

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

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 – Retirement

Plan for Full-Time Employees of the City of Shelbyville, Tennessee	60
--	----

Schedule of Contributions – Retirement Plan for Full-Time Employees of

the City of Shelbyville, Tennessee	61
--	----

Schedule of Money-Weighted Rate of Return on Pension Plan Investments – Retirement

Plan for Full-Time Employees of the City of Shelbyville, Tennessee	62
--	----

Schedule of Changes in Net Pension Liability and Related Ratios – Proprietary Funds.....	63
--	----

Schedule of Contributions – Pension Plan – Proprietary Funds	64
--	----

Supplemental Information:

Description of Nonmajor Governmental Funds	66
--	----

Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet – Nonmajor Governmental Funds.....	67
--	----

Combining Statement of Revenues, Expenditures and

Changes in Fund Balances – Nonmajor Governmental Funds.....	68
---	----

C O N T E N T S (Continued)

Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (continued):

State Street Aid Special Revenue Fund.....	69
Hotel/ Motel Special Revenue Fund	70
Police Drug Special Revenue Fund.....	71
Police Equipment Special Revenue Fund	72
Capital Fund Capital Projects Fund	73
Greenway Capital Projects Fund.....	74
Industrial Development Capital Projects Fund	75
State Road Projects Capital Projects Fund.....	76
Debt Service Fund.....	77

Miscellaneous Schedules:

Schedule of Long-Term Debt Principal and Interest Requirements by Fiscal Year – General Government.....	78
Schedule of Long-Term Debt Principal and Interest Requirements by Fiscal Year – Shelbyville Power, Water, and Sewerage Systems	79
Uncollected Delinquent Taxes Filed in Accordance With Applicable Laws	80
Utility Rate Structure and Number of Customers	81
AWWA Reporting Worksheet	84
AWWA System Attributes and Performance Indicators.....	85
Schedule of Changes in Property Taxes Receivable-by Levy Year	86
Property Tax Rates and Assessments – Last Ten Years.....	87

INTERNAL CONTROL AND COMPLIANCE/ SINGLE AUDIT SECTION

Schedule of Expenditures of Federal Awards and State Financial Assistance	89
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>	90
Independent Auditor’s Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	92
Schedule of Findings and Questioned Costs	94
Schedule of Prior Year Findings and Questioned Costs	97

OFFICIALS
CITY OF SHELBYVILLE, TENNESSEE
JUNE 30, 2017

MAYOR Wallace Cartwright

VICE-MAYOR Thomas Landers

COUNCILMEMBERS Ward 1 - Henry Feldhaus III

Ward 2 - Sam Meek

Ward 3 - Mark Clanton

Ward 4 - William Christie

Ward 5 - Jean Pruitt

Ward 6 - Thomas Landers

OTHER OFFICIALS City Manager - Lori Saddler*

City Recorder - Anna Mai

City Treasurer - Jamey Owen, CMFO

City Judge - John T. Bobo

City Attorney - Ginger Shofner

Shelbyville Power, Water, and Sewerage Systems:

General Manager – David Crowell

Administrative Manager – Garrett Gordon

* Lori Saddler was Interim City Manager on June 30, 2017. Subsequent to June 30, 2017, Shanna Boyette was appointed the City Manager.

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, 2017, 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 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, 2017, 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 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, 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 schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 February 21, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City of Shelbyville, Tennessee's internal control over financial reporting and compliance.

Winnitt Associates, PLLC

February 21, 2018

CITY OF SHELBYVILLE, TENNESSEE
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year ended June 30, 2017

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, 2017. 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 frame work 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 consolidates into the General Fund for purposes of reporting the General Fund and the Budget Reserve Fund. 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 \$338,983 which was driven by the property tax and pension gains 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 2017 by \$41,568,337 which is an increase of \$5,115,501 from the prior year.

- Governmental activities total expenses increased by \$326,746 for 2017. The increase in spending is mainly the result of the absorbing the storm water fund into the General Fund and the purchase of property related to the flume project.
- 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 \$79,910,986. Of this amount, \$25,625,083 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 \$2,657,927.

Management of the Shelbyville Power, Water and Sewerage Systems' believe 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 increased from \$41,138,940 fiscal year ending June 30, 2016 to \$43,125,203 fiscal year ending June 30, 2017, an increase of 4.83%. Current assets increased from \$22,779,816 to \$25,220,775. Plant, net of accumulated depreciation, decreased from \$18,026,754 to \$17,658,765. Other assets decreased from \$332,370 to \$245,663. Total power system liabilities increased from \$6,572,668 to \$6,643,581. Current liabilities increased from \$3,866,347 to \$4,398,278. Long-term liabilities decreased from \$2,706,321 to \$2,245,303. Deferred outflows of resources decreased from \$1,052,159 to \$734,160 while deferred inflows of resources increased from \$11,969 to \$61,279.

Income before capital contributions for the power system increased from \$1,901,415 in fiscal year ending 2016 to \$2,253,493 in fiscal year ending 2017, an 18.52% increase due to increased rates. Total operating revenue increased from \$33,559,978 to \$35,008,665. This is a function of weather and unbilled revenue. Operational and maintenance expenses increased from \$3,632,367 in 2016 to \$3,655,786 in 2017 and other expenses increased from \$1,875 to \$3,350. Interest expense on customer deposits decreased from \$37,872 to \$5,735.

Water System

Total water system assets increased from \$23,236,770 to \$23,710,809, a 2.04% increase. Current assets increased from \$6,419,331 to \$6,777,805. Plant, net of accumulated depreciation, increased from \$15,816,012 to \$15,921,728. Deferred outflow of resources decreased from \$617,124 to \$476,597. Total liabilities decreased from \$4,003,139 to \$3,910,759. Long-term liabilities decreased from \$3,561,057 to \$3,235,967. Deferred inflows of resources increased from \$4,655 to \$23,831.

Income (loss) before capital contributions increased from \$173,584 to \$330,649, a 90.48% increase due to increased rates. Total operating revenue showed an increase from \$4,305,382 to \$4,518,319. Operational and maintenance expenses increased from \$3,110,614 to \$3,129,665. Interest expense decreased from \$70,441 to \$65,430.

Sewerage System

Total sewerage system assets decreased from \$45,375,540 to \$44,918,859, a 1.01% decrease. Current assets increased from \$4,907,250 to \$5,087,314. Plant, net of accumulated depreciation, decreased from \$40,373,509 to \$39,733,479. Deferred outflows of resources decreased from \$487,112 to \$339,890 while deferred inflows of resources increased from \$5,541 to \$28,370. Total liabilities decreased from \$24,056,614 to \$22,726,712. Long-term liabilities decreased from \$22,801,166 to \$21,447,099.

Income before capital contributions for the sewerage system increased from \$228,453 in fiscal year ending 2016 to \$607,864 in fiscal year ending 2017, a 166.08% increase due to increased rates. Sewer rates are based on water usage and bill at approximately 135% of the water rate. Operational and maintenance expenses showed an increase from \$2,400,548 to \$2,492,468. Interest expense decreased from \$470,900 to \$448,288.

Condensed Statement of Activities
June 30, 2017

	Governmental activities		Business-type activities		Total Primary Government	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,618,296	\$ 1,546,313	\$ 44,257,050	\$ 42,279,038	\$ 45,875,346	\$ 43,825,351
Operating grants	177,049	814,376	-	-	177,049	814,376
Capital grants	2,752,565	2,115,837	171,373	134,346	2,923,938	2,250,183
General revenues:						
Property taxes	7,223,111	6,982,360	-	-	7,223,111	6,982,360
Other taxes	6,085,251	5,809,204	-	-	6,085,251	5,809,204
Other	2,412,991	2,280,683	75,734	64,267	2,488,725	2,344,950
Total revenues	<u>20,269,263</u>	<u>19,548,773</u>	<u>44,504,157</u>	<u>42,477,651</u>	<u>64,773,420</u>	<u>62,026,424</u>
Expenses:						
General government	4,649,051	4,624,159	-	-	4,649,051	4,624,159
Public recreation	1,686,357	1,624,817	-	-	1,686,357	1,624,817
Public safety	5,324,504	5,334,896	-	-	5,324,504	5,334,896
Public works	2,813,455	2,549,022	-	-	2,813,455	2,549,022
Airport	895,945	878,419	-	-	895,945	878,419
Welfare	244,924	252,239	-	-	244,924	252,239
Industrial development	216,493	208,910	-	-	216,493	208,910
Interest on debt	100,485	132,006	-	-	100,485	132,006
Power	-	-	32,786,271	31,686,078	32,786,271	31,686,078
Water	-	-	4,189,654	4,128,820	4,189,654	4,128,820
Sewerage	-	-	4,092,853	4,164,622	4,092,853	4,164,622
Total expenses	<u>15,931,214</u>	<u>15,604,468</u>	<u>41,068,778</u>	<u>39,979,520</u>	<u>56,999,992</u>	<u>55,583,988</u>
Excess (deficiency) in net position before transfers	4,338,049	3,944,305	3,435,379	2,498,131	7,773,428	6,442,436
Transfers	<u>777,452</u>	<u>746,013</u>	<u>(777,452)</u>	<u>(746,013)</u>	<u>-</u>	<u>-</u>
Change in net position	5,115,501	4,690,318	2,657,927	1,752,118	7,773,428	6,442,436
Net position-beginning	<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>
Net position-ending	<u>\$ 41,568,337</u>	<u>\$ 36,452,836</u>	<u>\$ 79,910,986</u>	<u>\$ 77,253,059</u>	<u>\$ 121,479,323</u>	<u>\$ 113,705,895</u>

Condensed Statement of Net Position
June 30, 2017

	Governmental activities		Business-type activities		Total Primary Government	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 21,807,117	\$ 19,698,778	\$ 38,373,265	\$ 35,462,308	\$ 60,180,382	\$ 55,161,086
Capital assets	<u>35,844,776</u>	<u>33,334,761</u>	<u>73,313,972</u>	<u>74,216,275</u>	<u>109,158,748</u>	<u>107,551,036</u>
Total assets	<u>57,651,893</u>	<u>53,033,539</u>	<u>111,687,237</u>	<u>109,678,583</u>	<u>169,339,130</u>	<u>162,712,122</u>
Total deferred outflows of resources	<u>658,277</u>	<u>1,192,839</u>	<u>1,550,647</u>	<u>2,156,395</u>	<u>2,208,924</u>	<u>3,349,234</u>
Long-term liabilities	7,842,938	9,031,384	28,299,981	30,165,656	36,142,919	39,197,040
Other liabilities	<u>1,336,599</u>	<u>1,518,845</u>	<u>4,913,437</u>	<u>4,394,098</u>	<u>6,250,036</u>	<u>5,912,943</u>
Total liabilities	<u>9,179,537</u>	<u>10,550,229</u>	<u>33,213,418</u>	<u>34,559,754</u>	<u>42,392,955</u>	<u>45,109,983</u>
Total deferred inflows of resources	<u>7,562,296</u>	<u>7,223,313</u>	<u>113,480</u>	<u>22,165</u>	<u>7,675,776</u>	<u>7,245,478</u>
Net position:						
Net investment in capital assets	31,647,833	28,970,611	53,460,368	53,273,698	85,108,201	82,244,309
Restricted	290,284	324,866	825,535	821,013	1,115,819	1,145,879
Unrestricted	<u>9,630,220</u>	<u>7,157,359</u>	<u>25,625,083</u>	<u>23,158,348</u>	<u>35,255,303</u>	<u>30,315,707</u>
Total net position	<u>\$ 41,568,337</u>	<u>\$ 36,452,836</u>	<u>\$ 79,910,986</u>	<u>\$ 77,253,059</u>	<u>\$ 121,479,323</u>	<u>\$ 113,705,895</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 past years and the increase in fund balance has many factors, such as conservative revenue estimates, increased revenues for property taxes, local sales taxes, and state sales taxes. Other factors include the combination of rebuilding reserves, holding expenses while also estimating year-end expenses.

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 \$17,071,858 which is an increase of \$174,171 from FY 2016. There were a total of twelve active grants in FY2017. Some of the larger grants that the City participated in included the Airport Pavement Rehabilitation at \$1,331,200, Airport T-Hanger Design at \$66,008, Airport Runway Safety Area at \$39,332, and TAP Phase 2 at \$333,121, Airport Maintenance at \$14,300 and the State Road Maintenance grant at \$84,092. The total amount of grant monies that were brought into the City for these and other grants at various different stages of the grants was \$2,136,464. The City's major income is property taxes, which supplied the City with 42 percent of total general fund revenue. The second major source of revenue was the local sales tax that supplied 24 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 \$41,568,337. 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 \$2,514,203 from FY 2016 to FY 2017.

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: three Police cars with equipment, a dump truck and Knuckle boom for the Public Works Department, roof replacement of the Senior Citizens building, rebuilt the Salt Storage building at Public Works, replaced a Fuel truck for the Airport, received a donation of 4.5 acres for land fronting Riverview Drive, there were also multiple Airport projects underway at the Airport that will be closed out in FY2018. Along with these capital purchases the City also had TAP projects underway replacing sections of the City's sidewalks in the downtown area.

The Systems' investment in capital assets as of June 30, 2017, amounts to \$73,313,972 (net of accumulated depreciation). Depreciation charges for the year totaled \$3,451,369. The total decrease in the Systems' investment in capital assets for the current fiscal year was \$902,303 (1.22%), an increase in capital assets of \$2,316,031 and an increase in depreciation expense of \$3,218,334 for the net change of \$902,303.

The Systems' Capital Assets

(as of June 30,)

	2017	2016
Land and land rights	\$ 634,862	\$ 634,862
Structures and improvements	41,146,223	41,118,055
Distribution plant	73,099,081	71,966,522
Furniture and fixtures	1,222,646	1,197,159
Transportation equipment	3,047,491	2,851,706
Equipment	2,118,163	2,093,563
Construction in process	6,508,821	5,599,389
Less: Accumulated depreciation	(54,463,315)	(51,244,981)
	<u>\$ 73,313,972</u>	<u>\$ 74,216,275</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 \$3,653,213. The long-term debt of the City is used generally to finance the assets acquired by the City. However, in FY2015 and FY2016 there were notes issued in order to maintain the City's flume infrastructure after its failure, one of which was paid off prior to June 30th, 2016. There was also the issuance of a new note for the City's portion of the joint venture for the new Industrial Park that is on Highway 231 North. In total the City currently has four Capital Outlay notes and one lease remaining.

At the end of the current fiscal year, the Systems had total outstanding debt for notes, bonds, and other obligations of \$27,738,332, a decrease of \$2,047,713 (6.87% decrease) from last year.

The Systems' Outstanding Debt

(as of June 30,)

	2017	2016
Bonds payable	\$ 4,700,000	\$ 4,945,000
Less: deferred loss	(4,960)	(5,202)
	<u>4,695,040</u>	<u>4,939,798</u>
Notes payable	19,569,798	20,667,382
Net pension liability	3,338,821	4,066,914
Net OPEB obligation	<u>134,673</u>	<u>111,951</u>
Total outstanding debt	<u>\$ 27,738,332</u>	<u>\$ 29,786,045</u>

Notes, bonds and other obligation debt at fiscal year-end 2017 was \$1,847,853 for the power system, \$3,331,044 for the water system, and \$22,559,435 for the sewer system.

General Fund Budget Performance

For fiscal year 2016, the City budgeted \$16,030,647 in total expenses for the original budget. This budget amount was amended at the end of the fiscal year to \$16,281,978. This year the final budget numbers presented to council based on the year-end estimated amounts before audit adjustments were not able to be captured due to a change in the formatting of the final ordinance and is not reflected within the audit. The City's final projections on revenues and expenses were a large reason for the gain to this year's fund balance. There will be a continued effort while preparing this year's ordinance and year-end projections to correct this issue during the upcoming year end process for FY2018.

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 10,219 (increase of 90 or .89%), Water 9,099 (increase of 118 or 1.31%), and Sewer 8,261 (increase of 106 or 1.30%).

Looking to the Future

The City Staff is continuing to focus efforts on enhancing our financial reporting and internal 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 capital assets that had been delayed or deferred in past years due to the weak economy. The City also continues to seek out and take advantage of available grants to help in the funding of these needs when available. The City has many large projects in line for upcoming years such as additional phases of TAP, sidewalk projects, the anticipation of a complete runway rehabilitation project at the Airport along with other STP projects as well. The City has seen within the last year, a slight increase in both residential and commercial building activity, and a continued increase in the retail economy which is reflected in our increased 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, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 11,466,988	\$ 29,738,408	\$ 41,205,396
Taxes receivable - net	9,066,564	-	9,066,564
Accounts receivable	13,482	3,617,065	3,630,547
Intergovernmental receivable	1,206,299	-	1,206,299
Unbilled revenue	-	1,089,915	1,089,915
Inventory and other assets	53,784	619,247	673,031
Energy conservation loans	-	245,663	245,663
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	3,062,967	3,062,967
Capital assets:			
Land and construction in progress	8,801,549	7,143,683	15,945,232
Other capital assets, net of accumulated depreciation	27,043,227	66,170,289	93,213,516
TOTAL ASSETS	<u>57,651,893</u>	<u>111,687,237</u>	<u>169,339,130</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	658,277	1,359,556	2,017,833
Deferred amounts from refunding of debt	-	191,091	191,091
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>658,277</u>	<u>1,550,647</u>	<u>2,208,924</u>
LIABILITIES			
Accounts payable	865,562	2,939,074	3,804,636
Accrued expenses and other liabilities	324,524	86,860	411,384
Deposits	53,580	1,953,625	2,007,205
Internal balances	66,122	(66,122)	-
Funds held in trust	26,811	-	26,811
Noncurrent liabilities:			
Due in one year	752,975	1,371,612	2,124,587
Due in more than one year	7,089,963	26,928,369	34,018,332
TOTAL LIABILITIES	<u>9,179,537</u>	<u>33,213,418</u>	<u>42,392,955</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	152,966	113,480	266,446
Deferred current property taxes	7,409,330	-	7,409,330
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,562,296</u>	<u>113,480</u>	<u>7,675,776</u>
NET POSITION			
Net investment in capital assets	31,647,833	53,460,368	85,108,201
Restricted for:			
Highways and streets	244,764	-	244,764
Drug education and enforcement	14,772	-	14,772
Animal control	748	-	748
TV station	30,000	-	30,000
Debt service	-	825,535	825,535
Unrestricted	9,630,220	25,625,083	35,255,303
TOTAL NET POSITION	<u>\$ 41,568,337</u>	<u>\$ 79,910,986</u>	<u>\$ 121,479,323</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, 2017

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	\$ 4,649,051	\$ 316,246	\$ 600	\$ 127,885	\$ (4,204,320)	\$ -	\$ (4,204,320)	
Public recreation	1,686,357	355,411	-	-	(1,330,946)	-	(1,330,946)	
Public safety	5,324,504	438,346	70,360	42,781	(4,773,017)	-	(4,773,017)	
Public works	2,813,455	28,948	84,092	916,649	(1,783,766)	-	(1,783,766)	
Airport	895,945	479,345	14,300	1,531,892	1,129,592	-	1,129,592	
Welfare	244,924	-	7,697	-	(237,227)	-	(237,227)	
Industrial development	216,493	-	-	133,358	(83,135)	-	(83,135)	
Interest on long-term debt	100,485	-	-	-	(100,485)	-	(100,485)	
Total governmental activities	15,931,214	1,618,296	177,049	2,752,565	(11,383,304)	-	(11,383,304)	
Business-type activities								
Power system	32,786,271	35,008,665	-	-	-	2,222,394	2,222,394	
Water system	4,189,654	4,518,319	-	76,067	-	404,732	404,732	
Sewerage system	4,092,853	4,730,066	-	95,306	-	732,519	732,519	
Total business-type activities	41,068,778	44,257,050	-	171,373	-	3,359,645	3,359,645	
Total primary government	\$ 56,999,992	\$ 45,875,346	\$ 177,049	\$ 2,923,938	(11,383,304)	3,359,645	(8,023,659)	
General revenues:								
					7,223,111	-	7,223,111	
					445,881	-	445,881	
					4,129,925	-	4,129,925	
					853,164	-	853,164	
					175,005	-	175,005	
					265,894	-	265,894	
					52,274	-	52,274	
					2,175,928	-	2,175,928	
					215,382	-	215,382	
					115,650	-	115,650	
					48,588	-	48,588	
					20,551	75,734	96,285	
					777,452	(777,452)	-	
					16,498,805	(701,718)	15,797,087	
					5,115,501	2,657,927	7,773,428	
					36,452,836	77,253,059	113,705,895	
					\$ 41,568,337	\$ 79,910,986	\$ 121,479,323	

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

BALANCE SHEET
GOVERNMENTAL FUNDS
CITY OF SHELBYVILLE, TENNESSEE
June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Assets and deferred outflows of resources			
Assets:			
Cash	\$ 8,736,880	\$ 2,730,108	\$ 11,466,988
Taxes receivable - net	9,049,122	17,442	9,066,564
Accounts receivable	13,482	-	13,482
Intergovernmental receivable	551,708	654,591	1,206,299
Inventory and other assets	53,784	-	53,784
Total assets	<u>18,404,976</u>	<u>3,402,141</u>	<u>21,807,117</u>
Deferred outflows of resources:	-	-	-
Total assets and deferred outflows of resources	<u>\$ 18,404,976</u>	<u>\$ 3,402,141</u>	<u>\$ 21,807,117</u>
Liabilities, deferred inflows of resources, and fund balances			
Liabilities:			
Accounts payable	\$ 229,373	\$ 636,189	\$ 865,562
Intergovernmental liability	-	206,803	206,803
Accrued wages	117,721	-	117,721
Deposits	53,580	-	53,580
Due to other funds	41,433	24,689	66,122
Funds held in trust	-	26,811	26,811
Total liabilities	<u>442,107</u>	<u>894,492</u>	<u>1,336,599</u>
Deferred inflows of resources:			
Unavailable revenue - state and local taxes	32,140	-	32,140
Unavailable revenue - property taxes	8,173,411	-	8,173,411
Total deferred inflows of resources	<u>8,205,551</u>	<u>-</u>	<u>8,205,551</u>
Fund balances:			
Nonspendable			
Inventory and other assets	53,784	-	53,784
Restricted			
Cable TV	30,000	-	30,000
Animal control	748	-	748
Police	-	62,520	62,520
State street aid	-	244,764	244,764
Committed			
Debt reduction	-	145,057	145,057
Assigned			
Public recreation	-	30,000	30,000
State road projects	-	869,956	869,956
Capital assets	-	1,155,352	1,155,352
Unassigned	9,672,786	-	9,672,786
Total fund balances	<u>9,757,318</u>	<u>2,507,649</u>	<u>12,264,967</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,404,976</u>	<u>\$ 3,402,141</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.			35,844,776
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			796,221
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			(7,337,627)
Net position of governmental activities			<u>\$ 41,568,337</u>

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

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

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 12,705,945	\$ 215,382	\$ 12,921,327
Payments in lieu of taxes	265,894	-	265,894
Penalties and interest	52,274	-	52,274
Licenses and permits	65,378	-	65,378
Intergovernmental	2,395,759	2,694,483	5,090,242
Charges for services	1,135,130	-	1,135,130
Fines	385,409	32,379	417,788
Miscellaneous	48,587	1	48,588
Investment earnings	17,482	3,069	20,551
Total revenues	<u>17,071,858</u>	<u>2,945,314</u>	<u>20,017,172</u>
Expenditures:			
Current:			
General government	6,026,179	175,617	6,201,796
Parks and recreation	1,301,562	44,503	1,346,065
Public safety	4,667,187	236,520	4,903,707
Public works	1,835,218	1,291,217	3,126,435
Airport	626,812	1,665,058	2,291,870
Welfare	240,508	-	240,508
Industrial development	-	477,647	477,647
Debt service:			
Principal retirement	638,334	-	638,334
Interest payments on notes	100,485	-	100,485
Total expenditures	<u>15,436,285</u>	<u>3,890,562</u>	<u>19,326,847</u>
Excess of revenues over (under) expenditures	<u>1,635,573</u>	<u>(945,248)</u>	<u>690,325</u>
Other financing sources (uses):			
Transfers in	1,417,124	1,815,447	3,232,571
Transfers out	(1,815,447)	(639,672)	(2,455,119)
Promissory note issued	400,000	-	400,000
Sales of general capital assets	10,245	-	10,245
Insurance recoveries	37,105	68,300	105,405
Total other financing sources (uses)	<u>49,027</u>	<u>1,244,075</u>	<u>1,293,102</u>
Net change in fund balances	1,684,600	298,827	1,983,427
Fund balances - July 1, 2016, as restated	8,072,718	2,208,822	10,281,540
Fund balances - June 30, 2017	<u>\$ 9,757,318</u>	<u>\$ 2,507,649</u>	<u>\$ 12,264,967</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, 2017

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

Net change in fund balances - total governmental funds	\$ 1,983,427
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	3,739,030
Depreciation expense	(1,244,315)
The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net position:	
Donations of capital assets received	15,300
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	121,141
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	738,334
Promisory note issued	(400,000)
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	(17,425)
Net pension liability	997,596
Net OPEB obligation	(130,059)
Change in deferred assets	(687,528)
Change in net position of governmental activities	<u><u>\$ 5,115,501</u></u>

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

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

Year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES				
Taxes:				
Property	\$ 6,860,407	\$ 6,860,407	\$ 7,101,970	\$ 241,563
Business	391,817	391,817	445,881	54,064
Local sales	3,993,901	3,993,901	4,129,925	136,024
Beverage	833,160	833,160	853,164	20,004
Franchise	173,846	173,846	175,005	1,159
Payments in lieu of taxes	267,089	267,089	265,894	(1,195)
Penalties and interest	86,925	86,925	52,274	(34,651)
Licenses and permits	52,979	52,979	65,378	12,399
Intergovernmental revenues				
State TVA in lieu	237,920	237,920	233,394	(4,526)
State sales tax allocation	1,585,974	1,585,974	1,685,763	99,789
State income tax allocation	55,268	55,268	105,564	50,296
State beer tax allocation	9,803	9,803	9,819	16
State mixed drink tax allocation	38,141	38,141	41,623	3,482
State gasoline and motor fuel tax	41,687	41,687	41,023	(664)
State excise tax allocation	44,908	44,908	58,742	13,834
State and federal grant funds	139,264	164,264	149,470	(14,794)
State supplements	58,298	58,298	70,361	12,063
Charges for services	1,173,048	1,163,223	1,135,130	(28,093)
Fines	334,649	334,649	385,409	50,760
Miscellaneous	7,766	15,436	48,587	33,151
Investment earnings	8,000	8,000	17,482	9,482
TOTAL REVENUES	16,394,850	16,417,695	17,071,858	654,163
EXPENDITURES				
General government:				
Administration				
Salaries	492,869	492,869	488,686	4,183
Professional services	214,302	219,052	152,373	66,679
Payroll taxes	556,691	556,691	555,757	934
Travel and business	26,600	26,600	19,646	6,954
Mayor and council salaries	57,600	57,600	57,640	(40)
Health and disability insurance	1,629,915	1,629,915	1,514,878	115,037
Retirement	1,178,605	1,178,605	1,122,559	56,046
Insurance	513,401	514,714	475,056	39,658
Electric tax equivalent	157,690	157,690	158,727	(1,037)
Employee recognition programs	72,760	72,760	68,013	4,747
Computer software	36,988	36,988	33,775	3,213
Legal settlement	100,000	100,000	100,000	-
Capital outlay	209,600	209,600	603,442	(393,842)
Other general government	219,825	219,825	176,839	42,986
	5,466,846	5,472,909	5,527,391	(54,482)

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

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
General government:				
Planning and zoning				
Salaries	212,172	212,172	199,692	12,480
Professional services	23,300	23,300	43,228	(19,928)
Employee education and training	5,960	5,960	2,595	3,365
Utilities	3,439	3,439	3,699	(260)
Gasoline and oil	2,121	2,121	1,892	229
Fees paid to state	20,945	20,945	25,325	(4,380)
Subscriptions and dues	2,215	2,215	1,656	559
Other planning and zoning	36,940	36,940	15,234	21,706
	<u>307,092</u>	<u>307,092</u>	<u>293,321</u>	<u>13,771</u>
Cemetery				
Salaries	126,419	99,328	79,506	19,822
Utilities	6,761	6,761	4,054	2,707
Maintenance and repair	7,640	7,640	5,986	1,654
Gasoline and oil	6,364	6,364	2,661	3,703
Other cemetery	9,795	9,795	6,453	3,342
	<u>156,979</u>	<u>129,888</u>	<u>98,660</u>	<u>31,228</u>
Animal control				
Salaries	78,057	78,057	78,224	(167)
Professional services	1,200	1,200	4,307	(3,107)
Utilities	9,196	9,196	7,976	1,220
Maintenance and repair	2,240	2,240	4,109	(1,869)
Gasoline and oil	3,073	3,073	1,925	1,148
Other animal control	16,358	16,358	10,266	6,092
	<u>110,124</u>	<u>110,124</u>	<u>106,807</u>	<u>3,317</u>
Public recreation:				
Parks and recreation				
Salaries	318,780	318,780	269,397	49,383
Utilities	26,709	26,709	11,384	15,325
Maintenance and repair	65,835	65,835	49,895	15,940
Gasoline and oil	20,756	20,756	15,290	5,466
Chemical supplies	7,510	7,510	4,226	3,284
Special events	7,000	7,000	12,514	(5,514)
Expensable tools	6,475	6,475	19,972	(13,497)
Other parks and recreation	21,290	21,290	13,253	8,037
	<u>474,355</u>	<u>474,355</u>	<u>395,931</u>	<u>78,424</u>

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

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
Public recreation				
Recreational center				
Salaries	467,778	467,778	473,866	(6,088)
Professional services	7,150	7,150	3,415	3,735
Utilities	144,717	144,717	156,896	(12,179)
Maintenance and repair	104,876	108,146	93,829	14,317
Recreational programming	14,100	17,900	17,086	814
Expensable tools	26,950	26,950	19,587	7,363
Chemical supplies	11,940	11,940	12,479	(539)
Employee education and training	7,240	7,440	5,573	1,867
Other recreational center	60,720	60,720	49,845	10,875
	<u>845,471</u>	<u>852,741</u>	<u>832,576</u>	<u>20,165</u>
Sports league				
Salaries	45,295	45,295	39,732	5,563
Professional services	27,250	27,250	20,128	7,122
Clothing and uniforms	7,900	7,900	4,687	3,213
Materials	3,050	3,050	2,966	84
Other sports league	7,160	7,160	5,542	1,618
	<u>90,655</u>	<u>90,655</u>	<u>73,055</u>	<u>17,600</u>
Public safety:				
Police				
Salaries	2,454,650	2,454,650	2,391,786	62,864
Salary supplement	36,098	36,098	35,958	140
Employee education and training	44,125	44,125	27,767	16,358
Utilities	66,860	66,860	45,784	21,076
Maintenance and repair	64,583	64,583	58,602	5,981
Gasoline and fuel	81,499	81,499	54,303	27,196
Fees paid to state	41,986	41,986	32,198	9,788
Computer software	25,800	25,800	16,899	8,901
Office supplies and materials	14,600	14,600	9,742	4,858
Clothing and uniforms	18,250	18,250	13,405	4,845
Expensable tools	65,183	65,183	19,108	46,075
Lease and rental of equipment	30,203	30,203	10,030	20,173
Other police	34,204	34,204	28,505	5,699
	<u>2,978,041</u>	<u>2,978,041</u>	<u>2,744,087</u>	<u>233,954</u>

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

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
Public safety:				
Fire				
Salaries	1,664,175	1,664,175	1,586,015	78,160
Professional services	200	200	-	200
Salary supplement	22,200	22,200	19,800	2,400
Volunteer firemen	7,200	7,200	5,550	1,650
Employee education and training	15,550	15,550	10,393	5,157
Utilities	28,981	28,981	34,100	(5,119)
Maintenance and repair	41,405	41,405	64,391	(22,986)
Gasoline and fuel	19,952	19,952	10,020	9,932
Fire hydrant rental	107,712	107,712	104,675	3,037
Expendable tools	43,900	44,300	38,152	6,148
Clothing and uniforms	17,240	17,240	15,888	1,352
Other fire	44,828	44,828	34,116	10,712
	<u>2,013,343</u>	<u>2,013,743</u>	<u>1,923,100</u>	<u>90,643</u>
Public works:				
Streets				
Salaries	913,788	919,022	927,125	(8,103)
Utilities	18,104	18,104	19,960	(1,856)
Maintenance and repair	48,000	48,000	43,729	4,271
Gasoline and fuel	72,974	72,974	52,342	20,632
Expendable materials	35,100	35,100	29,108	5,992
Construction material	32,000	32,000	19,588	12,412
Clothing and uniforms	11,780	11,780	9,938	1,842
Chemical supplies	12,200	12,200	15,455	(3,255)
State road paving	61,498	61,498	60,457	1,041
Other streets	55,138	58,499	25,589	32,910
	<u>1,260,582</u>	<u>1,269,177</u>	<u>1,203,291</u>	<u>65,886</u>
Stormwater management				
Professional services	25,000	25,000	16,250	8,750
Gasoline and oil	1,602	1,602	1,286	316
Construction material	73,000	73,000	30,227	42,773
State maintenance fee	3,460	3,460	3,460	-
Other stormwater management	13,040	13,040	4,292	8,748
	<u>116,102</u>	<u>116,102</u>	<u>55,515</u>	<u>60,587</u>

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

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
Sanitation				
Salaries	323,703	323,703	267,335	56,368
Maintenance and repair	32,800	59,050	56,849	2,201
Landfill services	207,780	207,780	218,166	(10,386)
Gasoline and oil	36,390	36,390	22,143	14,247
Capital outlay	-	-	-	-
Other sanitation	9,969	9,969	11,919	(1,950)
	<u>610,642</u>	<u>636,892</u>	<u>576,412</u>	<u>60,480</u>
Finance				
Debt principal	436,334	638,334	638,334	-
Interest on debt	98,781	100,585	100,485	100
	<u>535,115</u>	<u>738,919</u>	<u>738,819</u>	<u>100</u>
Airport				
Salaries	224,584	224,584	209,306	15,278
Utilities	42,511	42,511	39,540	2,971
Maintenance and repair	53,043	53,043	46,197	6,846
Fuel for resale	445,988	445,988	283,477	162,511
Gasoline and oil	5,637	5,637	4,928	709
Bank service charges	11,605	11,605	8,233	3,372
Other airport	38,824	39,864	35,131	4,733
	<u>822,192</u>	<u>823,232</u>	<u>626,812</u>	<u>196,420</u>
Welfare	243,108	268,108	240,508	27,600
TOTAL EXPENDITURES	<u>16,030,647</u>	<u>16,281,978</u>	<u>15,436,285</u>	<u>845,693</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>364,203</u>	<u>135,717</u>	<u>1,635,573</u>	<u>1,499,856</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,202,051	1,405,855	1,417,124	11,269
Transfers out	(1,405,207)	(1,492,921)	(1,815,447)	(322,526)
Sales of general capital assets	8,000	8,000	10,245	2,245
Promissory note issued	-	-	400,000	400,000
Insurance recoveries	-	13,548	37,105	23,557
TOTAL OTHER FINANCING SOURCES	<u>(195,156)</u>	<u>(65,518)</u>	<u>49,027</u>	<u>114,545</u>
NET CHANGE IN FUND BALANCE	<u>\$ 169,047</u>	<u>\$ 70,199</u>	<u>1,684,600</u>	<u>\$ 1,614,401</u>
FUND BALANCE - BEGINNING, AS RESTATED			<u>8,368,192</u>	
FUND BALANCE - END			<u>\$ 10,052,792</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, 2017

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 18,681,293	\$ 6,241,530	\$ 4,815,585	\$ 29,738,408
Accounts receivable, net of allowance	3,264,664	185,835	232,688	3,683,187
Unbilled revenue	1,089,915	-	-	1,089,915
Inventory	337,377	149,914	23,253	510,544
Due from other funds	-	1,512	-	1,512
Other assets	96,803	2,532	9,368	108,703
Total current assets	<u>23,470,052</u>	<u>6,581,323</u>	<u>5,080,894</u>	<u>35,132,269</u>
Noncurrent assets:				
Restricted cash and cash equivalents-bonds	-	1,011,276	98,066	1,109,342
Restricted cash and cash equivalents-customer deposits	1,750,723	196,482	6,420	1,953,625
Energy conservation loans	245,663	-	-	245,663
Capital assets	17,658,765	15,921,728	39,733,479	73,313,972
Total noncurrent assets	<u>19,655,151</u>	<u>17,129,486</u>	<u>39,837,965</u>	<u>76,622,602</u>
TOTAL ASSETS	<u>43,125,203</u>	<u>23,710,809</u>	<u>44,918,859</u>	<u>111,754,871</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	734,160	285,506	339,890	1,359,556
Deferred amounts from refunding of debt	-	191,091	-	191,091
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>43,859,363</u>	<u>24,187,406</u>	<u>45,258,749</u>	<u>113,305,518</u>
LIABILITIES				
Current liabilities:				
Accounts payable	2,625,661	259,503	53,910	2,939,074
Notes payable	-	-	1,116,612	1,116,612
Accrued expenses and other liabilities	20,382	-	-	20,382
Accrued interest	-	-	37,671	37,671
Due to other funds	1,512	-	-	1,512
Total current liabilities	<u>2,647,555</u>	<u>259,503</u>	<u>1,208,193</u>	<u>4,115,251</u>
Current liabilities payable from restricted assets:				
Customer deposits	1,750,723	196,482	6,420	1,953,625
Bonds payable	-	190,000	65,000	255,000
Accrued interest	-	28,807	-	28,807
Total current liabilities payable from restricted assets	<u>1,750,723</u>	<u>415,289</u>	<u>71,420</u>	<u>2,237,432</u>
Noncurrent liabilities:				
Conservation - TVA program	245,663	-	-	245,663
Accrued vacation	151,787	94,923	69,276	315,986
Bonds payable	-	2,395,000	2,045,041	4,440,041
Notes payable	-	-	18,453,185	18,453,185
Net pension liability	1,802,962	701,153	834,706	3,338,821
Net OPEB liability	44,891	44,891	44,891	134,673
Total noncurrent liabilities	<u>2,245,303</u>	<u>3,235,967</u>	<u>21,447,099</u>	<u>26,928,369</u>
TOTAL LIABILITIES	<u>6,643,581</u>	<u>3,910,759</u>	<u>22,726,712</u>	<u>33,281,052</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	61,279	23,831	28,370	113,480
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>6,704,860</u>	<u>3,934,590</u>	<u>22,755,082</u>	<u>33,394,532</u>
NET POSITION				
Net investment in capital assets	17,658,765	15,702,921	20,098,682	53,460,368
Restricted	-	792,469	33,066	825,535
Unrestricted	19,495,738	3,757,426	2,371,919	25,625,083
TOTAL NET POSITION	<u>\$ 37,154,503</u>	<u>\$ 20,252,816</u>	<u>\$ 22,503,667</u>	<u>\$ 79,910,986</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, 2017

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
Operating revenues:				
Charges for services pledged as security for revenue bonds	\$ 34,363,892	\$ 4,443,929	\$ 4,671,402	\$ 43,479,223
Forfeited discounts and penalties	227,042	38,634	58,664	324,340
Rental income	269,738	-	-	269,738
Other operating revenue	147,993	35,756	-	183,749
TOTAL OPERATING REVENUE	35,008,665	4,518,319	4,730,066	44,257,050
Operating expenses:				
Purchased power	27,881,480	-	-	27,881,480
Operational expenses	2,923,003	2,205,745	1,992,790	7,121,538
Maintenance expense	732,783	887,920	463,678	2,084,381
Depreciation and amortization	1,239,920	1,030,559	1,188,097	3,458,576
TOTAL OPERATING EXPENSES	32,777,186	4,124,224	3,644,565	40,545,975
OPERATING INCOME	2,231,479	394,095	1,085,501	3,711,075
Nonoperating revenues (expenses):				
Interest income	31,099	37,984	6,651	75,734
Interest expense	(5,735)	(65,430)	(448,288)	(519,453)
Other income (expenses)	(3,350)	-	-	(3,350)
TOTAL NONOPERATING REVENUES (EXPENSES)	22,014	(27,446)	(441,637)	(447,069)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	2,253,493	366,649	643,864	3,264,006
Transfers out	(705,452)	(36,000)	(36,000)	(777,452)
Capital contributions	-	76,067	95,306	171,373
CHANGE IN NET POSITION	1,548,041	406,716	703,170	2,657,927
NET POSITION, BEGINNING OF YEAR	35,606,462	19,846,100	21,800,497	77,253,059
NET POSITION, END OF YEAR	\$ 37,154,503	\$ 20,252,816	\$ 22,503,667	\$ 79,910,986

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, 2017

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers (including other funds)	\$ 35,064,417	\$ 4,491,191	\$ 4,681,786	\$ 44,237,394
Payments to suppliers	(29,096,330)	(1,396,335)	(1,376,513)	(31,869,178)
Cash paid to employees	(2,086,539)	(1,452,779)	(1,049,692)	(4,589,010)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,881,548	1,642,077	2,255,581	7,779,206
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributed	-	76,067	95,306	171,373
Other income (expense)	(3,350)	-	-	(3,350)
Acquisition and construction of capital assets	(871,931)	(1,119,411)	(547,398)	(2,538,740)
Principal paid on long-term debt	-	(185,000)	(1,157,584)	(1,342,584)
Interest paid on long-term debt	-	(66,818)	(449,386)	(516,204)
Interest paid on customer deposits	(5,735)	-	-	(5,735)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	(881,016)	(1,295,162)	(2,059,062)	(4,235,240)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase in customer deposits	132,730	13,653	-	146,383
Issuance of energy conservation loans	86,707	-	-	86,707
Payments to DREMC for transfers of members	1,716	-	-	1,716
Transfers to other funds	(705,452)	(36,000)	(36,000)	(777,452)
Home weatherization loan advances	(86,707)	-	-	(86,707)
NET CASH PROVIDED(USED) BY NON-CAPITAL FINANCING ACTIVITIES	(571,006)	(22,347)	(36,000)	(629,353)
CASH FLOWS FROM INVESTING ACTIVITIES - Interest and other income	30,941	37,421	6,387	74,749
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,460,467	361,989	166,906	2,989,362
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,971,549	7,087,299	4,753,165	29,812,013
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 20,432,016	\$ 7,449,288	\$ 4,920,071	\$ 32,801,375
CASH AND CASH EQUIVALENTS CONSIST OF:				
Unrestricted cash and cash equivalents	\$ 20,432,016	\$ 6,438,012	\$ 4,822,005	\$ 31,692,033
Restricted cash and cash equivalents	-	1,011,276	98,066	1,109,342
	\$ 20,432,016	\$ 7,449,288	\$ 4,920,071	\$ 32,801,375

STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
CITY OF SHELBYVILLE, TENNESSEE
June 30, 2017

	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	\$ 2,231,479	\$ 394,095	\$ 1,085,501	\$ 3,711,075
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,239,920	1,030,559	1,188,097	3,458,576
Provision for bad debts	(42,492)	18,203	29,546	5,257
(Increase) decrease in:				
Accounts receivable	55,752	(27,128)	(48,280)	(19,656)
Inventory	13,711	3,151	1,676	18,538
Other assets	(7,305)	-	-	(7,305)
Due from other funds	1,512	-	-	1,512
Increase (decrease) in:				
Accounts payable	396,165	215,445	1,215	612,825
Pension liability	(25,861)	(10,057)	(11,972)	(47,890)
Accrued expenses	18,667	17,809	9,798	46,274
Total adjustments	1,650,069	1,247,982	1,170,080	4,068,131
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,881,548	\$ 1,642,077	\$ 2,255,581	\$ 7,779,206

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

STATEMENT OF NET POSITION
CITY OF SHELBYVILLE, TENNESSEE
FIDUCIARY FUND
June 30, 2017

		Pension Trust Fund
<hr/>		
ASSETS		
Investments		
Pooled separate accounts		\$ 10,979,566
	TOTAL ASSETS	<u>10,979,566</u>
NET POSITION		
Net position held in trust for pension benefits		10,979,566
	TOTAL NET POSITION	<u>\$ 10,979,566</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, 2017

	Pension Trust Fund
<hr/>	
ADDITIONS	
Contributions:	
Employer	\$ 924,248
Plan members	-
Total contributions	<u>924,248</u>
Investment earnings:	
Net increase in the fair value of investments	<u>1,031,926</u>
Total investment earnings	<u>1,031,926</u>
Total additions	<u>1,956,174</u>
DEDUCTIONS	
Benefits	720,433
Administrative expenses	<u>26,284</u>
Total deductions	<u>746,717</u>
Change in net position	1,209,457
Net position - beginning	<u>9,770,109</u>
Net position - ending	<u><u>\$ 10,979,566</u></u>

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

NOTES TO FINANCIAL STATEMENTS
CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

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, 2017

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. Similarly, 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, 2017

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, 2017

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. When this occurs the government will determine the best use of funds based on the specific facts and circumstances at that time. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is depleted last.

(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, 2017

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 government has three items that qualify for reporting in this category resulting from its pension plans. 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 plans.

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. See note H for further information concerning deferred inflows related to the pension plans.

(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, 2017

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, 2017, expenditures exceeded appropriations in the administration department (the legal level of budgetary control) within the general government function of the general fund by \$54,482. Expenditures exceeded appropriations in the hotel/motel special revenue fund by \$46,015 and by \$1,047,447 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, 2017

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, 2017. The amount of interest cost incurred and charged to expense during the year ended June 30, 2017, was \$100,485 for the governmental activities and \$519,453 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, 2017, is \$29,941.

Customer utility accounts receivable of the government's enterprise funds are presented net of an allowance for uncollectible accounts of \$139,760. Bad debt expense for the current year is \$99,542. 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, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The power system has recorded unbilled revenue of \$1,089,915 as of June 30, 2017. 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, 2017, 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, 2017, the carrying amount of the Systems' deposits was \$32,801,375 and the amount of the banks balances was \$35,067,627. Of the bank balances, \$2,250,000 was covered by Federal depository insurance, and \$16,789,038 was collateralized with securities pledged that comply with statutes as acceptable collateral, and \$16,028,589 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, 2017.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

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, 2017, 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	\$ 3,627,091	\$ 15,300	\$ -	\$ 3,642,391
Construction in progress	2,056,576	3,108,335	5,753	5,159,158
Total capital assets, not being depreciated	<u>5,683,667</u>	<u>3,123,635</u>	<u>5,753</u>	<u>8,801,549</u>
Capital assets, being depreciated:				
Buildings	11,543,102	80,263	-	11,623,365
Equipment	4,411,435	177,036	40,290	4,548,181
Vehicles	6,272,989	379,149	53,500	6,598,638
Infrastructure	<u>16,465,303</u>	<u>-</u>	<u>-</u>	<u>16,465,303</u>
Total capital assets being depreciated	38,692,829	636,448	93,790	39,235,487
Less accumulated depreciation for:				
Buildings	3,839,931	231,938	-	4,071,869
Equipment	1,870,400	332,984	40,290	2,163,094
Vehicles	3,247,986	332,963	53,500	3,527,449
Infrastructure	<u>2,083,418</u>	<u>346,430</u>	<u>-</u>	<u>2,429,848</u>
Total accumulated depreciation	<u>11,041,735</u>	<u>1,244,315</u>	<u>93,790</u>	<u>12,192,260</u>
Total capital assets, being depreciated, net	<u>27,651,094</u>	<u>(607,867)</u>	<u>-</u>	<u>27,043,227</u>
Governmental activities capital assets, net	<u>\$ 33,334,761</u>	<u>\$ 2,515,768</u>	<u>\$ 5,753</u>	<u>\$ 35,844,776</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

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	5,599,389	1,680,776	771,344	6,508,821
Total capital assets, not being depreciated	<u>6,234,251</u>	<u>1,680,776</u>	<u>771,344</u>	<u>7,143,683</u>
Capital assets, being depreciated:				
Structures and improvements	41,118,055	29,133	965	41,146,223
Distribution plant	71,966,522	1,307,765	175,206	73,099,081
Furniture and fixtures	1,197,159	25,487	-	1,222,646
Transportation equipment	2,851,706	195,785	-	3,047,491
Equipment	<u>2,093,563</u>	<u>24,600</u>	<u>-</u>	<u>2,118,163</u>
Total capital assets, being depreciated	119,227,005	1,582,770	176,171	120,633,604
Less accumulated depreciation for:				
Structures and improvements	9,060,170	1,225,236	3	10,285,403
Distribution plant	36,972,235	1,738,109	233,032	38,477,312
Furniture and fixtures	963,682	65,027	-	1,028,709
Transportation equipment	2,318,649	372,522	-	2,691,171
Equipment	<u>1,930,245</u>	<u>50,475</u>	<u>-</u>	<u>1,980,720</u>
Total accumulated depreciation	<u>51,244,981</u>	<u>3,451,369</u>	<u>233,035</u>	<u>54,463,315</u>
Total capital assets, being depreciated, net	<u>67,982,024</u>	<u>(1,868,599)</u>	<u>56,864</u>	<u>66,170,289</u>
Business-type activities capital assets, net	<u>\$ 74,216,275</u>	<u>\$ (187,823)</u>	<u>\$ 714,480</u>	<u>\$ 73,313,972</u>

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

Governmental activities:	
General government	\$ 39,562
Public recreation	322,092
Public safety	308,608
Public works	324,084
Airport	245,554
Welfare	<u>4,415</u>
Total depreciation expense - governmental activities	<u>\$ 1,244,315</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

NOTE E - CAPITAL ASSETS (Continued)

Business-type activities:	
Power system	\$ 1,239,920
Water system	1,013,698
Sewerage system	<u>1,187,427</u>
Total depreciation expense - business-type activities	<u>\$ 3,441,045</u>

NOTE F - LONG-TERM DEBT

Capital outlay notes

The government has issued general obligation capital outlay notes. 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	\$ 1,374,000
Governmental activities – storm flume repair	2.04	2020	306,000
Governmental activities – storm flume repair	2.64	2025	913,000
Governmental activities – industrial development	2.50	2027	<u>550,000</u>
			<u>\$ 3,143,000</u>

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

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 367,000	\$ 81,133
2019	379,000	71,965
2020	391,000	62,491
2021	297,000	52,709
2022	307,000	44,784
2023-2027	<u>1,402,000</u>	<u>90,237</u>
Total	<u>\$ 3,143,000</u>	<u>\$ 403,319</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>Outstanding Amount</u>
Water and sewer - revenue bonds	4.0 – 4.5%	8/01/2037	\$ 2,115,000
Water and sewer - revenue bonds	1.25 – 2.8%	8/01/2028	2,585,000
Sewerage system – revolving loan	1.70%	6/30/2037	2,438,103
Sewerage system – revolving loan	1.78%	2/01/2034	<u>17,131,695</u>
			<u>\$ 24,269,798</u>

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

NOTE F - LONG-TERM DEBT (Continued)

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
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	280,000	126,371	1,198,188	255,828
2023-2027	1,545,000	495,746	6,317,559	951,941
2028-2032	1,015,000	255,069	5,516,484	426,816
2033-2037	655,000	109,854	1,950,567	30,506
2038	150,000	3,375	-	-
Total	<u>\$ 4,700,000</u>	<u>\$ 1,568,994</u>	<u>\$ 19,569,798</u>	<u>\$ 2,894,155</u>

Promissory note

The government has issued a promissory note to fund the acquisition of certain property. The note is secured by the same property.

<u>Purpose</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Outstanding Amount</u>
Governmental activities - capital	0%	8/04/2018	\$ 400,000

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, 2017, \$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, 2017, were as follows:

Year Ending June 30	
2018	\$ 26,724
2019	26,723
2020	26,724
2021	<u>26,723</u>
Total minimum lease payments	106,894
Less: amount representing interest	<u>(6,962)</u>
Present value of minimum lease payments	<u>\$ 99,932</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

NOTE F - LONG-TERM DEBT (Continued)

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2017, 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	\$ 3,758,000	\$ -	\$ 615,000	\$ 3,143,000	\$ 367,000
Promissory note	-	400,000	-	400,000	200,000
Capital lease	123,266	-	23,334	99,932	23,975
Post-employment benefit obligation	759,375	150,205	20,146	889,434	32,000
Settlement	500,000	-	100,000	400,000	100,000
Net pension liability	3,347,964	1,126,841	2,124,437	2,350,368	-
Compensated absences	<u>542,779</u>	<u>471,975</u>	<u>454,550</u>	<u>560,204</u>	<u>30,000</u>
Long-term liabilities	<u>\$ 9,031,384</u>	<u>\$ 2,149,021</u>	<u>\$ 3,337,467</u>	<u>\$ 7,842,938</u>	<u>\$ 752,975</u>
Business-type activities:					
Revenue bonds	\$ 4,939,798	\$ -	\$ 244,758	\$ 4,695,040	\$ 255,000
Notes payable	20,999,752	-	1,184,291	19,815,461	1,116,612
Compensated absences	292,241	23,745	-	315,986	-
Net pension liability	4,066,914	-	728,093	3,338,821	-
Post-employment benefit obligation	<u>111,951</u>	<u>22,722</u>	<u>-</u>	<u>134,673</u>	<u>-</u>
Long-term liabilities	<u>\$ 30,410,656</u>	<u>\$ 46,467</u>	<u>\$ 2,157,142</u>	<u>\$ 28,299,981</u>	<u>\$ 1,371,612</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 power system makes loans to individuals wishing to make their homes more energy efficient. The 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, 2017

NOTE G - COMMITMENTS AND CONTINGENCIES (Continued)

At June 30, 2017, 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 is determined by a formula using the member's average monthly earnings and years of service but 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 actuarial valuation date of January 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	73
Inactive employees entitled to but not yet receiving benefits	56
Active employees	<u>58</u>
Total	<u>187</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, 2017, the City contributed \$924,248.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

NOTE H - PENSION PLAN (Continued)

Net pension liability

The government's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017, rolled forward to June 30, 2017, using standard actuarial methodology and the actual assets of the trust as of June 30, 2017.

Actuarial assumptions

The total pension liability as of June 30, 2017, 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, 2017

NOTE H - PENSION PLAN (Continued)

Mortality Table

The mortality table is chosen based on the past 16 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, 2016	\$(13,118,073)	\$ 9,770,109	\$ (3,347,964)
Changes for the year:			
Service cost	(103,780)	-	(103,780)
Interest cost	(996,777)	-	(996,777)
Difference between expected and actual experience	168,263	-	168,263
Employer contributions	-	924,248	924,248
Employee contributions	-	-	-
Net investment income	-	1,031,926	1,031,926
Benefit payments	720,433	(720,433)	-
Administrative expense	-	(26,284)	(26,284)
Other charges	-	-	-
Net changes	<u>(211,861)</u>	<u>1,209,457</u>	<u>997,596</u>
Balance at June 30, 2017	<u><u>\$(13,329,934)</u></u>	<u><u>\$ 10,979,566</u></u>	<u><u>\$ (2,350,368)</u></u>

The plan's fiduciary net position as a percentage of the total pension liability was 82.37% at June 30, 2017.

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	\$ 4,507,039	\$ 2,350,368	\$ 1,894,697

Pension expense

For the year ended June 30, 2017, the general government recognized pension expense of \$614,081.

Investments

All plan investments are investments in participation units held in pooled separate accounts. The underlying securities in pooled separate accounts are listed on national securities exchanges and valued on the basis of year-end closing prices.

Investments are stated at fair value. Securities traded on national exchanges are valued at the last reported sales price. As of June 30, 2017, and for the year then ended, the Plan held no securities issued by the City or other related parties.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

NOTE H - PENSION PLAN (Continued)

A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments was 10.19%.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2017, 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	\$ 65,761	\$ 152,966
Net difference between projected and actual earnings on pension plan investments	592,516	-
Total	<u>\$ 658,277</u>	<u>\$ 152,966</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:

2018	\$ 254,302
2019	254,304
2020	117,174
2021	(62,292)
2022	(8,721)
Thereafter	(49,456)

Fair value measurements

Professional standards provide a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical asset or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The City's pension trust fund investments measured at fair value on a recurring basis are classified according to the following hierarchy:

Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 – These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities that are not active, or other than quoted prices that are not observable.

Level 3 – Inputs are observable and significant to the fair value measurement.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

NOTE H - PENSION PLAN (Continued)

All of the City's pension trust investments at June 30, 2017, are classified as Level 1 investments.

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.

Components of the Net Pension Liability as of October 1, 2016:

Total pension liability	\$ 21,268,597
Plan fiduciary net position	<u>17,929,776</u>
Net pension liability	<u>\$ 3,338,821</u>
Net position as percentage of the total pension liability	84.30%

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

Net pension liability with a 1% decrease in discount rate: 6.00%	\$ 5,961,238
Net pension liability at current discount rate: 7.00%	3,338,821
Net pension liability with a 1% increase in discount rate: 8.00%	1,004,411

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

NOTE H - PENSION PLAN (Continued)

Pension Expense:

Service cost	\$ 312,365
Interest on the total pension liability	1,428,966
Differences between expected and actual experience	29,010
Change of assumptions	-
Employee contributions	(123,430)
Projected earnings on pension plan investments	(1,155,244)
Differences between projected and actual earnings on plan investments	143,363
Pension plan administrative expense	-
Other changes in fiduciary net pension	-
Total pension expense	<u>\$ 635,030</u>

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, 2015	\$(20,539,418)	\$ 16,472,505	\$ (4,066,913)
Changes for the year:			
Service cost	(312,365)	-	(312,365)
Interest cost	(1,428,966)	-	(1,428,966)
Difference between expected and actual experience	136,176	-	136,176
Employer contributions	-	814,504	814,504
Employee contributions	-	123,430	123,430
Net investment income	-	1,395,313	1,395,313
Benefit payments	875,976	(875,976)	-
Administrative expense	-	-	-
Other charges	-	-	-
Net changes	<u>(729,179)</u>	<u>1,457,271</u>	<u>728,092</u>
Balance at October 1, 2016	<u>\$(21,268,597)</u>	<u>\$ 17,929,776</u>	<u>\$ (3,338,821)</u>

Deferred Outflows and Inflows of Resources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 457,903	\$ 113,480
Net difference between projected and actual earnings in pension plan investments	389,463	-
Contributions subsequent to the measurement date of October 1, 2016	<u>512,190</u>	<u>-</u>
	<u>\$ 1,359,556</u>	<u>\$ 113,480</u>

The employer contributions of \$512,190 reported as pension related deferred outflows of resources subsequent to the measurement date of October 1, 2016 will be recognized as a reduction of net position liability in the year ended June 30, 2017.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

NOTE H - PENSION PLAN (Continued)

2018	\$ 172,373
2019	172,373
2020	179,761
2021	(19,004)
2022	29,010
Thereafter	199,373

Target Asset Allocation

<u>Asset Class</u>	<u>Target</u>	<u>Expected Return</u>
Fixed Income	50.00%	3.12%-3.33%
Large Cap	20.00%	6.78%-10.31%
Mid Cap	10.00%	7.57%-12.65%
Small Cap	8.00%	8.59%-15.44%
Real Estate	2.00%	7.63%-12.77%
International Equity	10.00%	7.61%-12.60%
	100.00%	5.19%-7.54%

Plan membership as of October 1, 2016

Inactive plan members or beneficiaries currently receiving benefits	47
Inactive members entitled but not yet receiving benefits	11
Active plan members	<u>76</u>
Total	<u>134</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
2016	\$ 561,286	\$ 814,504

Actuarial Assumptions

Measurement date	October 1, 2016
Discount rate	7.00%
Cost Method	Individual Entry Age Normal
Mortality	RP-2000 Fully Generational with Scale AA
Incidence of Disability	None
Termination	Males: Termination Table T-5 from Actuary's Handbook Females: Termination Table T-5 from the 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	It is assumed that 80% of participants are married and that a male is 3 years older than his female spouse
Cost of living increase	N/A
Date of participation freeze	N/A

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

NOTE H - PENSION PLAN (Continued)

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.

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 \$4,250 were made during the year ended June 30, 2017. 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, 2017, the City contributed \$20,146 to fund premiums for retirees receiving benefits.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

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	\$ 29,654	\$ 166,166
Interest on net OPEB obligation	5,038	22,782
Amortization of net OPEB obligation	<u>(5,720)</u>	<u>(38,743)</u>
Annual OPEB cost (expense)	28,972	150,205
Contributions made	<u>(6,250)</u>	<u>(20,146)</u>
Increase in net OPEB obligation	22,722	130,059
Net OPEB obligation, beginning of year	<u>111,951</u>	<u>759,375</u>
Net OPEB obligation, end of year	<u>\$ 134,673</u>	<u>\$ 889,434</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, 2017	\$ 150,205	13.41%	\$ 889,434
June 30, 2016	150,809	19.07	759,375
June 30, 2015	129,878	14.30	637,325

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, 2017	\$ 28,972	21.6%	\$ 134,673
June 30, 2016	27,015	21.8	111,951
June 30, 2015	25,453	14.3	90,816

As of the most recent actuarial valuation dates, 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, 2017

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, 2017, as well as actuarial methods and assumptions for both plans, was as follows:

	<u>Systems</u>	<u>General Government</u>
Actuarial valuation date	7/01/2016	7/01/2015
UAAL	\$ 266,717	\$ 1,177,033
Covered payroll	\$ 4,160,639	\$ 6,535,261
Ratio of UAAL to covered payroll	6.41%	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 the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE J - 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, 2017, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2017, the government received \$58,742 from the State of Tennessee for this shared revenue.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

NOTE K - 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, 2017, 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 L - 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, 2017. Complete financial statements of the Library can be obtained at 220 South Jefferson Street, Shelbyville, Tennessee 37160.

Summary financial information as of June 30, 2017, of this organization is shown below.

	Shelbyville- Bedford County <u>Public Library</u>
Total assets and deferred outflows	\$ 2,937,421
Total liabilities and deferred inflows	<u>30,965</u>
Net position	<u>\$ 2,968,386</u>
Revenues	\$ 347,412
Expenditures	<u>390,624</u>
Increase (decrease) in net position	<u>\$ (43,212)</u>

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, 2017, 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.

The Bedford Railroad Authority was not required to be audited for the fiscal year ended June 30, 2017. Thus, financial information is not available. The Authority has experienced financial stress in recent years as their primary source of income, grants from the State of Tennessee, have been discontinued pending a lawsuit. In the event this funding does not resume, the City is under no requirement to fund the Authority.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

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 \$216,006. Employer contributions, as well as the expense recognized in the statement of activities, totaled \$225,950. 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 \$6,556 and employee contributions totaled \$18,501 for the year ended June 30, 2017.

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, 2017.

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, 2017, \$26,811, is included in the Police Drug fund as seized money held for disposition.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

NOTE P - RESTRICTED NET POSITION

Net position of governmental activities restricted by enabling legislation to specific purposes include \$244,764 in limited purpose state gasoline and motor fuel taxes and \$14,772 in fines and forfeitures from drug related offenses.

NOTE Q - INTERFUND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2017, is as follows:

<u>Transfers in:</u>	<u>Transfers out:</u>				
	Power fund	Sewer fund	Water fund	General fund	Nonmajor governmental funds
General fund	\$ 705,452	\$ 36,000	\$ 36,000	\$ -	\$ 639,672
Capital projects fund	-	-	-	820,240	-
Industrial fund	-	-	-	30,000	-
State road projects fund	-	-	-	486,665	-
Debt service fund	-	-	-	478,542	-

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, 2017.

NOTE R - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2017, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Power system	State street aid	\$ 24,689
Power system	General	41,433
Water system	Power system	1,512
Total		<u>\$ 67,634</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.

NOTE S - BUDGET RESERVE

As of June 30, 2017, the council had identified \$306,834 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

NOTE T - RESTATEMENT OF FUND BALANCE

Certain assets previously classified as general fund assets were classified as of July 1, 2016 as the governmental fund types of special revenue funds and debt service funds. This classification was made to accurately reflect how these assets had been treated for internal recordkeeping of the general government, including budgeting. The corrections had no effect on the net change in fund balances for the year ending June 30, 2016.

A summary of these corrections follows:

	<u>As previously reported</u>	<u>As restated</u>	<u>Effect of change</u>
General fund balance as of June 30, 2016	\$ 8,946,906	\$ 8,072,718	\$ (874,188)
State road projects fund as of June 30, 2016	-	578,714	578,714
Debt service fund as of June 30, 2016	-	295,474	295,474
	<u>\$ 8,946,906</u>	<u>\$ 8,946,906</u>	<u>\$ -</u>

NOTE U - 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 amounts of settlements have not exceeded insurance coverage for any of the past three fiscal years.

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

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, 2017

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, 2016	\$ -	\$ 266,717	\$ 266,717	0.0%	\$ 4,160,639	6.41%
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

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 -
RETIREMENT PLAN FOR FULL-TIME EMPLOYEES OF THE CITY OF SHELBYVILLE, TENNESSEE

	6/30/15	6/30/16	6/30/17
TOTAL PENSION LIABILITY			
Service cost	\$ 116,663	\$ 113,459	\$ 103,780
Interest	935,284	963,296	996,777
Changes in benefit terms	-	-	-
Differences between actual & expected experience	-	78,913	(168,263)
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(667,050)	(707,532)	(720,433)
Net change in total pension liability	384,897	448,136	211,861
Total pension liability-beginning	12,285,040	12,669,937	13,118,073
Total pension liability-ending (a)	<u>\$ 12,669,937</u>	<u>\$ 13,118,073</u>	<u>\$ 13,329,934</u>
 PLAN FIDUCIARY NET POSITION			
Contributions-employer	\$ 873,492	\$ 924,248	\$ 924,248
Contributions-employee	-	-	-
Net investment income	70,425	(137,687)	1,031,926
Benefit payments, including refunds of employee contributions	(667,050)	(707,532)	(720,433)
Administrative expense	(23,841)	(23,568)	(26,284)
Net change in plan fiduciary net position	253,026	55,461	1,209,457
Plan fiduciary net position-beginning	9,461,622	9,714,648	9,770,109
Plan fiduciary net position-ending (b)	<u>\$ 9,714,648</u>	<u>\$ 9,770,109</u>	<u>\$ 10,979,566</u>
 Net pension liability (asset)-ending (a) - (b)	<u>\$ 2,955,289</u>	<u>\$ 3,347,964</u>	<u>\$ 2,350,368</u>
 Plan fiduciary net position as a percentage of total pension liability	76.67%	74.48%	82.37%
 Covered payroll	\$ 2,936,205	\$ 2,945,356	\$ 2,789,904
 Net pension liability (asset) as a percentage of covered payroll	100.65%	113.67%	84.25%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.
Years will be 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 - RETIREMENT PLAN FOR
FULL-TIME EMPLOYEES OF THE CITY OF SHELBYVILLE, TENNESSEE

	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/17</u>
Actuarially determined contribution	\$ 733,133	\$ 737,049	\$ 843,286
Contributions in relation to the actuarially determined contribution	873,492	924,248	924,248
Contribution deficiency (excess)	<u>\$ (140,359)</u>	<u>\$ (187,199)</u>	<u>\$ (80,962)</u>
Covered payroll	\$ 2,936,205	\$ 2,945,356	\$ 2,789,904
Contributions as a percentage of covered payroll	29.75%	31.38%	33.13%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be 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 2017 were calculated based on the January 1, 2017, 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 2 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

CITY OF SHELBYVILLE, TENNESSEE

SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN ON PENSION PLAN INVESTMENTS

RETIREMENT PLAN FOR FULL-TIME EMPLOYEES OF THE CITY OF SHELBYVILLE, TN

	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/17</u>
Money-weighted rate of return	0.49%	-1.64%	10.19%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.
Years will be 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 CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	6/30/15	6/30/16	6/30/17
TOTAL PENSION LIABILITY			
Service cost	\$ 296,322	\$ 302,964	\$ 312,365
Interest	1,268,528	1,334,919	1,428,966
Changes in benefit terms	-	-	-
Differences between actual and expected experience	81,928	486,834	(136,176)
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(704,730)	(705,221)	(875,976)
Net change in total pension liability	942,048	1,419,496	729,179
Total pension liability-beginning	18,177,875	19,119,923	20,539,418
Total pension liability-ending (a)	<u>\$ 19,119,923</u>	<u>\$ 20,539,419</u>	<u>\$ 21,268,597</u>
 PLAN FIDUCIARY NET POSITION			
Contributions-employer	\$ 112,301	\$ 126,871	\$ 123,430
Contributions-employee	880,296	953,654	814,504
Net investment income	1,069,308	136,558	1,395,313
Benefit payments, including refunds of employee contributions	(704,730)	(705,221)	(875,976)
Administrative expense	(1,249)	(70)	-
Net change in plan fiduciary net position	1,355,926	511,792	1,457,271
Plan fiduciary net position-beginning	14,604,787	15,960,713	16,472,505
Plan fiduciary net position-ending (b)	<u>\$ 15,960,713</u>	<u>\$ 16,472,505</u>	<u>\$ 17,929,776</u>
 Net pension liability (asset)-ending (a) - (b)	<u>\$ 3,159,210</u>	<u>\$ 4,066,914</u>	<u>\$ 3,338,821</u>
 Plan fiduciary net position as a percentage of total pension liability	83.48%	80.20%	84.30%
 Covered employee payroll	\$ 3,913,791	\$ 4,155,447	\$ 4,172,790
 Net pension liability (asset) as a percentage of covered employee payroll	80.72%	97.87%	80.01%

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 - PENSION PLAN**

	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/17</u>
Actuarially determined contribution	\$ 646,112	\$ 543,280	\$ 561,286
Contributions in relation to the actuarially determined contribution	880,296	953,654	814,504
Contribution deficiency (excess)	<u>\$ (234,184)</u>	<u>\$ (410,374)</u>	<u>\$ (253,218)</u>
Covered-employee payroll	\$ 3,913,791	\$ 4,155,447	\$ 4,172,790
Contributions as a percentage of covered-employee payroll	22.49%	22.95%	19.52%

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
CITY OF SHELBYVILLE, TENNESSEE**

June 30, 2017

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

Hotel/ Motel Fund

Police Drug Fund

Police Equipment Fund

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of both major and routine capital facilities other than those financed by proprietary funds.

Capital Fund

Greenway Fund

Industrial Fund

State Road Projects Fund

Debt Service Fund

The debt service fund is used to account for the receipt of special assessments and the associated repayment of debt.

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CITY OF SHELBYVILLE, TENNESSEE

For the year ended June 30, 2017

	Special Revenue Funds				Capital Projects Funds					Total Nonmajor Governmental Funds
	State Street Aid	Hotel/Motel	Police Drug	Police Equipment	Capital	Greenway	Industrial	State Road Projects	Debt Service Fund	
Assets:										
Cash in bank	\$ 175,453	\$ 18,401	\$ 41,630	\$ 47,748	\$ 968,473	\$ 30,000	\$ 584,809	\$ 718,537	\$ 145,057	\$ 2,730,108
Intergovernmental receivable	94,000	-	-	-	142,687	-	84,783	333,121	-	654,591
Other assets	-	-	-	-	-	-	-	-	-	-
Taxes receivable	-	17,442	-	-	-	-	-	-	-	17,442
Total assets	<u>\$ 269,453</u>	<u>\$ 35,843</u>	<u>\$ 41,630</u>	<u>\$ 47,748</u>	<u>\$ 1,111,160</u>	<u>\$ 30,000</u>	<u>\$ 669,592</u>	<u>\$ 1,051,658</u>	<u>\$ 145,057</u>	<u>\$ 3,402,141</u>
Liabilities:										
Accounts payable	\$ -	\$ 35,843	\$ 47	\$ -	\$ 159,090	\$ -	\$ 259,507	\$ 181,702	\$ -	\$ 636,189
Funds held in trust	-	-	26,811	-	-	-	-	-	-	26,811
Intergovernmental payable	-	-	-	-	-	-	206,803	-	-	206,803
Due to proprietary funds	24,689	-	-	-	-	-	-	-	-	24,689
Total liabilities	<u>24,689</u>	<u>35,843</u>	<u>26,858</u>	<u>-</u>	<u>159,090</u>	<u>-</u>	<u>466,310</u>	<u>181,702</u>	<u>-</u>	<u>894,492</u>
Fund balances:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted										
Highways and streets	244,764	-	-	-	-	-	-	869,956	-	1,114,720
Public safety	-	-	14,772	47,748	-	-	-	-	-	62,520
Committed	-	-	-	-	-	-	-	-	145,057	145,057
Assigned										
Public recreation	-	-	-	-	-	30,000	-	-	-	30,000
Debt service	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	952,070	-	203,282	-	-	1,155,352
Total fund balances	<u>244,764</u>	<u>-</u>	<u>14,772</u>	<u>47,748</u>	<u>952,070</u>	<u>30,000</u>	<u>203,282</u>	<u>869,956</u>	<u>145,057</u>	<u>2,507,649</u>
Total liabilities and fund balances	<u>\$ 269,453</u>	<u>\$ 35,843</u>	<u>\$ 41,630</u>	<u>\$ 47,748</u>	<u>\$ 1,111,160</u>	<u>\$ 30,000</u>	<u>\$ 669,592</u>	<u>\$ 1,051,658</u>	<u>\$ 145,057</u>	<u>\$ 3,402,141</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CITY OF SHELBYVILLE, TENNESSEE
For the year ended June 30, 2017

	Special Revenue Funds				Capital Projects Funds					Total Nonmajor Governmental Funds
	State Street Aid	Hotel/Motel	Police Drug	Police Equipment	Capital	Greenway	Industrial	State Road Projects	Debt Service Fund	
Revenues:										
Intergovernmental	\$ 568,227	\$ -	\$ -	\$ -	\$ 1,659,777	\$ -	\$ 133,358	\$ 333,121	\$ -	\$ 2,694,483
Taxes	-	215,382	-	-	-	-	-	-	-	215,382
Investment earnings	464	-	40	-	1,595	-	970	-	-	3,069
Fines and forfeitures	-	-	7,400	24,979	-	-	-	-	-	32,379
Miscellaneous	-	-	-	-	-	-	1	-	-	1
Total revenues	<u>568,691</u>	<u>215,382</u>	<u>7,440</u>	<u>24,979</u>	<u>1,661,372</u>	<u>-</u>	<u>134,329</u>	<u>333,121</u>	<u>-</u>	<u>2,945,314</u>
Expenditures:										
General government	-	-	-	-	145,383	-	-	-	-	145,383
Parks and recreation	-	-	-	-	44,503	-	-	-	-	44,503
Public safety	-	-	16,317	4,712	215,491	-	-	-	-	236,520
Public works	594,289	-	-	-	168,384	-	-	528,544	-	1,291,217
Cemetery	-	-	-	-	30,234	-	-	-	-	30,234
Airport	-	-	-	-	1,665,058	-	-	-	-	1,665,058
Industrial development	-	215,382	-	-	-	-	262,265	-	-	477,647
Total expenditures	<u>594,289</u>	<u>215,382</u>	<u>16,317</u>	<u>4,712</u>	<u>2,269,053</u>	<u>-</u>	<u>262,265</u>	<u>528,544</u>	<u>-</u>	<u>3,890,562</u>
Excess of revenues over (under) expenditures	(25,598)	-	(8,877)	20,267	(607,681)	-	(127,936)	(195,423)	-	(945,248)
Other financing sources (uses):										
Insurance recoveries	-	-	-	-	68,300	-	-	-	-	68,300
Transfers in - general fund	-	-	-	-	820,240	-	30,000	486,665	478,542	1,815,447
Transfers out - general fund	-	-	-	-	(10,713)	-	-	-	(628,959)	(639,672)
Net change in fund balances	(25,598)	-	(8,877)	20,267	270,146	-	(97,936)	291,242	(150,417)	298,827
Fund balances - July 1, 2016, as restated	270,362	-	23,649	27,481	681,924	30,000	301,218	578,714	295,474	2,208,822
Fund balances - June 30, 2017	<u>\$ 244,764</u>	<u>\$ -</u>	<u>\$ 14,772</u>	<u>\$ 47,748</u>	<u>\$ 952,070</u>	<u>\$ 30,000</u>	<u>\$ 203,282</u>	<u>\$ 869,956</u>	<u>\$ 145,057</u>	<u>\$ 2,507,649</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, 2017

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Apportionment of gasoline tax from State of Tennessee	\$ 569,324	\$ 569,324	\$ 568,227	\$ (1,097)
Interest income	200	200	464	264
	<u>569,524</u>	<u>569,524</u>	<u>568,691</u>	<u>(833)</u>
Expenditures:				
Street lighting	302,671	302,671	292,308	10,363
Special road projects	60,000	60,000	60,000	-
Street maintenance-paving	160,000	160,000	158,154	1,846
Street marking and lining	15,000	15,000	15,767	(767)
Salt expense	12,000	12,000	11,417	583
Other equipment	71,507	71,507	20,624	50,883
Capital outlay	-	-	36,019	(36,019)
	<u>621,178</u>	<u>621,178</u>	<u>594,289</u>	<u>26,889</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (51,654)</u>	<u>\$ (51,654)</u>	(25,598)	<u>\$ 26,056</u>
Fund balance - July 1, 2016			<u>270,362</u>	
Fund balance - June 30, 2017			<u>\$ 244,764</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, 2017

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Taxes	\$ 169,367	\$ 169,367	\$ 215,382	\$ 46,015
Interest income	-	-	-	-
	<u>169,367</u>	<u>169,367</u>	<u>215,382</u>	<u>46,015</u>
Expenditures:				
Payments to Chamber of Commerce	165,768	165,768	210,805	(45,037)
Accounting services	3,599	3,599	4,577	(978)
TOTAL EXPENDITURES	<u>169,367</u>	<u>169,367</u>	<u>215,382</u>	<u>(46,015)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - July 1, 2016			-	
Fund balance - June 30, 2017			<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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Court fines	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Forfeitures	1,200	1,200	7,400	6,200
Interest income	-	-	40	40
TOTAL REVENUES	<u>3,200</u>	<u>3,200</u>	<u>7,440</u>	<u>4,240</u>
Expenditures:				
Drug dog expense	2,040	2,040	792	1,248
Employee education and training	100	100	-	100
Capital outlay	-	15,500	15,525	(25)
TOTAL EXPENDITURES	<u>2,140</u>	<u>17,640</u>	<u>16,317</u>	<u>1,323</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,060	(14,440)	(8,877)	5,563
Other financing sources:				
Sales of capital assets	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ 1,060</u>	<u>\$ (14,440)</u>	<u>(8,877)</u>	<u>\$ 5,563</u>
Fund balance - July 1, 2016			23,649	
Fund balance - June 30, 2017			<u>\$ 14,772</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Court fines	\$ 1,200	\$ 1,200	\$ 24,979	\$ 23,779
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>1,200</u>	<u>1,200</u>	<u>24,979</u>	<u>23,779</u>
Expenditures:				
Other equipment	15,450	19,141	1,021	18,120
Capital outlay	-	-	3,691	(3,691)
TOTAL EXPENDITURES	<u>15,450</u>	<u>19,141</u>	<u>4,712</u>	<u>14,429</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,250)	(17,941)	20,267	38,208
Other financing sources (uses):				
Insurance recoveries	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (14,250)</u>	<u>\$ (17,941)</u>	<u>20,267</u>	<u>\$ 38,208</u>
Fund balance - July 1, 2016			<u>27,481</u>	
Fund balance - June 30, 2017			<u>\$ 47,748</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, 2017

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 112,182	\$ 173,953	\$ 1,659,777	\$ 1,485,824
Investment earnings	1,000	1,000	1,595	595
TOTAL REVENUES	<u>113,182</u>	<u>174,953</u>	<u>1,661,372</u>	<u>1,486,419</u>
Expenditures:				
Capital outlay - general government	232,400	241,400	145,383	96,017
Capital outlay - parks and recreation	404,364	414,867	44,503	370,364
Capital outlay - public safety	205,831	220,672	215,491	5,181
Capital outlay - public works	165,000	172,709	168,384	4,325
Capital outlay - cemetery	32,623	32,623	30,234	2,389
Capital outlay - airport	73,500	139,335	1,665,058	(1,525,723)
TOTAL EXPENDITURES	<u>1,113,718</u>	<u>1,221,606</u>	<u>2,269,053</u>	<u>(1,047,447)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,000,536)	#####	(607,681)	438,972
Other financing sources (uses):				
Transfers in - general fund	740,000	775,614	820,240	44,626
Transfers out - general fund	(10,713)	(10,713)	(10,713)	-
Insurance recoveries	-	-	68,300	68,300
TOTAL OTHER FINANCING SOURCES (USES)	<u>729,287</u>	<u>764,901</u>	<u>877,827</u>	<u>112,926</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (271,249)</u></u>	<u><u>\$ (281,752)</u></u>	<u>270,146</u>	<u><u>\$ 551,898</u></u>
Fund balance - July 1, 2016			681,924	
Fund balance - June 30, 2017			<u><u>\$ 952,070</u></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, 2017

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Federal grants	\$ -	\$ -	\$ -	\$ -
Allocated donations	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Phase II costs	-	-	-	-
Phase III costs	-	-	-	-
Phase V costs	-	-	-	-
Phase VI costs	-	-	-	-
Other costs	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
Other financing sources:				
Transfers in (out) - general fund	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - July 1, 2016			30,000	
Fund balance - June 30, 2017			<u>\$ 30,000</u>	

**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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 749,144	\$ 749,144	\$ 133,358	\$ (615,786)
Investment earnings	-	-	970	970
Miscellaneous	-	-	1	1
TOTAL REVENUES	<u>749,144</u>	<u>749,144</u>	<u>134,329</u>	<u>(614,815)</u>
Expenditures:				
Capital outlay - land	50,000	50,000	177,847	(127,847)
Capital outlay - land improvements	828,288	828,288	-	828,288
Professional services	120,000	120,000	84,418	35,582
TOTAL EXPENDITURES	<u>998,288</u>	<u>998,288</u>	<u>262,265</u>	<u>736,023</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(249,144)	(249,144)	(127,936)	121,208
Other financing sources (uses):				
Transfers in - general fund	-	-	30,000	30,000
Transfers out - general fund	-	-	-	-
Issuance of capital outlay note	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (249,144)</u></u>	<u><u>\$ (249,144)</u></u>	<u><u>(97,936)</u></u>	<u><u>\$ 151,208</u></u>
 Fund balance - July 1, 2016			<u>301,218</u>	
Fund balance - June 30, 2017			<u><u>\$ 203,282</u></u>	

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

CITY OF SHELBYVILLE, TENNESSEE

For the year ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 1,145,634	\$ 1,145,634	\$ 333,121	\$ (812,513)
TOTAL REVENUES	<u>1,145,634</u>	<u>1,145,634</u>	<u>333,121</u>	<u>(812,513)</u>
Expenditures:				
Road design	59,875	77,200	64,761	12,439
Capital outlay - road construction	1,620,891	1,620,891	416,401	1,204,490
Administration	177,300	189,300	47,382	141,918
TOTAL EXPENDITURES	<u>1,858,066</u>	<u>1,887,391</u>	<u>528,544</u>	<u>1,358,847</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(712,432)	(741,757)	(195,423)	546,334
Other financing sources (uses):				
Transfers in - general fund	186,665	215,990	486,665	270,675
TOTAL OTHER FINANCING SOURCES (USES)	<u>186,665</u>	<u>215,990</u>	<u>486,665</u>	<u>270,675</u>
NET CHANGE IN FUND BALANCE	<u>\$ (525,767)</u>	<u>\$ (525,767)</u>	<u>291,242</u>	<u>\$ 817,009</u>
Fund balance - July 1, 2016, as restated			<u>578,714</u>	
Fund balance - June 30, 2017			<u>\$ 869,956</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
CITY OF SHELBYVILLE, TENNESSEE
For the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
TOTAL REVENUES	\$ -	\$ -	\$ -	\$ -
Expenditures:				
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
Other financing sources (uses):				
Transfers in - general fund	478,542	478,542	478,542	-
Transfers out - general fund	(418,493)	(622,297)	(628,959)	(6,662)
TOTAL OTHER FINANCING SOURCES (USES)	60,049	(143,755)	(150,417)	(6,662)
NET CHANGE IN FUND BALANCE	\$ 60,049	\$ (143,755)	(150,417)	\$ (6,662)
Fund balance - July 1, 2016, as restated			295,474	
Fund balance - June 30, 2017			\$ 145,057	

SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR - GENERAL GOVERNMENT
CITY OF SHELBYVILLE, TENNESSEE
For the year ended June 30, 2017

Fiscal Year Ending June 30,	(Street Sweeper)		(Ameresco)		(Flume #1)		(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			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2018	\$ 23,975	\$ 2,748	\$ 121,000	\$ 34,939	\$ 100,000	\$ 6,242	\$ 91,000	\$ 22,902	\$ 55,000	\$ 17,050	390,975	83,881
2019	24,635	2,089	128,000	31,628	102,000	4,202	94,000	20,460	55,000	15,675	403,635	74,054
2020	25,312	1,411	136,000	28,117	104,000	2,122	96,000	17,952	55,000	14,300	416,312	63,902
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	-	-	-	-	-	-	-	-	-	-	-	-
	\$ 99,932	\$ 6,962	\$ 1,374,000	\$ 177,796	\$ 306,000	\$ 12,566	\$ 913,000	\$ 112,582	\$ 550,000	\$ 100,375	\$ 3,242,932	\$ 410,281

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, 2017

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
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	262,347	2,429	1,045,632	143,028	95,000	60,863	235,000	18,357	1,637,979	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>\$ 2,438,103</u>	<u>\$ 214,877</u>	<u>\$ 17,131,695</u>	<u>\$ 2,679,278</u>	<u>\$ 2,115,000</u>	<u>\$ 1,120,124</u>	<u>\$ 2,585,000</u>	<u>\$ 448,870</u>	<u>\$ 24,269,798</u>	<u>\$ 4,463,149</u>

UNCOLLECTED DELINQUENT TAXES FILED IN ACCORDANCE WITH APPLICABLE LAWS

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2017

During the year ended June 30, 2017, the government turned over \$104,426 of 2015 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, 2017

POWER SYSTEM:

RESIDENTIAL RATES

Customer charge	\$ 15.61
Energy charge	\$ 0.09331 per KWH
First 1,000 KWH per month	\$ 108.92

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	\$ 20.77
Usage exceeds 500KWRHS	\$ 27.77
Energy charge	\$ 0.10311 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	\$106.20
Demand charge:	
First 50 kilowatt hours per month	\$ 2.00 per KW
Over 50 kilowatt hours per month	\$ 13.73 per KW
Energy charge:	
First 15,000 kilowatt hours per month	\$ 0.10319 per KWH
Over 15,000 kilowatt hours per month	\$ 0.06186 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	\$363.67
Demand charge:	
First 1,000 kilowatt hours per month	\$ 12.53 per KW
Over 1,000 kilowatt hours per month	\$ 12.64 per KW
Energy charge – all KWH	\$ 0.06771 per KWHR

UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS (Continued)**CITY OF SHELBYVILLE, TENNESSEE****Year ended June 30, 2017**

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	\$363.67
Demand charge:	
First 1,000 kilowatt hours per month	\$ 11.15 per KW
Over 1,000 kilowatt hours per month	\$ 11.01 per KW
Energy charge – all KWH	\$ 0.05695 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	\$ 9.74 per KW
All KW Off-Peak	\$ 2.16 per KW
Energy charge	
First 425 KWH/KW On-Peak (all KWH)	\$ 0.07412 per KWH
First 425 KWH/KW Off-Peak (first 200 hours)	\$ 0.05034 per KWH
(example 425 * KW compared to measured KWH)	
Next 200 KWH Off-Peak	\$ 0.02209
Additional KWH Off-Peak	\$ 0.01966
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	\$ 7.39
400 watt mercury vapor (Flood or Cobra head)	\$ 14.41
200 watt high pressure sodium	\$ 10.09
250 watt high pressure sodium	\$ 12.15
100 watt high pressure sodium	\$ 6.93

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, 2017

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 2017:

Power System	10,219
Water System	9,099
Sewerage System	8,261



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: **2017** **7/2016 - 6/2017**

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

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

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

WATER SUPPLIED

Volume from own sources: 9 1,450.308 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: **1,421.871** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: 9 1,113.008 MG/Yr
Billed unmetered: n/a MG/Yr
Unbilled metered: 7 35.679 MG/Yr
Unbilled unmetered: 7 45.460 MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: **1,194.147** MG/Yr

Click here: for help using option buttons below

Pcnt: Value: 45.460 MG/Yr

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

Pcnt: 0.25% Value: MG/Yr

3.00% Value: MG/Yr
 0.25% Value: MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

227.724 MG/Yr

Apparent Losses

Unauthorized consumption: 3.555 MG/Yr

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

Customer metering inaccuracies: 8 35.526 MG/Yr
Systematic data handling errors: 5 2.783 MG/Yr

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

Apparent Losses: **41.864** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **185.860** MG/Yr

WATER LOSSES: **227.724** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **308.863** 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 9,414
Service connection density: 47 conn./mile main

Are customer meters typically located at the curbside 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 \$4,160.224 \$/Year
Customer retail unit cost (applied to Apparent Losses): 8 \$3.74 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): 10 \$2,868.51 \$/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 Systems**
Reporting Year: **2017** **7/2016 - 6/2017**

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

System Attributes:

Apparent Losses: **41.864** MG/Yr
+ Real Losses: **185.860** MG/Yr
= **Water Losses:** **227.724** MG/Yr

? Unavoidable Annual Real Losses (UARL): **77.45** MG/Yr

Annual cost of Apparent Losses: **\$156,570**

Annual cost of Real Losses: **\$533,141** 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: **21.7%**
Non-revenue water as percent by cost of operating system: **22.2%** Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: **12.18** gallons/connection/day
Real Losses per service connection per day: **54.09** gallons/connection/day
Real Losses per length of main per day*: **N/A**
Real Losses per service connection per day per psi pressure: **0.73** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **185.86** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **2.40**

* 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, 2017**

<u>Tax Year</u>	<u>Balance June 30, 2016</u>	<u>Taxes Levied</u>	<u>Collections</u>	<u>Discoveries and Adjustments</u>	<u>Balance June 30, 2017</u>
2017	\$ -	\$ 7,410,724	\$ -	\$ -	\$ 7,410,724
2016	7,224,375	-	(6,838,762)	8,573	394,186
2015	380,440	-	(192,565)	8,996	196,871
2014	170,863	-	(79,182)	(212)	91,469
2013	49,756	-	(4,373)	-	45,383
2012	42,430	-	(1,713)	-	40,717
2011	58,771	-	(546)	-	58,225
2010	5,465	-	(1,238)	-	4,227
2009	5,126	-	-	-	5,126
2008	4,460	-	-	-	4,460
Previous years	18,619	-	(63)	-	18,556
	<u>\$ 7,960,305</u>	<u>\$ 7,410,724</u>	<u>\$ (7,118,442)</u>	<u>\$ 17,357</u>	<u>8,269,944</u>
Less estimated uncollectible accounts					<u>(29,941)</u>
Net receivable balance June 30, 2017					<u>\$ 8,240,003</u>

NOTE: All uncollected taxes for years prior to 2016 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, 2017

<u>Tax Year</u>	Total Assessed <u>Value</u>	<u>Tax Rate</u>	<u>Levy</u>
2017	\$ 395,859,978	\$ 1.77	\$ 7,006,847
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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2017

Federal Grantor/ Pass-Through Agency	Program/ Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipient	Expenditures
<u>FEDERAL AWARDS</u>					
U.S. Department of Transportation (1)	Airport Improvement Program	20.106	AERO-14-243-00	\$ -	\$ 335,825
U.S. Department of Transportation (1)	Airport Improvement Program	20.106	AERO-16-189-00	-	62,534
U.S. Department of Transportation (1)	Airport Improvement Program	20.106	AERO-16-190-00	-	37,262
	<i>Total Program 20.106</i>			-	435,621
U.S. Department of Transportation (1)	National Priority Safety Programs	20.616	Z16GHS321	-	1,250
U.S. Department of the Interior (4)	Historic Preservation Fund Grants-In-Aid	15.904	32701-02682	-	673
U.S. Department of Transportation (3)	State and Community Highway Safety	20.600	Z17THS067	-	12,766
U.S. Department of Justice (2)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-MU-BX-0442	-	14,790
U.S. Department of Transportation (1)	Highway Planning and Construction	20.205	TAP-9314	-	333,121
	TOTAL FEDERAL AWARDS			-	798,221
<u>STATE FINANCIAL ASSISTANCE</u>					
TN Department of Transportation		N/A	AERM-17-158-00	-	14,300
TN Department of Transportation		N/A	CMA-1733	-	84,092
TN Department of Transportation		N/A	AERO-14-243-00	-	995,375
TN Department of Transportation		N/A	AERO-14-249-00	-	97,277
TN Department of Transportation		N/A	AERO-16-189-00	-	3,474
TN Department of Transportation		N/A	AERO-16-190-00	-	2,070
TN Dept. of Economic and Community Dev.		N/A	33007-68517	-	7,697
TN Department of Health		N/A	34339-16917	-	600
TN Dept. of Economic and Community Dev.		N/A	33006-63217	-	133,358
	TOTAL STATE FINANCIAL ASSISTANCE			-	1,338,243
	TOTAL FEDERAL AND STATE AWARDS			\$ -	\$ 2,136,464

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, 2017. The schedule is presented using the modified accrual basis of accounting.

Note 2: Indirect Cost Rate: The City of Shelbyville did not elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(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.

(3) - Federal funds passed through the State of Tennessee, Department of Safety and Homeland Security.

(4) - Federal funds passed through the State of Tennessee, Department of Environment and Conservation.

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

To the Honorable Mayor and 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 the City of Shelbyville, Tennessee, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Shelbyville, Tennessee's basic financial statements and have issued our report thereon dated February 21, 2018. 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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. It is identified as finding 2017-002.

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 and questioned costs as item 2017-002.

City of Shelbyville, Tennessee's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Winnett Associates, PLLC

February 21, 2018

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

To the City Council
City of Shelbyville, Tennessee

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Winnett Associates, PLLC

February 21, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified: _____yes x no

Significant deficiencies identified that are
not considered to be material weaknesses? x yes _____no

Noncompliance material to financial statements noted? x yes _____no

Federal Awards

Internal control over major programs:

Material weaknesses identified: _____yes x no

Significant deficiencies identified that are
not considered to be material weaknesses? _____yes x none reported

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

Any audit findings disclosed under the Uniform Guidance _____yes x no

Identification of major program:

CFDA Number
20.205

Name of Federal Program
U.S. Department of Transportation
Highway Planning and Construction

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

Auditee qualified as low-risk auditee? _____yes x no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2017-001

Criteria: Generally accepted accounting principles for governments requires capital assets be recorded in governmental or business-type activities columns in the government-wide financial statements.

Cause and Condition: Lack of priority is being given to reconciling capital purchases recorded in general ledger accounts to capital asset additions. As a result, capital purchases recorded in the general ledger accounts of the general government are not being reconciled to capital asset additions.

Effect: The capital asset records are at risk of being incomplete. Entries were necessary as a result of the audit to accurately record capital assets.

Recommendation: We recommend the balances in general ledger capital outlay accounts be reconciled against capital asset additions on a monthly basis.

Management Response –Corrective Action Plan:

Person responsible: City Treasurer

Action plan:

- a. The current capital asset procedures have been updated to allow for a more even work flow which will provide timelier recording of the City's capital assets.
- b. Contact has been made with our local software supplier to inquire about adding an additional software that will allow for more accurate recording of our assets.

Completion Timing:

- c. Point (a) is being implemented now and bullet point (b)'s initial meeting with our software company to discuss options and a demo occurred on February 16th, 2018. Implementation of a new software is a goal to put into place during the first quarter of FY2019. However, this office will seek additional training on capital assets before the end of FY2017.

Finding 2017-002:

Criteria: *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.

Cause and Condition: In recent years the final budget amendment has been passed as a separate ordinance, apart from the following year's budget. For final amendments to the fiscal year 2017 budget, the intent was to include the final amendments with the original fiscal year 2018 budget. However, the ordinance reflected only the fiscal year 2018 original budget.

Effect: The total expenditures for the year ended June 30, 2017, exceeded their corresponding budgeted amounts for the general government administration department as well as the hotel/ motel special revenue fund and the capital fund capital projects fund.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2017

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

Management Response –Corrective Action Plan:

Person responsible: City Treasurer and City Recorder

Action Plan:

- a. The ordinance that was used as the final budget amendment for fiscal year 2017 will be revised in the wording and caption to include the necessary language needed to clarify the amendments being made to the current year as well as the adoption of the new budget year. Also, continued attention will be made to estimating year end estimates for all accounts.

Completion Timing:

- a. Estimates projections are continuous until the second and final reading of the budget ordinance as presented to council.
- b. The final budget ordinance will be updated immediately and reviewed for the usage during the budget process as required prior to July 1st.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CITY OF SHELBYVILLE

For the Fiscal Year Ended June 30, 2017

Financial Statement Findings

Finding Number	Finding Title	Status
2016-001	Reconciling general ledger balances (original finding # 2016-001)	Corrected
2016-002	Transfers (original finding # 2016-002)	Corrected
2016-003	Spending above amounts appropriated (original finding # 2015-003)	Repeated

Federal Award Findings and Questioned Costs

Not applicable