Staff is continuing to focus efforts on revising and enhancing our financial reporting and policies. This includes the annual budget, monthly reports, and internal financial procedures. For the last several years, the City has continued the process of undertaking needed repairs and improvements to City owned buildings, infrastructure and equipment, as well as purchasing new and needed fixed assets that had been delayed or deferred in past years to the weak economy. The City has seen within the last year, a slight increase in both residential and commercial building activity, and an increase in modest growth in the retail economy which is reflected in our sales tax collections. The overall economic improvement in Bedford County has also resulted in a modest increase in the City's overall tax collection.

With unemployment low, and business activity increasing, it is anticipated that the City will continue to see modest growth in our local economy and 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, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,952,785	\$ 28,715,805	\$ 37,668,590
Taxes receivable - net	8,716,666	-	8,716,666
Accounts receivable	24,172	4,686,077	4,710,249
Intergovernmental receivable	1,936,082	-	1,936,082
Other receivables	-	77,271	77,271
Inventory and other assets	69,073	554,577	623,650
Energy conservation loans	-	332,370	332,370
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	1,096,208	1,096,208
Capital assets:			
Land and construction in progress	5,683,667	6,234,251	11,917,918
Other capital assets, net of accumulated depreciation	27,651,094	67,982,024	95,633,118
TOTAL ASSETS	<u>53,033,539</u>	<u>109,678,583</u>	<u>162,712,122</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	1,192,839	1,948,443	3,141,282
Deferred amounts from refunding of debt	-	207,952	207,952
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,192,839</u>	<u>2,156,395</u>	<u>3,349,234</u>
LIABILITIES			
Accounts payable	1,133,981	2,324,533	3,458,514
Accrued expenses and other liabilities	235,050	59,795	294,845
Deposits	49,826	1,807,242	1,857,068
Internal balances	72,667	(72,667)	-
Funds held in trust	27,321	-	27,321
Liabilities payable from restricted assets	-	275,195	275,195
Noncurrent liabilities:			
Due in one year	591,034	1,097,112	1,688,146
Due in more than one year	8,440,350	29,068,544	37,508,894
TOTAL LIABILITIES	<u>10,550,229</u>	<u>34,559,754</u>	<u>45,109,983</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	-	22,165	22,165
Deferred current property taxes	7,223,313	-	7,223,313
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,223,313</u>	<u>22,165</u>	<u>7,245,478</u>
NET POSITION			
Net investment in capital assets	28,970,611	53,273,698	82,244,309
Restricted for:			
Highways and streets	270,362	-	270,362
Drug education and enforcement	23,649	-	23,649
Animal control	855	-	855
TV station	30,000	-	30,000
Debt service	-	821,013	821,013
Unrestricted	7,157,359	23,158,348	30,315,707
TOTAL NET POSITION	<u>\$ 36,452,836</u>	<u>\$ 77,253,059</u>	<u>\$ 113,705,895</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, 2016

Functions/ Programs	Expenses	PROGRAM REVENUES			Net (Expense) Revenue and Changes in Net Position			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 4,624,159	\$ 301,478	\$ 92,879	\$ 11,974	\$ (4,217,828)	\$ -	\$ (4,217,828)	
Public recreation	1,624,817	341,415	1,822	33,945	(1,247,635)	-	(1,247,635)	
Public safety	5,334,896	345,381	69,367	161,921	(4,758,227)	-	(4,758,227)	
Public works	2,549,022	20,792	636,967	279,417	(1,611,846)	-	(1,611,846)	
Airport	878,419	537,247	13,341	1,263,580	935,749	-	935,749	
Welfare	252,239	-	-	-	(252,239)	-	(252,239)	
Industrial development	208,910	-	-	365,000	156,090	-	156,090	
Interest on long-term debt	132,006	-	-	-	(132,006)	-	(132,006)	
Total governmental activities	15,604,468	1,546,313	814,376	2,115,837	(11,127,942)	-	(11,127,942)	
Business-type activities								
Power system	31,686,078	33,559,978	-	-	-	1,873,900	1,873,900	
Water system	4,128,820	4,305,382	-	70,290	-	246,852	246,852	
Sewerage system	4,164,622	4,413,678	-	64,056	-	313,112	313,112	
Total business-type activities	39,979,520	42,279,038	-	134,346	-	2,433,864	2,433,864	
Total primary government	\$ 55,583,988	\$ 43,825,351	\$ 814,376	\$ 2,250,183	(11,127,942)	2,433,864	(8,694,078)	
General revenues:								
					6,982,360	-	6,982,360	
					438,551	-	438,551	
					3,893,063	-	3,893,063	
					855,380	-	855,380	
					174,202	-	174,202	
					242,905	-	242,905	
					57,210	-	57,210	
					2,155,090	-	2,155,090	
					205,103	-	205,103	
					23,080	-	23,080	
					32,161	-	32,161	
					13,142	64,267	77,409	
					746,013	(746,013)	-	
					15,818,260	(681,746)	15,136,514	
					4,690,318	1,752,118	6,442,436	
					31,762,518	75,500,941	107,263,459	
					\$ 36,452,836	\$ 77,253,059	\$ 113,705,895	

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

BALANCE SHEET
GOVERNMENTAL FUNDS
CITY OF SHELBYVILLE, TENNESSEE
June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Assets and deferred outflows of resources			
Assets:			
Cash	\$ 8,267,772	\$ 685,013	\$ 8,952,785
Taxes receivable - net	8,699,224	17,442	8,716,666
Accounts receivable	24,172	-	24,172
Intergovernmental receivable	456,152	1,479,930	1,936,082
Inventory and other assets	69,073	-	69,073
Total assets	<u>17,516,393</u>	<u>2,182,385</u>	<u>19,698,778</u>
Deferred outflows of resources:	-	-	-
Total assets and deferred outflows of resources	<u>\$ 17,516,393</u>	<u>\$ 2,182,385</u>	<u>\$ 19,698,778</u>
Liabilities, deferred inflows of resources, and fund balances			
Liabilities:			
Accounts payable	\$ 337,134	\$ 796,847	\$ 1,133,981
Accrued wages	235,050	-	235,050
Deposits	49,826	-	49,826
Due to other funds	49,084	23,583	72,667
Funds held in trust	-	27,321	27,321
Total liabilities	<u>671,094</u>	<u>847,751</u>	<u>1,518,845</u>
Deferred inflows of resources:			
Unavailable revenue - state and local taxes	32,140	-	32,140
Unavailable revenue - property taxes	7,866,253	-	7,866,253
Total deferred inflows of resources	<u>7,898,393</u>	<u>-</u>	<u>7,898,393</u>
Fund balances:			
Nonspendable			
Inventory and other assets	69,073	-	69,073
Restricted			
Cable TV	30,000	-	30,000
Animal control	855	-	855
Police	-	51,130	51,130
State street aid	-	270,362	270,362
Committed			
Debt reduction	295,474	-	295,474
Assigned			
Public recreation	-	30,000	30,000
Stormwater management	142,492	-	142,492
State road projects	578,714	-	578,714
Capital assets	-	983,142	983,142
Unassigned	7,830,298	-	7,830,298
Total fund balances	<u>8,946,906</u>	<u>1,334,634</u>	<u>10,281,540</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,516,393</u>	<u>\$ 2,182,385</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

33,334,761

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

675,080

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

(7,838,545)

Net position of governmental activities

\$ 36,452,836

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, 2016

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 12,344,469	\$ 205,103	\$ 12,549,572
Payments in lieu of taxes	242,905	-	242,905
Penalties and interest	57,210	-	57,210
Licenses and permits	61,089	-	61,089
Intergovernmental	2,660,748	2,395,762	5,056,510
Charges for services	1,157,268	-	1,157,268
Fines	320,820	7,136	327,956
Miscellaneous	41,057	4,897	45,954
Investment earnings	12,141	1,001	13,142
Total revenues	<u>16,897,707</u>	<u>2,613,899</u>	<u>19,511,606</u>
Expenditures:			
Current:			
General government	5,806,188	18,980	5,825,168
Parks and recreation	1,217,631	201,955	1,419,586
Public safety	4,610,533	420,114	5,030,647
Public works	4,011,878	637,118	4,648,996
Airport	612,917	1,321,943	1,934,860
Welfare	247,811	-	247,811
Industrial development	-	869,293	869,293
Debt service:			
Principal retirement	2,392,709	-	2,392,709
Interest payments on notes	132,006	-	132,006
Total expenditures	<u>19,031,673</u>	<u>3,469,403</u>	<u>22,501,076</u>
Excess of revenues over (under) expenditures	<u>(2,133,966)</u>	<u>(855,504)</u>	<u>(2,989,470)</u>
Other financing sources (uses):			
Transfers in	785,033	848,371	1,633,404
Transfers out	(848,371)	(39,020)	(887,391)
Sales of general capital assets	50,582	14,020	64,602
Capital outlay notes issued	3,000,000	600,000	3,600,000
Insurance recoveries	23,352	7,429	30,781
Total other financing sources (uses)	<u>3,010,596</u>	<u>1,430,800</u>	<u>4,441,396</u>
Net change in fund balances	876,630	575,296	1,451,926
Fund balances - July 1, 2015	8,070,276	759,338	8,829,614
Fund balances - June 30, 2016	<u>\$ 8,946,906</u>	<u>\$ 1,334,634</u>	<u>\$ 10,281,540</u>

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, 2016

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

Net change in fund balances - total governmental funds	\$ 1,451,926
--	--------------

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

Capital asset purchases capitalized	5,094,595
Depreciation expense	(1,221,805)

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

Donations of capital assets received	15,000
Sales and abandonments of capital assets	(72,303)

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	(913)
----------------------------	-------

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	2,870,000
Capital lease payments	22,709
Capital outlay note issued	(3,600,000)

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	(11,064)
Net pension liability	(392,675)
Net OPEB obligation	(122,050)
Change in deferred assets	656,898

Change in net position of governmental activities	<u>\$ 4,690,318</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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES				
Taxes:				
Property	\$ 5,942,929	\$ 6,681,625	\$ 6,983,273	\$ 301,648
Business	349,946	448,882	438,551	(10,331)
Local sales	3,648,116	3,841,995	3,893,063	51,068
Beverage	819,132	830,577	855,380	24,803
Franchise	165,741	171,602	174,202	2,600
Payments in lieu of taxes	205,817	226,635	242,905	16,270
Penalties and interest	86,925	57,630	57,210	(420)
Licenses and permits	45,988	60,569	61,089	520
Intergovernmental revenues				
State sales tax allocation	1,535,142	1,646,559	1,654,316	7,757
State income tax allocation	110,519	65,795	123,879	58,084
State beer tax allocation	9,858	9,929	9,959	30
State mixed drink tax allocation	35,532	37,698	38,376	678
State gasoline and motor fuel tax	41,687	41,434	41,381	(53)
State excise tax allocation	63,016	41,611	44,593	2,982
State TVA in lieu	232,836	240,149	242,587	2,438
State and federal grant funds	1,373,147	365,441	451,046	85,605
State supplements	56,855	54,611	54,611	-
Charges for services	1,110,191	1,097,887	1,157,268	59,381
Fines	282,069	326,753	320,820	(5,933)
Miscellaneous	5,700	2,358,216	41,057	(2,317,159)
Investment earnings	8,000	11,155	12,141	986
TOTAL REVENUES	16,129,146	18,616,753	16,897,707	(1,719,046)
EXPENDITURES				
General government:				
General government				
Salaries	474,531	442,594	448,720	(6,126)
Professional services	180,033	225,635	231,567	(5,932)
Payroll taxes	527,451	539,449	539,781	(332)
Travel and business	24,250	20,602	20,610	(8)
Mayor and council salaries	57,600	57,640	57,640	-
Health and disability insurance	1,488,277	1,397,015	1,416,060	(19,045)
Retirement	1,173,761	1,177,013	1,177,297	(284)
Insurance	477,703	473,997	474,047	(50)
Electric tax equivalent	149,501	153,595	154,278	(683)
Advertising	26,400	28,059	-	28,059
Employee recognition programs	70,090	67,336	66,661	675
Repairs and maintenance	32,759	33,981	33,759	222
Other general government	666,318	649,161	688,551	(39,390)
	5,348,674	5,266,077	5,308,971	(42,894)

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

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
General government:				
Planning and zoning				
Salaries	205,438	200,396	202,293	(1,897)
Professional services	15,700	23,512	28,648	(5,136)
Employee education and training	7,049	2,248	3,104	(856)
Utilities	3,432	3,326	3,387	(61)
Gasoline and oil	2,827	1,582	1,673	(91)
Fees paid to state	18,480	24,976	25,915	(939)
Subscriptions and dues	6,465	5,241	5,601	(360)
Other planning and zoning	34,055	25,047	10,860	14,187
	<u>293,446</u>	<u>286,328</u>	<u>281,481</u>	<u>4,847</u>
 Cemetery				
Salaries	96,379	102,845	98,883	3,962
Utilities	5,971	5,468	5,490	(22)
Maintenance and repair	3,940	4,085	4,512	(427)
Gasoline and oil	6,610	2,943	2,136	807
Other cemetery	9,411	6,217	3,489	2,728
	<u>122,311</u>	<u>121,558</u>	<u>114,510</u>	<u>7,048</u>
 Animal control				
Salaries	81,378	72,028	71,858	170
Professional services	840	1,911	2,218	(307)
Utilities	7,185	9,557	8,446	1,111
Maintenance and repair	3,120	7,056	6,954	102
Gasoline and oil	4,800	2,340	2,065	275
Other animal control	13,680	10,365	9,685	680
	<u>111,003</u>	<u>103,257</u>	<u>101,226</u>	<u>2,031</u>
 Public recreation:				
Parks and recreation				
Salaries	313,475	276,164	267,283	8,881
Utilities	28,930	22,926	20,659	2,267
Maintenance and repair	60,945	46,525	55,082	(8,557)
Gasoline and oil	23,697	14,372	12,360	2,012
Chemical supplies	7,510	4,144	2,324	1,820
Special events	7,000	8,028	3,028	5,000
Other parks and recreation	24,185	26,771	28,565	(1,794)
	<u>465,742</u>	<u>398,930</u>	<u>389,301</u>	<u>9,629</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (Continued)
CITY OF SHELBYVILLE, TENNESSEE
Year ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
Public recreation				
Recreational center				
Salaries	455,044	439,035	454,714	(15,679)
Professional services	6,000	3,804	5,304	(1,500)
Utilities	161,442	141,184	139,662	1,522
Maintenance and repair	71,402	62,328	77,079	(14,751)
Recreational programming	15,775	11,652	15,092	(3,440)
Office supplies and materials	4,300	3,022	3,731	(709)
Chemical supplies	15,090	9,350	12,795	(3,445)
Employee education and training	6,441	3,450	3,558	(108)
Other recreational center	48,049	49,679	47,003	2,676
	<u>783,543</u>	<u>723,504</u>	<u>758,938</u>	<u>(35,434)</u>
Sports league				
Salaries	41,518	36,960	34,604	2,356
Professional services	23,250	23,015	22,435	580
Clothing and uniforms	7,400	3,827	3,790	37
Materials	4,000	2,596	2,472	124
Other sports league	10,340	6,281	6,091	190
	<u>86,508</u>	<u>72,679</u>	<u>69,392</u>	<u>3,287</u>
Public safety:				
Police				
Salaries	2,407,934	2,295,923	2,348,185	(52,262)
Salary supplement	35,255	34,050	34,402	(352)
Employee education and training	40,429	31,505	24,732	6,773
Utilities	51,040	42,797	43,820	(1,023)
Maintenance and repair	69,200	59,005	65,965	(6,960)
Gasoline and fuel	101,943	58,419	59,247	(828)
Fees paid to state	33,092	27,105	29,887	(2,782)
Computer software	12,275	13,441	14,433	(992)
Office supplies and materials	12,597	13,413	13,869	(456)
Clothing and uniforms	17,592	18,273	17,710	563
Lease and rental of equipment	13,244	9,458	6,286	3,172
Other police	53,076	61,092	54,195	6,897
	<u>2,847,677</u>	<u>2,664,481</u>	<u>2,712,731</u>	<u>(48,250)</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (Continued)
CITY OF SHELBYVILLE, TENNESSEE
Year ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
Public safety:				
Fire				
Salaries	1,662,959	1,565,950	1,588,742	(22,792)
Professional services	600	100	-	100
Salary supplement	21,600	19,800	19,800	-
Volunteer firemen	7,200	4,400	3,900	500
Employee education and training	16,592	17,287	14,582	2,705
Utilities	30,334	26,271	29,043	(2,772)
Maintenance and repair	47,000	50,814	39,550	11,264
Gasoline and fuel	22,757	10,240	10,030	210
Fire hydrant rental	139,927	104,386	112,873	(8,487)
Expendable tools	34,601	35,314	32,160	3,154
Clothing and uniforms	20,378	20,666	16,861	3,805
Other fire	39,558	28,787	30,261	(1,474)
	<u>2,043,506</u>	<u>1,884,015</u>	<u>1,897,802</u>	<u>(13,787)</u>
Public works:				
Streets				
Salaries	967,255	877,799	865,555	12,244
Utilities	18,292	16,258	17,971	(1,713)
Maintenance and repair	51,862	31,473	33,305	(1,832)
Gasoline and fuel	105,814	48,065	45,680	2,385
Expendable materials	36,554	33,883	33,887	(4)
Construction material	42,000	34,216	26,334	7,882
Clothing and uniforms	12,046	9,151	9,934	(783)
Chemical supplies	11,090	7,497	7,964	(467)
State road paving	61,498	57,619	57,831	(212)
State road projects	1,765,720	484,116	487,675	(3,559)
Other streets	42,014	43,196	25,292	17,904
	<u>3,114,145</u>	<u>1,643,273</u>	<u>1,611,428</u>	<u>31,845</u>
Stormwater management				
Professional services	20,000	5,288	2,058	3,230
Gasoline and oil	2,061	941	1,006	(65)
Construction material	50,000	16,322	10,766	5,556
Infrastructure	-	4,088,300	1,853,687	2,234,613
Other stormwater management	17,950	5,851	4,967	884
	<u>90,011</u>	<u>4,116,702</u>	<u>1,872,484</u>	<u>2,244,218</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (Continued)
CITY OF SHELBYVILLE, TENNESSEE
Year ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
Sanitation				
Salaries	321,461	281,606	281,056	550
Maintenance and repair	31,744	23,549	21,744	1,805
Landfill services	210,780	176,303	191,570	(15,267)
Gasoline and oil	47,899	26,098	25,614	484
Capital outlay	60,000	-	-	-
Other sanitation	9,219	7,966	7,982	(16)
	<u>681,103</u>	<u>515,522</u>	<u>527,966</u>	<u>(12,444)</u>
Finance				
Debt principal	392,709	2,392,709	2,392,709	-
Interest on debt	79,591	166,148	132,006	34,142
	<u>472,300</u>	<u>2,558,857</u>	<u>2,524,715</u>	<u>34,142</u>
Airport				
Salaries	188,478	186,006	187,508	(1,502)
Utilities	41,884	45,353	47,384	(2,031)
Maintenance and repair	44,633	44,694	38,976	5,718
Fuel for resale	490,388	353,218	297,297	55,921
Insurance	4,510	3,564	3,564	-
Bank service charges	12,925	11,209	10,121	1,088
Other airport	38,808	26,009	28,067	(2,058)
	<u>821,626</u>	<u>670,053</u>	<u>612,917</u>	<u>57,136</u>
Welfare	248,561	248,561	247,811	750
TOTAL EXPENDITURES	<u>17,530,156</u>	<u>21,273,797</u>	<u>19,031,673</u>	<u>2,242,124</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,401,010)</u>	<u>(2,657,044)</u>	<u>(2,133,966)</u>	<u>523,078</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	664,448	785,033	785,033	-
Transfers out	(300,000)	(880,413)	(848,371)	32,042
Sales of general capital assets	3,066	16,772	50,582	33,810
Capital outlay notes issued	-	3,000,000	3,000,000	-
Insurance recoveries	-	23,352	23,352	-
TOTAL OTHER FINANCING SOURCES	<u>367,514</u>	<u>2,944,744</u>	<u>3,010,596</u>	<u>65,852</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,033,496)</u>	<u>\$ 287,700</u>	<u>876,630</u>	<u>\$ 588,930</u>
FUND BALANCE - BEGINNING			8,070,276	
FUND BALANCE - END			<u>\$ 8,946,906</u>	

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, 2016

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 17,971,549	\$ 6,085,872	\$ 4,658,384	\$ 28,715,805
Accounts receivable, net of allowance	4,367,839	178,425	212,480	4,758,744
Other receivables	74,462	1,969	840	77,271
Inventory	351,088	153,065	24,929	529,082
Other assets	14,878	-	10,617	25,495
Total current assets	<u>22,779,816</u>	<u>6,419,331</u>	<u>4,907,250</u>	<u>34,106,397</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	1,001,427	94,781	1,096,208
Energy conservation loans	332,370	-	-	332,370
Capital assets	18,026,754	15,816,012	40,373,509	74,216,275
Total noncurrent assets	<u>18,359,124</u>	<u>16,817,439</u>	<u>40,468,290</u>	<u>75,644,853</u>
TOTAL ASSETS	<u>41,138,940</u>	<u>23,236,770</u>	<u>45,375,540</u>	<u>109,751,250</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	1,052,159	409,172	487,112	1,948,443
Deferred amounts from refunding of debt	-	207,952	-	207,952
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>42,191,099</u>	<u>23,853,894</u>	<u>45,862,652</u>	<u>111,907,645</u>
LIABILITIES				
Current liabilities:				
Accounts payable	2,227,780	44,058	52,695	2,324,533
Notes payable	-	-	1,097,112	1,097,112
Accrued expenses and other liabilities	20,574	-	-	20,574
Accrued interest	-	-	39,221	39,221
Customer deposits	1,617,993	182,829	6,420	1,807,242
Total current liabilities	<u>3,866,347</u>	<u>226,887</u>	<u>1,195,448</u>	<u>5,288,682</u>
Current liabilities payable from restricted assets:				
Bonds payable	-	185,000	60,000	245,000
Accrued interest	-	30,195	-	30,195
Total current liabilities payable from restricted assets	<u>-</u>	<u>215,195</u>	<u>60,000</u>	<u>275,195</u>
Noncurrent liabilities:				
Conservation - TVA program	332,370	-	-	332,370
Accrued vacation	140,501	84,688	67,052	292,241
Bonds payable	-	2,585,000	2,109,798	4,694,798
Notes payable	-	-	19,570,270	19,570,270
Net pension liability	2,196,133	854,052	1,016,729	4,066,914
Net OPEB liability	37,317	37,317	37,317	111,951
Total noncurrent liabilities	<u>2,706,321</u>	<u>3,561,057</u>	<u>22,801,166</u>	<u>29,068,544</u>
TOTAL LIABILITIES	<u>6,572,668</u>	<u>4,003,139</u>	<u>24,056,614</u>	<u>34,632,421</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	11,969	4,655	5,541	22,165
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>6,584,637</u>	<u>4,007,794</u>	<u>24,062,155</u>	<u>34,654,586</u>
NET POSITION				
Net investment in capital assets	18,026,754	15,600,817	19,646,127	53,273,698
Restricted	-	786,232	34,781	821,013
Unrestricted	17,579,708	3,459,051	2,119,589	23,158,348
TOTAL NET POSITION	<u>\$ 35,606,462</u>	<u>\$ 19,846,100</u>	<u>\$ 21,800,497</u>	<u>\$ 77,253,059</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, 2016

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
Operating revenues:				
Charges for services pledged as security for revenue bonds	\$ 32,909,131	\$ 4,236,217	\$ 4,357,862	\$ 41,503,210
Forfeited discounts and penalties	225,069	36,749	55,816	317,634
Rental income	279,818	-	-	279,818
Other operating revenue	145,960	32,416	-	178,376
TOTAL OPERATING REVENUE	33,559,978	4,305,382	4,413,678	42,279,038
Operating expenses:				
Purchased power	26,695,040	-	-	26,695,040
Operational expenses	2,956,376	2,280,899	1,914,443	7,151,718
Maintenance expense	675,991	799,715	456,105	1,931,811
Depreciation and amortization	1,318,924	977,765	1,323,174	3,619,863
TOTAL OPERATING EXPENSES	31,646,331	4,058,379	3,693,722	39,398,432
OPERATING INCOME	1,913,647	247,003	719,956	2,880,606
Nonoperating revenues (expenses):				
Interest income	27,515	27,022	9,397	63,934
Interest expense	(37,872)	(70,441)	(470,900)	(579,213)
Other income (expenses)	(1,542)	-	-	(1,542)
TOTAL NONOPERATING REVENUES (EXPENSES)	(11,899)	(43,419)	(461,503)	(516,821)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,901,748	203,584	258,453	2,363,785
Transfers out	(686,013)	(30,000)	(30,000)	(746,013)
Capital contributions	-	70,290	64,056	134,346
CHANGE IN NET POSITION	1,215,735	243,874	292,509	1,752,118
NET POSITION, BEGINNING OF YEAR	34,390,727	19,602,226	21,507,988	75,500,941
NET POSITION, END OF YEAR	\$ 35,606,462	\$ 19,846,100	\$ 21,800,497	\$ 77,253,059

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, 2016

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers (including other funds)	\$ 33,494,205	\$ 4,289,296	\$ 4,438,664	\$ 42,222,165
Payments to suppliers	(28,854,042)	(1,608,750)	(1,342,324)	(31,805,116)
Cash paid to employees	(2,145,835)	(1,511,766)	(1,061,076)	(4,718,677)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,494,328	1,168,780	2,035,264	5,698,372
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributed	-	70,290	64,056	134,346
Other income (expense)	(1,875)	-	-	(1,875)
Acquisition and construction of capital assets	(1,158,665)	(1,898,786)	(2,208,159)	(5,265,610)
Principal paid on long-term debt	-	(180,000)	(1,137,936)	(1,317,936)
Interest paid on long-term debt	-	(69,555)	(471,887)	(541,442)
Interest paid on customer deposits	(37,872)	-	-	(37,872)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	(1,198,412)	(2,078,051)	(3,753,926)	(7,030,389)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase in customer deposits	111,133	10,098	-	121,231
Issuance of energy conservation loans	81,062	-	-	81,062
Payments to DREMC for transfers of members	400	-	-	400
Transfers to other funds	(685,680)	(30,000)	(30,000)	(745,680)
Home weatherization loan advances	(81,062)	-	-	(81,062)
NET CASH PROVIDED(USED) BY NON-CAPITAL FINANCING ACTIVITIES	(574,147)	(19,902)	(30,000)	(624,049)
CASH FLOWS FROM INVESTING ACTIVITIES - Interest and other income	26,889	26,591	9,008	62,488
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	748,658	(902,582)	(1,739,654)	(1,893,578)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,222,891	7,989,881	6,492,819	31,705,591
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 17,971,549	\$ 7,087,299	\$ 4,753,165	\$ 29,812,013
CASH AND CASH EQUIVALENTS CONSIST OF:				
Unrestricted cash and cash equivalents	\$ 17,971,549	\$ 6,085,872	\$ 4,658,384	\$ 28,715,805
Restricted cash and cash equivalents	-	1,001,427	94,781	1,096,208
	\$ 17,971,549	\$ 7,087,299	\$ 4,753,165	\$ 29,812,013

STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
CITY OF SHELBYVILLE, TENNESSEE
June 30, 2016

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 1,913,647	\$ 247,003	\$ 719,956	\$ 2,880,606
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,318,924	977,765	1,323,174	3,619,863
Provision for bad debts	105,558	21,692	30,129	157,379
(Increase) decrease in:				
Accounts receivable	(65,773)	16,518	24,986	(24,269)
Inventory	(14,923)	-	3,825	(11,098)
Other assets	(1,538)	-	-	(1,538)
Due from other funds	-	(32,604)	-	(32,604)
Increase (decrease) in:				
Accounts payable	(601,706)	(10,106)	(2,887)	(614,699)
Pension liability	(169,250)	(65,817)	(78,358)	(313,425)
Accrued expenses	9,389	14,329	14,439	38,157
Total adjustments	580,681	921,777	1,315,308	2,817,766
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,494,328	\$ 1,168,780	\$ 2,035,264	\$ 5,698,372

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

STATEMENT OF NET POSITION
CITY OF SHELBYVILLE, TENNESSEE
FIDUCIARY FUND
June 30, 2016

		Pension Trust Fund
<hr/>		
ASSETS		
Investments		
Pooled separate accounts		\$ 9,770,109
	TOTAL ASSETS	<u>9,770,109</u>
NET POSITION		
Net position held in trust for pension benefits		9,770,109
	TOTAL NET POSITION	<u>\$ 9,770,109</u>

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

STATEMENT OF CHANGES IN NET POSITION
CITY OF SHELBYVILLE, TENNESSEE
FIDUCIARY FUND

For the Year Ended June 30, 2016

	Pension Trust Fund
<hr/>	
ADDITIONS	
Contributions:	
Employer	\$ 924,248
Plan members	-
Total contributions	<u>924,248</u>
Investment earnings:	
Net decrease in the fair value of investments	<u>(137,687)</u>
Total investment earnings	<u>(137,687)</u>
Total additions	786,561
 DEDUCTIONS	
Benefits	707,532
Administrative expenses	<u>23,568</u>
Total deductions	<u>731,100</u>
 Change in net position	55,461
 Net position - beginning	<u>9,714,648</u>
Net position - ending	<u><u>\$ 9,770,109</u></u>

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

NOTES TO FINANCIAL STATEMENTS
CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

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 the City of Shelbyville, which meet the criteria for being reported as part of the government.

The Shelbyville Power, Water and Sewerage Systems (Systems) are comprised of three enterprise funds, the Shelbyville Power System, the Shelbyville Water System, and the Shelbyville Sewerage System. These funds issue combined 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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.

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government reports the following major governmental fund:

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.

Additionally, the government reports the following fund types:

Pension trust fund - This fund accounts for the activities of The Retirement Plan for Full-Time Employees of the City of Shelbyville, Tennessee, which accumulates resources for pension benefits to qualified general government employees.

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 (i.e., the enterprise funds) 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.

(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. 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The proprietary and pension trust funds are reported using the economic measurement focus and the accrual basis of accounting.

(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.

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 proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The enterprise funds recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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. When this occurs for the City's general government, the government will determine the best use of funds based on the specific facts and circumstances at that time. When this occurs for the Shelbyville Power, Water and Sewerage Systems, it is the System's policy to use restricted resources first, then unrestricted as they are needed.

(7) 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(8) 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 government has four items that qualify for reporting in this category. One is the deferred charge on bond refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City has three items that qualify for reporting in this category resulting from the pension plan. These amounts are reflected on the government-wide statement of net position. See note H for further information concerning deferred outflows related to the pension plan.

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 government reports unavailable revenue as deferred inflows of resources on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government reports deferred current property taxes as an inflow of resources on the government-wide statement of net position. These amounts are deferred and recognized as an inflow of resources in the period for which property taxes are levied. The government also reports the difference between projected and actual earnings on pension plan investments on the proprietary funds statement of net position and government-wide statement of net position. These amounts are deferred and amortized over five years.

(9) Long-term liabilities and debt issuance

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt is recorded net of the applicable premium or discount. Debt issuance costs, other than insurance, are charged to expense in the period incurred. Debt premiums and discounts are deferred and amortized over the life of the debt using a method that approximates the interest method. In the fund financial statements, governmental fund types recognize premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(10) Energy Conservation Loans

The Shelbyville Power System is a fiscal intermediary for the TVA energy conservation program whereby loans are made to the Power 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) 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.

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.

(12) Budgetary Information

Formal budgetary accounting is employed as a management control for all governmental funds of the government. 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.

For the year ended June 30, 2016, expenditures exceeded appropriations in the administration department (the legal level of budgetary control) within the general government function of the general fund by \$42,894 as well as the recreational center department within the public recreation function of the general fund by \$35,434, police department within the public safety function of the general fund by \$48,250, fire department within the public safety function of the general fund by \$13,787, and the sanitation department within the public works function of the general fund by \$12,444. Expenditures exceeded appropriations in the hotel/motel special revenue fund by \$17,126 and by \$1,151,724 in the capital fund capital projects fund.

(13) 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.

(14) Pension

For purposes of measuring the enterprise funds' net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System's participation in the Governmental Plan of Central Services Association (CSA), and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the CSA. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms of the CSA. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(15) Capital Assets

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

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 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 acquisition period of capital assets is included as part of the capitalized value of the assets constructed, if considered significant. There was no interest capitalized during the year ended June 30, 2016. The amount of interest cost incurred and charged to expense during the year ended June 30, 2016, was \$132,006 for the governmental activities and \$579,213 for the business-type activities.

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

(16) 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, 2016, is \$18,441.

Customer utility accounts receivable of the enterprise funds are presented net of an allowance for uncollectible accounts of \$154,877. Bad debt expense for the current year is \$157,378. 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, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The power system has recorded unbilled revenue of \$1,145,667 as of June 30, 2016. 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, 2016, the entire carrying amount of the general government's cash deposits were covered by F.D.I.C. insurance, collateralized with securities pledged that comply with statutes as acceptable collateral, or were held with a financial institution participating in the bank collateral pool administered by the state treasurer.

At June 30, 2016, the carrying amount of the Systems' deposits was \$29,812,013 and the amount of the banks balances was \$31,968,206. Of the bank balances, \$1,500,000 was covered by Federal depository insurance, and \$16,879,902 was collateralized with securities pledged that comply with statutes as acceptable collateral, and \$13,588,304 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 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, 2016.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE C - INCOME TAXES

Being a municipality, all funds of the government, including its enterprise 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, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,988,071	\$ 639,020	\$ -	\$ 3,627,091
Construction in progress	915,095	3,684,695	2,543,214	2,056,576
Total capital assets, not being depreciated	<u>3,903,166</u>	<u>4,323,715</u>	<u>2,543,214</u>	<u>5,683,667</u>
Capital assets, being depreciated:				
Buildings	11,482,877	65,472	5,247	11,543,102
Equipment	4,134,681	375,199	98,445	4,411,435
Vehicles	6,583,789	330,209	641,009	6,272,989
Infrastructure	<u>13,907,088</u>	<u>2,558,215</u>	<u>-</u>	<u>16,465,303</u>
Total capital assets being depreciated	36,108,435	3,329,095	744,701	38,692,829
Less accumulated depreciation for:				
Buildings	3,616,928	228,250	5,247	3,839,931
Equipment	1,609,851	312,015	51,466	1,870,400
Vehicles	3,529,234	334,436	615,684	3,247,986
Infrastructure	<u>1,736,314</u>	<u>347,104</u>	<u>-</u>	<u>2,083,418</u>
Total accumulated depreciation	<u>10,492,327</u>	<u>1,221,805</u>	<u>672,397</u>	<u>11,041,735</u>
Total capital assets, being depreciated, net	<u>25,616,108</u>	<u>2,107,290</u>	<u>72,304</u>	<u>27,651,094</u>
Governmental activities capital assets, net	<u>\$ 29,519,274</u>	<u>\$ 6,431,005</u>	<u>\$ 2,615,518</u>	<u>\$ 33,334,761</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE E - CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 634,862	\$ -	\$ -	\$ 634,862
Construction in progress	2,869,398	4,587,274	1,857,283	5,599,389
Total capital assets, not being depreciated	<u>3,504,260</u>	<u>4,587,274</u>	<u>1,857,283</u>	<u>6,234,251</u>
Capital assets, being depreciated:				
Structures and improvements	41,011,387	106,668	-	41,118,055
Distribution plant	70,152,926	1,939,223	125,627	71,966,522
Furniture and fixtures	1,003,021	197,885	3,747	1,197,159
Transportation equipment	2,598,619	253,087	-	2,851,706
Equipment	<u>2,069,271</u>	<u>24,292</u>	<u>-</u>	<u>2,093,563</u>
Total capital assets, being depreciated	116,835,224	2,521,155	129,374	119,227,005
Less accumulated depreciation for:				
Structures and improvements	7,835,748	1,224,422	-	9,060,170
Distribution plant	35,117,453	2,032,733	177,951	36,972,235
Furniture and fixtures	874,217	89,465	-	963,682
Transportation equipment	2,090,519	228,130	-	2,318,649
Equipment	<u>1,868,549</u>	<u>61,696</u>	<u>-</u>	<u>1,930,245</u>
Total accumulated depreciation	<u>47,786,486</u>	<u>3,636,446</u>	<u>177,951</u>	<u>51,244,981</u>
Total capital assets, being depreciated, net	<u>69,048,738</u>	<u>(1,115,291)</u>	<u>48,577</u>	<u>67,982,024</u>
Business-type activities capital assets, net	<u>\$ 72,552,998</u>	<u>\$ 3,471,983</u>	<u>\$ 1,808,706</u>	<u>\$ 74,216,275</u>

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

Governmental activities:	
General government	\$ 39,497
Public recreation	311,683
Public safety	302,552
Public works	322,033
Airport	241,612
Welfare	<u>4,428</u>
Total depreciation expense - governmental activities	<u>\$ 1,221,805</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE E - CAPITAL ASSETS (Continued)

Business-type activities:	
Power system	\$ 1,318,924
Water system	960,904
Sewerage system	<u>1,322,505</u>
Total depreciation expense - business-type activities	<u>\$ 3,602,333</u>

NOTE F - LONG-TERM DEBT

Capital outlay notes

The government has issued general obligation capital outlay notes under the Tennessee Municipal Bond Funds Alternative Loan Program. 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>Outstanding Amount</u>
Governmental activities – energy efficiency improvements	2.66%	2025	\$ 1,488,000
Governmental activities – storm flume repair	2.04	2020	404,000
Governmental activities – sanitation	2.08	2020	266,000
Governmental activities – storm flume repair	2.64	2025	1,000,000
Governmental activities – industrial development	2.50	2027	<u>600,000</u>
			<u>\$ 3,758,000</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 413,000	\$ 95,391
2018	433,000	85,335
2019	446,000	74,794
2020	460,000	63,925
2021	297,000	52,709
2022-2026	1,654,000	133,097
2027	<u>55,000</u>	<u>1,925</u>
Total	<u>\$ 3,758,000</u>	<u>\$ 507,176</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 – 4.50%	8/01/2037	\$ 2,175,000
Water and sewer - revenue bonds	1.25 – 2.8%	8/01/2028	2,770,000
Sewerage system – revolving loan	1.70%	6/30/2037	2,660,431
Sewerage system – revolving loan	1.78%	2/01/2034	<u>18,006,951</u>
			<u>\$ 25,612,382</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

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.

The debt service requirements for the enterprise funds' bonds and notes are as follows:

Year Ending June 30	Business-Type Activities			
	Bonds		Notes	
	Principal	Interest	Principal	Interest
2017	\$ 245,000	\$ 160,224	\$ 1,097,112	\$ 356,904
2018	255,000	154,594	1,116,612	337,404
2019	255,000	148,267	1,136,472	317,544
2020	270,000	141,499	1,156,680	297,336
2021	275,000	134,219	1,177,236	276,780
2022-2026	1,495,000	542,897	6,207,768	1,062,312
2027-2031	1,230,000	295,721	5,682,043	526,505
2032-2036	625,000	138,409	3,093,459	76,274
2037-2039	<u>295,000</u>	<u>13,388</u>	-	-
Total	<u>\$ 4,945,000</u>	<u>\$ 1,729,218</u>	<u>\$ 20,667,382</u>	<u>\$ 3,251,059</u>

Capital lease

The general government has entered into a lease agreement as lessee for financing the acquisition of a street sweeper valued at \$171,975. The street sweeper has a twenty-year estimated useful life. For the year ended June 30, 2016, \$13,348 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

Year Ending June 30	
2017	\$ 26,724
2018	26,724
2019	26,724
2020	26,724
2021	<u>26,722</u>
Total minimum lease payments	133,618
Less: amount representing interest	<u>(10,352)</u>
Present value of minimum lease payments	<u>\$ 123,266</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE F - LONG-TERM DEBT (Continued)

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning			Ending	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Governmental activities:					
Capital outlay notes	\$ 2,528,000	\$ 3,600,000	\$ 2,370,000	\$ 3,758,000	\$ 413,000
Capital lease	145,975	-	22,709	123,266	23,334
Post-employment benefit obligation	637,325	150,809	28,759	759,375	35,700
Settlement	1,000,000	-	500,000	500,000	100,000
Net pension liability	2,955,289	2,024,455	1,631,780	3,347,964	-
Compensated absences	531,715	455,080	444,016	542,779	19,000
Long-term liabilities	<u>\$ 7,798,304</u>	<u>\$ 6,230,344</u>	<u>\$ 4,997,264</u>	<u>\$ 9,031,384</u>	<u>\$ 591,034</u>
Business-type activities:					
Revenue bonds	\$ 5,179,556	\$ -	\$ 239,758	\$ 4,939,798	\$ 245,000
Notes payable	22,158,750	-	1,158,998	20,999,752	1,097,112
Compensated absences	197,979	94,262	-	292,241	-
Net pension liability	3,159,210	907,704	-	4,066,914	-
Post-employment benefit obligation	90,816	21,135	-	111,951	-
Long-term liabilities	<u>\$ 30,786,311</u>	<u>\$ 1,023,101</u>	<u>\$ 1,398,756</u>	<u>\$ 30,410,656</u>	<u>\$ 1,342,112</u>

NOTE G - 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.

In connection with the Tennessee Valley Authority, the Shelbyville Power System makes loans to individuals wishing to make their homes more energy efficient. The Shelbyville Power System is required to use the funds, including repayments, in making further loans, or to reduce the advance by TVA.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE G - COMMITMENTS AND CONTINGENCIES (Continued)

At June 30, 2016, the Systems had several construction projects in process. The Systems take bids for these projects and award construction contracts to various companies.

NOTE H - PENSION PLAN

GENERAL GOVERNMENT:

Plan Description

Employees of the general government are provided a defined benefit pension plan, The Retirement Plan for Full-Time Employees of the City of Shelbyville, Tennessee, (Plan), a single-employer pension plan. The council assigns the City Manager to administer the Plan who in turn delegates certain daily administrative duties to employees of the administrative staff. The Plan does not issue a publicly available financial report.

Benefits Provided

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 provides retirement, termination, disability and death benefits to plan members and beneficiaries and 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. A full-time employee is an employee who works at least 30 hours per week. The Plan was amended effective July 1, 2005, to freeze the Plan to new participants.

The normal retirement date is the first day of the month coincident with or next following the month during which the participant attains age 65. Reduced benefits are available once a participant attains the age of 55. The monthly accrued benefit varies based on plan entry date and whether or not member contributions were made, among other factors. Please consult the plan document concerning the calculation of the monthly accrued benefit.

Employees covered by benefit terms

At the measurement date of January 1, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	75
Inactive employees entitled to but not yet receiving benefits	54
Active employees	<u>61</u>
Total	<u>190</u>

Contributions

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. Prior contributions continue to accrue interest at 4% annually. 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, 2016, the City contributed \$924,248.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE H - PENSION PLAN (Continued)

Net pension liability

The government's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016, rolled forward to June 30, 2016, using standard actuarial methodology and the actual assets of the trust as of June 30, 2016.

Actuarial assumptions

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

Economic Actuarial Assumptions

Salary increases – 3.0% per year

Long-term rate of return – 7.75%

Discount rate – 7.75%

Demographic Actuarial Assumptions

Mortality:

Male – 1983 Group Annuity Table for males

Female – 1983 Group Annuity Table for males set back six years

Termination or Withdrawal from service:

Sarason T-3 table

Age at Retirement:

Active employees are assumed to retire at the age when retirement benefits are not reduced for early retirement, age 60 for fire and police and age 62 for administrative employees.

Assumed Age of Commencement for Deferred Vested Benefits:

Age 65

Discount Rate

The assets of the Plan are invested at One America. At their recommendation the funds are 65% allocated to equities and 35% allocated to fixed income. In order to, over the long-term, meet or exceed the actuarial assumption for discount rate and long-term rate of return of 7.75%. The projection of benefit payments and those contributions from the government will be made at the actuarial determined contribution amount pursuant to an actuarial valuation in accordance with funding policy adopted by the government and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current and inactive participants. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE H - PENSION PLAN (Continued)

Mortality Table

The mortality table is chosen based on the past 15 years of experience for retirees.

Changes in Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2015	\$(12,669,937)	\$ 9,714,648	\$ (2,955,289)
Changes for the year:			
Service cost	(113,459)	-	(113,459)
Interest cost	(963,296)	-	(963,296)
Difference between expected and actual experience	(78,913)	-	(78,913)
Employer contributions	-	924,248	924,248
Employee contributions	-	-	-
Net investment income	-	(137,687)	(137,687)
Benefit payments	707,532	(707,532)	-
Administrative expense	-	(23,568)	(23,568)
Other charges	-	-	-
Net changes	<u>(448,136)</u>	<u>55,461</u>	<u>(392,675)</u>
Balance at June 30, 2016	<u>\$(13,118,073)</u>	<u>\$ 9,770,109</u>	<u>\$ (3,347,964)</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the general government calculated using the discount rate of 7.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 4,768,108	\$ 3,347,964	\$ 2,132,833

Pension expense

For the year ended June 30, 2016, the general government recognized pension expense of \$660,125.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE H - PENSION PLAN (Continued)

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2016, the general government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 72,337	\$ -
Net difference between projected and actual earnings on pension plan investments	1,120,502	-
Total	<u>\$ 1,192,839</u>	<u>\$ -</u>

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

Year ended June 30:

2017	\$ 320,172
2018	320,172
2019	320,174
2020	186,188
Thereafter	46,133

ENTERPRISE FUNDS:

The Systems' 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.

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.

The term "total pension liability" is the actuarial accrued liability calculated according to the individual entry age normal cost method. This cost attributes the actuarial present value of projected benefit payments to each employee based on a level percentage of compensation basis.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE H - PENSION PLAN (Continued)

Components of the Net Pension Liability as of October 1, 2015:

Total pension liability	\$ 20,539,419
Plan fiduciary net position	<u>16,472,505</u>
Net pension liability	<u>\$ 4,066,914</u>
Net position as percentage of the total pension liability	80.20%

Sensitivity of the Net Position Liability to Changes in the Discount Rate:

Net pension liability with a 1% decrease in discount rate: 6.00%	\$ 6,648,717
Net pension liability at current discount rate: 7.00%	4,066,914
Net pension liability with a 1% increase in discount rate: 8.00%	1,773,656

The annual pension expense is intended to recognize certain changes in the net pension liability compared to the previous measurement date. Changes not recorded as pension expense will be recorded and tracked separately as deferred inflows and outflows to be recognized in a future period's pension expense. Changes in the total pension liability due to differences between actual experience and assumptions are recognized over a closed period equal to the future remaining services of the plan participants. Differences between actual and expected investment performance are recognized over a five year period. Any changes due to plan amendment or other benefit changes will be recognized in the year of adoption.

Pension Expense:

Service cost	\$ 302,964
Interest on the total pension liability	1,334,919
Differences between expected and actual experience	51,706
Change of assumptions	-
Employee contributions	(126,871)
Projected earnings on pension plan investments	(1,130,383)
Differences between projected and actual earnings on plan investments	191,377
Pension plan administrative expense	70
Other changes in fiduciary net pension	<u>-</u>
Total pension expense	<u>\$ 623,782</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE H - PENSION PLAN (Continued)

Changes in Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at October 1, 2014	\$(19,119,923)	\$ 15,960,713	\$ (3,159,210)
Changes for the year:			
Service cost	(302,964)	-	(302,964)
Interest cost	(1,334,919)	-	(1,334,919)
Difference between expected and actual experience	(486,834)	-	(486,834)
Employer contributions	-	953,654	953,654
Employee contributions	-	126,871	126,871
Net investment income	-	136,558	136,558
Benefit payments	705,221	(705,221)	-
Administrative expense	-	(70)	(70)
Other charges	-	-	-
Net changes	<u>(1,419,496)</u>	<u>511,792</u>	<u>(907,704)</u>
Balance at October 1, 2015	<u>\$(20,539,419)</u>	<u>\$ 16,472,505</u>	<u>\$ (4,066,914)</u>

Deferred Outflows and Inflows of Resources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 509,609	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings in pension plan investments	795,060	(22,165)
Contributions subsequent to the measurement date of October 1, 2015	<u>643,774</u>	<u>-</u>
	<u>\$ 1,948,443</u>	<u>\$ (22,165)</u>

The employer contributions of \$643,774 reported as pension related deferred outflows of resources subsequent to the measurement date of October 1, 2015 will be recognized as a reduction of net position liability in the year ended June 30, 2016.

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

2016	\$ 243,083
2017	243,083
2018	243,083
2019	250,471
2020	51,706
Thereafter	251,078

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE H - PENSION PLAN (Continued)

Target Asset Allocation

<u>Asset Class</u>	<u>Target</u>	<u>Expected Return</u>
Fixed Income	50.20%	3.00%-3.13%
Large Cap	21.40%	6.80%-10.16%
Mid Cap	10.30%	7.77%-12.45%
Small Cap	7.20%	8.82%-15.34%
Real Estate	2.20%	7.53%-12.71%
International Equity	7.40%	6.80%-11.20%
Emerging Market Equity	1.30%	9.30%-22.94%
	100.00%	5.19%-7.54%

Plan membership as of October 1, 2015

Inactive plan members or beneficiaries currently receiving benefits	44
Inactive members entitled but not yet receiving benefits	13
Active plan members	<u>77</u>
Total	<u><u>134</u></u>

Schedule of Employer Contributions

<u>Year</u>	<u>Minimum Contribution</u>	<u>Actual Contribution</u>
2014	\$ 646,112	\$ 880,296
2015	\$ 543,280	\$ 953,654

Actuarial Assumptions

Measurement date	October 1, 2015
Discount rate	7.00%
Mortality	RP-2000 Fully Generational with Scale AA
Incidence of Disability	None
Termination	Males: Termination Table T-5 from Actuary's Handbook with a five year setback
Salary scale	3.00%
Assumed retirement age	50% at age 62 with 5 years of service and 50% at age 65
Marriage	Participants are married and that a male is 3 years older than a female
Cost of living increase	N/A
Date of participation freeze	N/A

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and the employer will continue to contribute the actuarially determined contribution in accordance with the Plan's current funding policy on an annual basis. Based on the assumption, the pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of the return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE I - 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 postretirement 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.

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 \$4,000 were made during the year ended June 30, 2016. 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, 2016, the City contributed \$28,759 to fund premiums for retirees receiving benefits.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

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

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 Government</u>
Annual required contribution	\$ 27,887	\$ 163,728
Interest on net OPEB obligation	4,087	19,120
Amortization of net OPEB obligation	<u>(4,959)</u>	<u>(32,039)</u>
Annual OPEB cost (expense)	27,015	150,809
Contributions made	<u>(5,880)</u>	<u>(28,759)</u>
Increase in net OPEB obligation	21,135	122,050
Net OPEB obligation, beginning of year	<u>90,816</u>	<u>637,325</u>
Net OPEB obligation, end of year	<u>\$ 111,951</u>	<u>\$ 759,375</u>

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 Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 150,809	40.54%	\$ 759,375
June 30, 2015	129,878	14.30	637,325
June 30, 2014	133,130	23.60	526,748

Enterprise Funds:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 27,015	21.8%	\$ 111,951
June 30, 2015	25,453	14.3	90,816
June 30, 2014	17,657	23.6	69,007

As of July 1, 2015, the most recent actuarial valuation date, both plans were 0% funded. The plans will be funded on a pay-as-you-go basis.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

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

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, 2016, as well as actuarial methods and assumptions for both plans, was as follows:

	<u>Systems</u>	<u>General Government</u>
Actuarial valuation date	7/01/2015	7/01/2015
UAAL	\$ 245,629	\$ 1,177,033
Covered payroll	\$ 4,323,523	\$ 6,535,261
Ratio of UAAL to covered payroll	5.68%	18.0%
Actuarial cost method	Projected unit credit cost	Projected unit cost method
Amortization method	Level % of payroll	Level dollar
Amortization period	Open 30 yr period	Open 30 yr period
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 ten 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 over an open 30-year period.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE J - RETIREMENT HEALTH SAVINGS PROGRAM

The City's general government sponsored a retiree health savings plan for all full-time employees who had completed one year of service. Prior to January 1, 2014, the general government contributed 2% of each eligible employee's annual salary to the plan. Employees were 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 were eligible to receive benefits at retirement, age 60, or immediately upon separation from service. Eligible benefits consisted 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 \$0.

Effective January 1, 2014, the employer no longer may contribute to the plan. The plan will remain active until all funds are utilized. Assets of the plan totaled \$334,668 as of June 30, 2016.

Effective March 29, 2016 the City Council terminated the plan. All funds will be disbursed to employees who had contributed them. Employees began receiving the funds in November, 2016.

NOTE K - JOINT VENTURES

The City of Shelbyville and Bedford County jointly fund the Shelbyville-Bedford County 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 \$136,000 to the operations of the Library during the year ended June 30, 2016. Complete financial statements of the Library can be obtained at 220 South Jefferson 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, 2016, 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, 2016, of these organizations is shown below.

	Bedford Railroad	Shelbyville- Bedford County Public Library
Total assets and deferred outflows	\$ 4,142,538	\$ 2,990,003
Total liabilities and deferred inflows	-	40,335
Net position	<u>\$ 4,142,538</u>	<u>\$ 2,949,668</u>
Revenues	\$ 341	\$ 561,976
Expenditures	<u>49,970</u>	<u>640,872</u>
Increase (decrease) in net position	<u>\$ (49,629)</u>	<u>\$ (78,896)</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE L - 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, 2016, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2016, the government received \$44,593 from the State of Tennessee for this shared revenue.

NOTE M - 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 7% 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 \$221,361. Employer contributions, as well as the expense recognized in the statement of activities, totaled \$200,679. 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 N - 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 \$6,388 and employee contributions totaled \$15,172 for the year ended June 30, 2016.

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, 2016.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

NOTE O - SEIZED MONEY HELD FOR DISPOSITION

As mandated by the State of Tennessee, 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, 2016, \$27,321 is included in the Police Drug fund as seized money held for disposition.

NOTE P - RESTRICTED NET POSITION

Net position of governmental activities restricted by enabling legislation to specific purposes include \$270,362 in limited purpose state gasoline and motor fuel taxes and \$23,649 in fines and forfeitures from drug related offenses.

NOTE Q - INTERFUND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2016, is as follows:

<u>Transfers in:</u>	<u>Transfers out:</u>				
	<u>Power fund</u>	<u>Sewer fund</u>	<u>Water fund</u>	<u>General fund</u>	<u>Nonmajor governmental funds</u>
General fund	\$ 686,013	\$ 30,000	\$ 30,000	\$ -	\$ 39,020
Capital projects fund	-	-	-	809,268	-
Industrial fund	-	-	-	39,103	-

During the year the power fund remits in lieu taxes to the general fund on a monthly basis. There were no significant one-time transfers during the year ended June 30, 2016.

NOTE R - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2016, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Power	State Street Aid	\$ 23,583
Power	General	49,084
Total		<u>\$ 72,667</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, 2016

NOTE S - SUBSEQUENT EVENTS

On August 2, 2016, the government purchased an easement and portion of a building from a citizen that was damaged due to the flume collapse. The purchase amount was \$600,000 to be payable over three years. The government paid \$201,104 on August 2, 2016.

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, 2016, 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, 2016, the council had identified \$147,320 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 - 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 - \$1,350,000; general liability, personal injury liability, errors and omissions liability, unmanned aerial vehicles (drones) 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 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.

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.

REQUIRED SUPPLEMENTARY INFORMATION
POST-EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
CITY OF SHELBYVILLE, TENNESSEE
June 30, 2016

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, 2015	\$ -	\$ 245,629	\$ 245,629	0.0%	\$ 4,323,523	5.68%
July 1, 2014	-	223,922	223,922	0.0	3,930,560	5.70
July 1, 2013	-	152,076	152,076	0.0	3,816,716	3.98

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, 2015	\$ -	\$ 1,177,033	\$ 1,177,033	0.0%	\$ 6,535,261	18.01%
July 1, 2013	-	1,018,999	1,018,999	0.0	6,001,271	16.98
July 1, 2011	-	1,089,405	1,089,405	0.0	5,588,802	19.49

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF SHELBYVILLE, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	6/30/15	6/30/16
TOTAL PENSION LIABILITY		
Service cost	\$ 116,663	\$ 113,459
Interest	935,284	963,296
Changes in benefit terms	-	-
Differences between actual & expected experience	-	78,913
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	(667,050)	(707,532)
Net change in total pension liability	384,897	448,136
Total pension liability-beginning	12,285,040	12,669,937
Total pension liability-ending (a)	<u>\$ 12,669,937</u>	<u>\$ 13,118,073</u>
 PLAN FIDUCIARY NET POSITION		
Contributions-employer	\$ 873,492	\$ 924,248
Contributions-employee	-	-
Net investment income	70,425	(137,687)
Benefit payments, including refunds of employee contributions	(667,050)	(707,532)
Administrative expense	(23,841)	(23,568)
Net change in plan fiduciary net position	253,026	55,461
Plan fiduciary net position-beginning	9,461,622	9,714,648
Plan fiduciary net position-ending (b)	<u>\$ 9,714,648</u>	<u>\$ 9,770,109</u>
 Net pension liability (asset)-ending (a) - (b)	<u>\$ 2,955,289</u>	<u>\$ 3,347,964</u>
 Plan fiduciary net position as a percentage of total pension liability	76.67%	74.48%
 Covered employee payroll	\$ 2,936,205	\$ 2,945,356
 Net pension liability (asset) as a percentage of covered employee payroll	100.65%	113.67%

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

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF SHELBYVILLE, TENNESSEE
SCHEDULE OF CONTRIBUTIONS

	<u>6/30/15</u>	<u>6/30/16</u>
Actuarially determined contribution	\$ 733,133	\$ 737,049
Contributions in relation to the actuarially determined contribution	873,492	924,248
Contribution deficiency (excess)	<u>\$ (140,359)</u>	<u>\$ (187,199)</u>
Covered-employee payroll	\$ 2,936,205	\$ 2,945,356
Contributions as a percentage of covered-employee payroll	29.75%	31.38%

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

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for 2016 were calculated based on the January 1, 2016, actuarial valuation.

Methods and assumptions used to determine contribution rates:

The amortization of unfunded actuarial liabilities is being amortized utilizing the level dollar amortization method over a closed period of 20 years. The initial unfunded liability in 1999 has 3 years left in its amortization period. A tiered approach is being utilized for actuarial gains and losses and plan changes for each actuarial valuation since 1999. Each tier is being amortized over a closed 20 year period.

Other significant methods and valuations include the following:

Asset valuation	Market values
Actuarial cost method	Entry Age Normal Cost - Level Percent of Compensation Funding
Salary increases	3.0 percent per year
Investment rate of return	7.75 percent
Retirement age	60 for fire and police, 62 for administrative
Mortality	Male - 1983 Group Annuity Table for males
	Female - 1983 Group Annuity Table for males set back six years

REQUIRED SUPPLEMENTARY INFORMATION
PROPRIETARY FUNDS
CITY OF SHELBYVILLE, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	6/30/15	6/30/16
TOTAL PENSION LIABILITY		
Service cost	\$ 296,322	\$ 302,964
Interest	1,268,528	1,334,919
Changes in benefit terms	-	-
Differences between actual and expected experience	81,928	486,834
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	(704,730)	(705,221)
Net change in total pension liability	942,048	1,419,496
Total pension liability-beginning	18,177,875	19,119,923
Total pension liability-ending (a)	<u>\$ 19,119,923</u>	<u>\$ 20,539,419</u>
 PLAN FIDUCIARY NET POSITION		
Contributions-employer	\$ 112,301	\$ 126,871
Contributions-employee	880,296	953,654
Net investment income	1,069,308	136,558
Benefit payments, including refunds of employee contributions	(704,730)	(705,221)
Administrative expense	(1,249)	(70)
Net change in plan fiduciary net position	1,355,926	511,792
Plan fiduciary net position-beginning	14,604,787	15,960,713
Plan fiduciary net position-ending (b)	<u>\$ 15,960,713</u>	<u>\$ 16,472,505</u>
 Net pension liability (asset)-ending (a) - (b)	<u>\$ 3,159,210</u>	<u>\$ 4,066,914</u>
 Plan fiduciary net position as a percentage of total pension liability	83.48%	80.20%
 Covered employee payroll	\$ 3,913,791	\$ 4,155,447
 Net pension liability (asset) as a percentage of covered employee payroll	80.72%	97.87%

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

**REQUIRED SUPPLEMENTARY INFORMATION
PROPRIETARY FUNDS
CITY OF SHELBYVILLE, TENNESSEE
SCHEDULE OF CONTRIBUTIONS**

	<u>6/30/15</u>	<u>6/30/16</u>
Actuarially determined contribution	\$ 646,112	\$ 543,280
Contributions in relation to the actuarially determined contribution	880,296	953,654
Contribution deficiency (excess)	<u>\$ (234,184)</u>	<u>\$ (410,374)</u>
Covered-employee payroll	\$ 3,913,791	\$ 4,155,447
Contributions as a percentage of covered-employee payroll	22.49%	22.95%

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

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

Capital Fund – This fund accounts for the acquisition and construction of the government's capital assets, both major and routine.

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

Industrial Fund – This fund is used to account for various industrial development projects including the construction of the Shelbyville-Bedford County Commerce Business Park.

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

For the year ended June 30, 2016

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	State Street Aid	Hotel/ Motel	Police Drug	Police Equipment	Capital	Greenway	Industrial	
Assets:								
Cash in bank	\$ 217,967	\$ 17,812	\$ 51,015	\$ 30,482	\$ 67,041	\$ 30,000	\$ 270,696	\$ 685,013
Intergovernmental receivable	92,500	-	-	-	1,354,743	-	32,687	1,479,930
Other assets	-	-	-	-	-	-	-	-
Taxes receivable	-	17,442	-	-	-	-	-	17,442
Total assets	<u>\$ 310,467</u>	<u>\$ 35,254</u>	<u>\$ 51,015</u>	<u>\$ 30,482</u>	<u>\$ 1,421,784</u>	<u>\$ 30,000</u>	<u>\$ 303,383</u>	<u>\$ 2,182,385</u>
Liabilities:								
Accounts payable	\$ 16,522	\$ 35,254	\$ 45	\$ 3,001	\$ 739,860	\$ -	\$ 2,165	\$ 796,847
Funds held in trust	-	-	27,321	-	-	-	-	27,321
Due to proprietary funds	23,583	-	-	-	-	-	-	23,583
Total liabilities	<u>40,105</u>	<u>35,254</u>	<u>27,366</u>	<u>3,001</u>	<u>739,860</u>	<u>-</u>	<u>2,165</u>	<u>847,751</u>
Fund balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted								
Highways and streets	270,362	-	-	-	-	-	-	270,362
Public safety	-	-	23,649	27,481	-	-	-	51,130
Committed	-	-	-	-	-	-	-	-
Assigned								
Public recreation	-	-	-	-	-	30,000	-	30,000
Capital projects	-	-	-	-	681,924	-	301,218	983,142
Total fund balances	<u>270,362</u>	<u>-</u>	<u>23,649</u>	<u>27,481</u>	<u>681,924</u>	<u>30,000</u>	<u>301,218</u>	<u>1,334,634</u>
Total liabilities and fund balances	<u>\$ 310,467</u>	<u>\$ 35,254</u>	<u>\$ 51,015</u>	<u>\$ 30,482</u>	<u>\$ 1,421,784</u>	<u>\$ 30,000</u>	<u>\$ 303,383</u>	<u>\$ 2,182,385</u>

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

For the year ended June 30, 2016

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	State Street Aid	Hotel/ Motel	Police Drug	Police Equipment	Capital	Greenway	Industrial	
Revenues:								
Intergovernmental	\$ 559,343	\$ -	\$ -	\$ -	\$ 1,471,419	\$ -	\$ 365,000	\$ 2,395,762
Taxes	-	205,103	-	-	-	-	-	205,103
Investment earnings	317	-	57	-	302	-	325	1,001
Fines and forfeitures	-	-	3,642	3,494	-	-	-	7,136
Donations	-	-	-	202	-	-	-	202
Miscellaneous	-	-	-	4,695	-	-	-	4,695
Total revenues	<u>559,660</u>	<u>205,103</u>	<u>3,699</u>	<u>8,391</u>	<u>1,471,721</u>	<u>-</u>	<u>365,325</u>	<u>2,613,899</u>
Expenditures:								
General government	-	-	-	-	12,830	-	-	12,830
Parks and recreation	-	-	-	-	201,955	-	-	201,955
Public safety	-	-	20,653	5,533	393,928	-	-	420,114
Public works	488,735	-	-	-	148,383	-	-	637,118
Cemetery	-	-	-	-	6,150	-	-	6,150
Airport	-	-	-	-	1,321,943	-	-	1,321,943
Industrial development	-	205,103	-	-	-	-	664,190	869,293
Total expenditures	<u>488,735</u>	<u>205,103</u>	<u>20,653</u>	<u>5,533</u>	<u>2,085,189</u>	<u>-</u>	<u>664,190</u>	<u>3,469,403</u>
Excess of revenues over (under) expenditures	70,925	-	(16,954)	2,858	(613,468)	-	(298,865)	(855,504)
Other financing sources (uses):								
Sales of general capital assets	-	-	5,020	-	9,000	-	-	14,020
Issuance of capital outlay note	-	-	-	-	-	-	600,000	600,000
Insurance recoveries	-	-	-	7,429	-	-	-	7,429
Transfers in - general fund	-	-	-	-	809,268	-	39,103	848,371
Transfers out - general fund	-	-	-	-	-	-	(39,020)	(39,020)
Net change in fund balances	70,925	-	(11,934)	10,287	204,800	-	301,218	575,296
Fund balances - July 1, 2015	199,437	-	35,583	17,194	477,124	30,000	-	759,338
Fund balances - June 30, 2016	<u>\$ 270,362</u>	<u>\$ -</u>	<u>\$ 23,649</u>	<u>\$ 27,481</u>	<u>\$ 681,924</u>	<u>\$ 30,000</u>	<u>\$ 301,218</u>	<u>\$ 1,334,634</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Apportionment of gasoline tax from State of Tennessee	\$ 533,741	\$ 535,252	\$ 559,343	\$ 24,091
Interest income	200	214	317	103
	<u>533,941</u>	<u>535,466</u>	<u>559,660</u>	<u>24,194</u>
Expenditures:				
Street lighting	303,865	287,008	281,382	5,626
Street maintenance	180,000	155,889	143,001	12,888
State road paving	60,000	60,000	-	60,000
Salt expense	15,000	19,346	19,346	-
Street marking	15,000	12,000	-	12,000
Capital outlay	35,507	45,006	45,006	-
	<u>609,372</u>	<u>579,249</u>	<u>488,735</u>	<u>90,514</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (75,431)</u>	<u>\$ (43,783)</u>	70,925	<u>\$ 114,708</u>
Fund balance - July 1, 2015			199,437	
Fund balance - June 30, 2016			<u>\$ 270,362</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Taxes	\$ 152,848	\$ 187,977	\$ 205,103	\$ 17,126
Interest income	-	-	-	-
	<u>152,848</u>	<u>187,977</u>	<u>205,103</u>	<u>17,126</u>
Expenditures:				
Payments to Chamber of Commerce	149,600	183,365	200,655	(17,290)
Accounting services	3,248	4,612	4,448	164
TOTAL EXPENDITURES	<u>152,848</u>	<u>187,977</u>	<u>205,103</u>	<u>(17,126)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - July 1, 2015			-	
Fund balance - June 30, 2016			<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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Court fines	\$ 2,000	\$ 1,118	\$ 1,118	\$ -
Forfeitures	1,200	2,524	2,524	-
Interest income	-	44	57	13
TOTAL REVENUES	<u>3,200</u>	<u>3,686</u>	<u>3,699</u>	<u>13</u>
Expenditures:				
Drug dog expense	2,040	655	646	9
Employee education and training	100	1,000	1,000	-
Capital outlay	-	19,007	19,007	-
TOTAL EXPENDITURES	<u>2,140</u>	<u>20,662</u>	<u>20,653</u>	<u>9</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,060	(16,976)	(16,954)	22
Other financing sources:				
Sales of capital assets	-	-	5,020	5,020
NET CHANGE IN FUND BALANCE	<u>\$ 1,060</u>	<u>\$ (16,976)</u>	<u>(11,934)</u>	<u>\$ 5,042</u>
Fund balance - July 1, 2015			<u>35,583</u>	
Fund balance - June 30, 2016			<u>\$ 23,649</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Court fines	\$ 1,200	\$ 3,014	\$ 3,494	\$ 480
Forfeitures	-	-	-	-
Donations	-	202	202	-
Miscellaneous	-	4,695	4,695	-
TOTAL REVENUES	<u>1,200</u>	<u>7,911</u>	<u>8,391</u>	<u>480</u>
Expenditures:				
Employee education and training	-	-	-	-
Other equipment	-	11,000	-	11,000
Software	-	-	-	-
Capital outlay	1,000	-	5,533	(5,533)
TOTAL EXPENDITURES	<u>1,000</u>	<u>11,000</u>	<u>5,533</u>	<u>5,467</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	200	(3,089)	2,858	5,947
Other financing sources (uses):				
Insurance recoveries	-	7,429	7,429	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>7,429</u>	<u>7,429</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 200</u>	<u>\$ 4,340</u>	<u>10,287</u>	<u>\$ 5,947</u>
Fund balance - July 1, 2015			17,194	
Fund balance - June 30, 2016			<u>\$ 27,481</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL FUND CAPITAL PROJECTS FUND
CITY OF SHELBYVILLE, TENNESSEE

For the year ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 574,772	\$ 276,551	\$ 1,471,419	\$ 1,194,868
Investment earnings	1,000	291	302	11
TOTAL REVENUES	<u>575,772</u>	<u>276,842</u>	<u>1,471,721</u>	<u>1,194,879</u>
Expenditures:				
Capital outlay - general government	205,000	7,750	12,830	(5,080)
Capital outlay - parks and recreation	235,300	216,831	201,955	14,876
Capital outlay - public safety	612,538	419,293	393,928	25,365
Capital outlay - public works	146,212	141,926	148,383	(6,457)
Capital outlay - cemetery	9,000	6,150	6,150	-
Capital outlay - airport	61,980	141,515	1,321,943	(1,180,428)
TOTAL EXPENDITURES	<u>1,270,030</u>	<u>933,465</u>	<u>2,085,189</u>	<u>(1,151,724)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(694,258)	(656,623)	(613,468)	43,155
Other financing sources (uses):				
Transfers in - general fund	300,000	686,381	809,268	122,887
Transfers out - general fund	-	-	-	-
Sales of general capital assets	-	-	9,000	9,000
Capital lease	-	-	-	-
Issuance of capital outlay note	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>300,000</u>	<u>686,381</u>	<u>818,268</u>	<u>131,887</u>
NET CHANGE IN FUND BALANCE	<u>\$ (394,258)</u>	<u>\$ 29,758</u>	<u>204,800</u>	<u>\$ 175,042</u>
Fund balance - July 1, 2015			477,124	
Fund balance - June 30, 2016			<u>\$ 681,924</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Federal grants	\$ -	\$ -	\$ -	\$ -
Allocated donations	-	-	-	-
TOTAL REVENUES	-	-	-	-
Expenditures:				
Phase II costs	-	-	-	-
Phase III costs	-	-	-	-
Phase V costs	-	-	-	-
Phase VI costs	-	-	-	-
Other costs	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
Other financing sources:				
Transfers in (out) - general fund	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-	\$ -
Fund balance - July 1, 2015			30,000	
Fund balance - June 30, 2016			\$ 30,000	

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

CITY OF SHELBYVILLE, TENNESSEE

For the year ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 950,000	\$ 639,020	\$ 365,000	\$ (274,020)
Investment earnings	-	156	325	169
Miscellaneous	-	7,583	-	(7,583)
TOTAL REVENUES	<u>950,000</u>	<u>646,759</u>	<u>365,325</u>	<u>(281,434)</u>
Expenditures:				
Capital outlay - land	925,000	928,030	639,020	289,010
Capital outlay - land improvements	625,000	12,725	6,362	6,363
Professional services	-	2,757	18,808	
TOTAL EXPENDITURES	<u>1,550,000</u>	<u>943,512</u>	<u>664,190</u>	<u>295,373</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(600,000)	(296,753)	(298,865)	(2,112)
Other financing sources (uses):				
Transfers in - general fund	-	39,103	39,103	-
Transfers out - general fund	-	(39,020)	(39,020)	-
Issuance of capital outlay note	600,000	600,000	600,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>600,000</u>	<u>600,083</u>	<u>600,083</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 303,330</u>	<u>301,218</u>	<u>\$ (2,112)</u>
Fund balance - July 1, 2015				
			-	
Fund balance - June 30, 2016				
			<u>\$ 301,218</u>	

SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR - GENERAL GOVERNMENT
CITY OF SHELBYVILLE, TENNESSEE
For the year ended June 30, 2016

Fiscal Year Ending June 30,	(Street Sweeper)		(Ameresco)		(Flume #1)		(Carts)		(Flume #2)		(Industrial Park)		Totals	
	Capital Lease		Capital Outlay Note Energy Savings		Capital Outlay Note Series 2015		Capital Outlay Note Series 2015		Capital Outlay Note Series 2015		Capital Outlay Note Series 2015			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 23,334	\$ 3,390	\$ 114,000	\$ 38,064	\$ 98,000	\$ 8,242	\$ 64,000	\$ 5,532	\$ 87,000	\$ 25,252	\$ 50,000	\$ 18,300	\$ 436,334	\$ 98,780
2018	23,975	2,748	121,000	34,939	100,000	6,242	66,000	4,202	91,000	22,902	55,000	17,050	456,975	88,083
2019	24,635	2,089	128,000	31,628	102,000	4,202	67,000	2,828	94,000	20,460	55,000	15,675	470,635	76,882
2020	25,312	1,411	136,000	28,117	104,000	2,122	69,000	1,436	96,000	17,952	55,000	14,300	485,312	65,338
2021	26,010	714	143,000	24,406	-	-	-	-	99,000	15,378	55,000	12,925	323,010	53,423
2022	-	-	151,000	20,496	-	-	-	-	101,000	12,738	55,000	11,550	307,000	44,784
2023	-	-	160,000	16,359	-	-	-	-	104,000	10,032	55,000	9,625	319,000	36,016
2024	-	-	169,000	11,983	-	-	-	-	107,000	7,247	55,000	7,700	331,000	26,930
2025	-	-	178,000	7,368	-	-	-	-	109,000	4,395	55,000	5,775	342,000	17,538
2026	-	-	188,000	2,500	-	-	-	-	112,000	1,478	55,000	3,850	355,000	7,828
2027	-	-	-	-	-	-	-	-	-	-	55,000	1,925	55,000	1,925
2028	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	\$ 123,266	\$ 10,352	\$ 1,488,000	\$ 215,860	\$ 404,000	\$ 20,808	\$ 266,000	\$ 13,998	\$ 1,000,000	\$ 137,834	\$ 600,000	\$ 118,675	\$ 3,881,266	\$ 517,527

SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR - SHELBYVILLE POWER, WATER, AND SEWERAGE SYSTEMS
CITY OF SHELBYVILLE, TENNESSEE
For the year ended June 30, 2016

Fiscal Year Ending June 30,	Capital Outlay Note SRF 2003-172		Capital Outlay Note SRF 07-206		Water and Sewer Revenue and Tax Bonds - Series 2007		Water and Sewer Revenue and Tax Bonds - Series 2011		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 221,856	\$ 43,500	\$ 875,256	\$ 313,404	\$ 60,000	\$ 93,407	\$ 185,000	\$ 66,817	\$ 1,342,112	\$ 517,128
2018	225,648	39,708	890,964	297,696	65,000	90,826	190,000	63,768	1,371,612	491,998
2019	229,524	35,832	906,948	281,712	65,000	88,062	190,000	60,205	1,391,472	465,811
2020	233,448	31,908	923,232	265,428	70,000	85,194	200,000	56,305	1,426,680	438,835
2021	237,444	27,912	939,792	248,868	75,000	82,114	200,000	52,105	1,452,236	410,999
2022	241,524	23,832	956,664	231,996	75,000	78,926	205,000	47,445	1,478,188	382,199
2023	245,652	19,704	973,824	214,836	80,000	75,632	210,000	42,360	1,509,476	352,532
2024	249,864	15,492	991,296	197,364	85,000	72,126	215,000	36,940	1,541,160	321,922
2025	254,148	11,208	1,009,092	179,568	85,000	68,514	220,000	31,175	1,568,240	290,465
2026	258,504	6,852	1,027,200	161,460	90,000	64,794	230,000	24,985	1,605,704	258,091
2027	262,819	2,429	1,045,632	143,028	95,000	60,863	235,000	18,357	1,638,451	224,677
2028	-	-	1,064,400	124,260	95,000	56,827	240,000	11,350	1,399,400	192,437
2029	-	-	1,083,504	105,156	100,000	52,683	250,000	3,875	1,433,504	161,714
2030	-	-	1,102,944	85,716	105,000	48,248	-	-	1,207,944	133,964
2031	-	-	1,122,744	65,916	110,000	43,518	-	-	1,232,744	109,434
2032	-	-	1,142,892	45,768	115,000	38,568	-	-	1,257,892	84,336
2033	-	-	1,163,400	25,260	120,000	33,368	-	-	1,283,400	58,628
2034	-	-	688,149	5,236	125,000	27,917	-	-	813,149	33,153
2035	-	-	99,018	10	130,000	22,243	-	-	229,018	22,253
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>\$ 2,660,431</u>	<u>\$ 258,377</u>	<u>\$ 18,006,951</u>	<u>\$ 2,992,682</u>	<u>\$ 2,175,000</u>	<u>\$ 1,213,531</u>	<u>\$ 2,770,000</u>	<u>\$ 515,687</u>	<u>\$ 25,612,382</u>	<u>\$ 4,980,277</u>

UNCOLLECTED DELINQUENT TAXES FILED IN ACCORDANCE WITH APPLICABLE LAWS

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2016

During the year ended June 30, 2016, the government turned over \$117,827 of 2014 property taxes receivable to the clerk and master in accordance with applicable laws.

UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2016

POWER SYSTEM:

RESIDENTIAL RATES

Customer charge	\$ 13.11
Energy charge	\$ 0.09491 per KWH
First 1,000 KWH per month	\$ 105.05

COMMERCIAL RATES

GSA 1 (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	
Usage does not exceed 500 KWRHS	\$ 18.27
Usage exceeds 500KWRHS	\$ 21.77
Energy charge	\$ 0.10216 per KWH

GSA 2 (from 50 KW to 1,000 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	\$ 76.20
Demand charge:	
First 50 kilowatt hours per month	\$ 1.00 per KW
Over 50 kilowatt hours per month	\$ 13.47 per KW
Energy charge:	
First 15,000 kilowatt hours per month	\$ 0.10291 per KWH
Over 15,000 kilowatt hours per month	\$ 0.06045 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	\$263.67
Demand charge:	
First 1,000 kilowatt hours per month	\$ 12.27 per KW
Over 1,000 kilowatt hours per month	\$ 12.38 per KW
Energy charge – all KWH	\$ 0.06506 per KWH

UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2016

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	\$263.67
Demand charge:	
First 1,000 kilowatt hours per month	\$ 10.89 per KW
Over 1,000 kilowatt hours per month	\$ 10.75 per KW
Energy charge – all KWH	\$ 0.0543 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	\$ 9.52 per KW
All KW Off-Peak	\$ 2.14 per KW
Energy charge	
First 425 KWH/KW On-Peak (all KWH)	\$ 0.07150 per KWH
First 425 KWH/KW Off-Peak (first 200 hours)	\$ 0.04827 per KWH
(example 425 * KW compared to measured KWH)	
Next 200 KWH/KW Off-Peak	\$ 0.02069
Additional KWH Off-Peak	\$ 0.01831
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	\$ 7.20
400 watt mercury vapor (Flood or Cobra head)	\$ 14.00
200 watt high pressure sodium	\$ 9.87
250 watt high pressure sodium	\$ 11.86
100 watt high pressure sodium	\$ 6.81

WATER SYSTEM:

Residential, Commercial and Industrial

		<u>Inside City</u>	<u>Outside City</u>
First	1,000 gallons	\$ 11.40 minimum charge	\$ 15.20 minimum charge
Next	9,000 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

UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2016

Service Charges

\$25.00 per trip (8 A.M. to 5 P.M.)
\$55.00 per trip (After Hours)
Return Check Charge \$25.00

SEWERAGE SYSTEM:

		<u>Inside City</u>	<u>Outside City</u>
First	1,500 gallons	\$16.70 minimum charge	\$21.50 minimum charge
Next	9,000 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

Service Charges (Trip Charges for Service Calls)



\$25.00 per trip (8 A.M. to 5 P.M.)
\$55.00 per trip (After Hours)
Return Check Charge \$25.00

Average number of customers for fiscal year 2016:

Power System	10,128
Water System	8,981
Sewerage System	8,155

AWWA Free Water Audit Software: Reporting Worksheet

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

 Click to access definition
 Click to add a comment







Water Audit Report for: **Shelbyville Power, Water & Sewerage System**
Reporting Year: **2016** **7/2015 - 6/2016**

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









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

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

WATER SUPPLIED

Volume from own sources:   9 1,404.760 MG/Yr
Water imported:   n/a MG/Yr
Water exported:   n/a MG/Yr









Master Meter and Supply Error Adjustments

Pcnt:   4 2.00%   Value: MG/Yr
  MG/Yr
  MG/Yr

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


WATER SUPPLIED: **1,377.216** MG/Yr



AUTHORIZED CONSUMPTION

Billed metered:   9 1,115.503 MG/Yr
Billed unmetered:   n/a MG/Yr
Unbilled metered:   7 38.044 MG/Yr
Unbilled unmetered:   7 49.412 MG/Yr





Unbilled Unmetered volume entered is greater than the recommended default value





AUTHORIZED CONSUMPTION: **1,202.959** MG/Yr

Click here:  for help using option buttons below

Pcnt:   Value: 49.412 MG/Yr

Use buttons to select percentage of water supplied **OR** value



Pcnt:   0.25%   Value: MG/Yr

3.00%   MG/Yr
0.25%   MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)


174.257 MG/Yr

Apparent Losses

Unauthorized consumption:   5 3.443 MG/Yr

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


Customer metering inaccuracies:   8 35.677 MG/Yr

Systematic data handling errors:   5 2.789 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: **41.909** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:  **132.348** MG/Yr






WATER LOSSES: **174.257** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **261.713** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA







Length of mains:   10 202.3 miles
Number of active AND inactive service connections:   9 9,366
Service connection density:  **46** conn./mile main

Are customer meters typically located at the curbstop or property line?

Average length of customer service line:   7 27.0 ft (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average operating pressure:   7 74.0 psi

COST DATA

Total annual cost of operating water system:   10 \$4,088,379 \$/Year
Customer retail unit cost (applied to Apparent Losses):   8 \$3.65 \$/1000 gallons (US)
Variable production cost (applied to Real Losses):   10 \$2,895.10 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 83 out of 100 *****

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

PRIORITY AREAS FOR ATTENTION:

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

1: Volume from own sources

2: Unauthorized consumption

3: Systematic data handling errors



AWWA Free Water Audit Software: System Attributes and Performance Indicators

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

Water Audit Report for: **Shelbyville Power, Water & Sewerage System**
Reporting Year: **2016** **7/2015 - 6/2016**

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 83 out of 100 *****

System Attributes:

Apparent Losses: **41.909** MG/Yr
+ Real Losses: **132.348** MG/Yr
= **Water Losses:** **174.257** MG/Yr

? Unavoidable Annual Real Losses (UARL): **77.21** MG/Yr

Annual cost of Apparent Losses: **\$152,966**

Annual cost of Real Losses: **\$383,161** Valued at **Variable Production Cost**
Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: **19.0%**
Non-revenue water as percent by cost of operating system: **19.3%** Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: **12.26** gallons/connection/day
Real Losses per service connection per day: **38.71** gallons/connection/day
Real Losses per length of main per day*: **N/A**
Real Losses per service connection per day per psi pressure: **0.52** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **132.35** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **1.71**

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

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE-BY LEVY YEAR

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2016

<u>Tax Year</u>	<u>Balance June 30, 2015</u>	<u>Taxes Levied</u>	<u>Collections</u>	<u>Discoveries and Adjustments</u>	<u>Balance June 30, 2016</u>
2016	\$ -	\$ 7,224,375	\$ -	\$ -	\$ 7,224,375
2015	6,989,170	-	(6,683,890)	75,160	380,440
2014	401,244	-	(209,817)	(20,564)	170,863
2013	189,272	-	(120,432)	(19,084)	49,756
2012	50,063	-	(8,405)	772	42,430
2011	61,502	-	(2,731)	-	58,771
2010	6,253	-	(788)	-	5,465
2009	5,359	-	(233)	-	5,126
2008	4,460	-	-	-	4,460
2007	5,336	-	-	-	5,336
2006	4,135	-	-	-	4,135
2005	5,209	-	-	-	5,209
2004	1,212	-	-	-	1,212
2003	487	-	-	-	487
2002	110	-	-	-	110
2001	312	-	-	-	312
2000	1,818	-	-	-	1,818
	<u>\$ 7,725,942</u>	<u>\$ 7,224,375</u>	<u>\$ (7,026,296)</u>	<u>\$ 36,284</u>	<u>7,960,305</u>
Less estimated uncollectible accounts					<u>(18,441)</u>
Net receivable balance June 30, 2016					<u>\$ 7,941,864</u>

NOTE: All uncollected taxes for years prior to 2015 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, 2016

<u>Tax Year</u>	Total Assessed <u>Value</u>	<u>Tax Rate</u>	<u>Levy</u>
2016	\$ 385,978,487	\$ 1.77	\$ 6,831,949
2015	368,185,307	1.81	6,664,170
2014	357,190,533	1.65	5,912,516
2013	358,387,190	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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2016

Grantor Agency	CFDA Number	Contract Number	Description	Expenditures
<u>FEDERAL AWARDS</u>				
Department of Transportation (1)	20.205	STP-M-9314(7)	TAP Phase 1	\$ 256,883
Department of Transportation (1)	20.205	STP-M-3477(5)	Coney Island Resurface	203
Department of Transportation (1)	20.205	STP-M-437(4)	Fairfield Pike	464
Department of Justice (2)	16.607	2015BUBX15077529	Bulletproof Vest	1,676
Department of Transportation (1)	20.616	Z16GHS321	GHSO	13,758
Department of Transportation (1)	20.607	154AL-15-108	GHSO	5,101
Department of Transportation (1)	20.106	AERO-14-243-00	Apron Pavement	5,771
Department of Transportation (1)	20.106	AERO-16-189-00	T-Hangar Development	14,757
Department of Transportation (1)	20.106	AERO-16-190-00	Runway Safety Area Grading	8,853
Department of Homeland Security	97.044	EMW-2014-FO-04925	FEMA Fire SCBA	152,036
Department of Military	97.036	34101-10116	FEM - Ice Storm	75,071
TOTAL FEDERAL AWARDS				<u>534,573</u>
<u>STATE FINANCIAL ASSISTANCE</u>				
TN Dept. of Transportation	N/A	AERO-14-243-00	Apron Pavement	321
TN Dept. of Transportation	N/A	CMA-1654	State Road Maintenance	80,095
TN Dept. of Transportation	N/A	AERO-14-249-00	Airfield Electrical	1,211,434
TN Dept. of Transportation	N/A	AERO-16-158-00	Airport Maintenance	14,300
TN Dept. of Transportation	N/A	AERO-16-189-00	T-Hangar Development	820
TN Dept. of Transportation	N/A	AERO-16-190-00	Runway Safety Area	492
TN Dept. of Transportation	N/A	AERO-16-191-00	Airport Cameras	21,843
TN Dept. of Transportation	N/A	34101-10116	FEMA-Ice Storm	7,398
TN Dept. of Economic and Community Dev.	N/A	33007-36216	TN Downtowns	11,974
TN Dept. of Environment and Conservation	N/A	32701-02338	Never Rest Pavilion	33,945
TN Dept. of Economic and Community Dev.	N/A	33007-59616	Select TN Grant	7,500
TN Dept. of Economic and Community Dev.	N/A	33007-28916	Three Star	1,942
TOTAL STATE FINANCIAL ASSISTANCE				<u>1,392,064</u>
TOTAL FEDERAL AND STATE AWARDS				<u><u>\$ 1,926,637</u></u>

Note 1: The 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, 2016. 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, Department of Finance and Administration, Office of Criminal Justice Programs.

INTERNAL CONTROL AND COMPLIANCE SECTION

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

Honorable Mayor and City Councilmembers
City of 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, 2016, 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 25, 2017. Our report includes a reference to other auditors who audited the financial statements of the Shelbyville Power, Water, and Sewerage Systems, as described in our report on the 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 of the financial statements, we considered the 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 the City of Shelbyville, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Shelbyville, Tennessee's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies. They are identified as findings 2016-001 and 2016-002.

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 as item 2016-003.

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

A handwritten signature in black ink that reads "Winnett Associates, PLLC". The signature is written in a cursive, flowing style. It is positioned above a thin yellow horizontal line.

January 25, 2017

SCHEDULE OF FINDINGS
CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

Finding 2016-001

Condition, Criteria, Cause and Effect: During the audit we identified two accounts that had not been reconciled and as a result carried incorrect balances. One was the tax overpayments/refunds liabilities account and the other was the 401k withholding liability account.

Recommendation: We recommend these accounts be reconciled monthly and adjusted as necessary.

Management Response: There are accounts that are reconciled each month, these two accounts will be added to our listing of accounts to reconcile each month to ensure that their balances are captured correctly starting immediately and going back to July 1st 2016.

Finding 2016-002

Condition, Criteria, Cause and Effect: We noted the following discrepancies in the recording of transfers:

- a) The general fund included a transfer in from the fluctuation reserve fund of \$56,933. However, the fluctuation reserve fund did not include a corresponding transfer out. Also, the original and final general fund budgets included a transfer in from the fluctuation reserve fund without a corresponding transfer out included in the original or final fluctuation reserve fund budgets.
- b) The final budget approved in June 2016, included \$86,200 “state road appropriation” as well as a general government \$86,200 “transfer to 303 Fund.” However, the state road projects fund final budget only includes a single transfer in from the general fund of \$86,200.
- c) The final budget approved in June 2016, included a transfer from the general fund to the stormwater management fund of \$1,146,165. However, the corresponding transfer budgeted in the stormwater management fund totaled \$1,144,788.
- d) The final budget approved in June 2016, included a transfer from the general fund to the capital fund of \$794,213. However, the corresponding transfer budgeted in the capital fund totaled \$686,381.

Recommendation: We suggest a spreadsheet, or something similar, be developed to track all transfers to ensure that all transfers “zero out” between funds.

Management Response: A spreadsheet will be developed to capture and track all transfers from and to all funds so that any discrepancies during the budget process are captured. This process will begin immediately with this year’s budget.

A) The Fluctuation Reserve Fund had a budgeted expense for \$56,933 to move the balance that was left in the original fund to pay off the Fire Truck loan balance and transfer it to the General Fund on line 42200-958. This was budgeted and transferred to the General Fund but should have been budgeted and transferred through account 41990-765 “Transfer to General Fund” instead of continuing to use the expense account 42200-958.

SCHEDULE OF FINDINGS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2016

B) The State Road appropriation was budgeted twice in the General Fund and should have only been once. This was in the summary sheet as a transfer out to fund 303 and in the General Government department and which was double budgeted but at the end of the year only transferred once as needed at June 30th.

C) There were multiple amendments made to the Storm water fund and \$1,377 was not transferred over but was estimated to be a transfer from General Fund. This was transferred correctly during the year end process at June 30th.

D) The General Fund transfer included an amount of \$107,832 for amendments that needed to be made and sent to Capital but this was not captured in the Capital transfer from General Fund number during the budget estimates. This was however captured during the year end process and completed as needed at June 30th.

Finding 2016-003:

Condition, Criteria, Cause and Effect: Tennessee Code Annotated section 6-56-203 requires the City to adopt and operate under an annual budget. Municipalities must amend their budgets by ordinance prior to increasing spending for any appropriation. Furthermore, the legal level of authority to spend for the City of Shelbyville is at the department level. The total expenditures for the year ended June 30, 2016, exceeded their corresponding budgeted amounts for the general government, recreation center, police, fire, and sanitation departments as well as the hotel/ motel special revenue fund and the capital fund capital projects fund.

Recommendation: all expenditures should be authorized either in the original budget or an amendment to that budget prior to being spent.

Management Response: The management of the City recognizes that the budget is a legal authority to spend funds. The City has begun recording budget amendments quarterly in effort to better monitor and avoid any overspending of the budget. We have also reduced our Ordinance readings from three to two which will allow time to gather timelier and more visible estimates.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CITY OF SHELBYVILLE

For the Fiscal Year Ended June 30, 2016

Financial Statement Findings

Finding Number	Finding Title	Status
2015-001	Recording of grants (original finding # 2011-002)	Corrected
2015-002	Conversion from fund basis to government-wide (original finding # 2014-002)	Corrected
2015-003	Spending above amounts appropriated (original finding # 2015-003)	Repeated

Federal Award Findings and Questioned Costs

Not applicable