

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

**CITY OF SHELBYVILLE, TENNESSEE**

June 30, 2018

**WINNETT**  
*Associates, PLLC*

Certified Public Accountants and Consultants

## **INTRODUCTORY SECTION**

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**OFFICIALS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**JUNE 30, 2018**

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    - Shanna Boyette

City Recorder    - Vacant \*

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

\* Subsequent to June 30, 2018, Lisa Smith was appointed as City Recorder.

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Councilmembers  
City of Shelbyville, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shelbyville, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Shelbyville, Tennessee's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Shelbyville Power, Water and Sewerage Systems, which are both major funds and 100 percent of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Shelbyville Power, Water and Sewerage Systems, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shelbyville, Tennessee, as of June 30, 2018, 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.

## ***Change in Accounting Principle***

As described in Note T to the financial statements, in 2018 the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## ***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 pension and other postemployment benefit information on pages 63 through 69, 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 15, 2019, 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.

*Winnett Associates, PLLC*

February 15, 2019

**CITY OF SHELBYVILLE, TENNESSEE**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Year ended June 30, 2018**

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, 2018. Management’s Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

This report consists of management’s presentations concerning the finances of the City of Shelbyville. Consequently, management assumes full responsibility for the completeness and reliability for all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Shelbyville has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Shelbyville’s financial statements in conformity with GAAP. Because the cost of internal controls should outweigh their benefits, the City of Shelbyville’s comprehensive framework of internal controls has been designed 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 (the Systems) are composed of three separate divisions that are financially accounted for on a separate basis. All divisions are reportable to the General Manager of the Systems. 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 \$69,978 which was driven by a property tax gain 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 2018 by \$46,230,989 which is an increase of \$4,662,652 from the prior year.

- Governmental activities total expenses increased by \$652,299 for 2018. The increase in spending is mainly the result of flume repairs and public safety expenses related to the October 2017 Rally.
- The assets and deferred outflows of resources of the City's business-type activities exceeded their liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$84,515,993. Of this amount, \$32,131,953 may be used to meet the City's business-type activities' ongoing obligations to suppliers and creditors.
- The City's business-type activities' total net position increased by \$2,513,160.

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 assets of the power system increased from \$43,125,203 in the fiscal year ending June 30, 2017 to \$44,428,584 for the fiscal year ending June 30, 2018, an increase of 3.02%. Current assets increased from \$25,220,775 to \$26,412,630. Plant, net of accumulated depreciation, increased from \$17,658,765 to \$17,852,176. Other assets decreased from \$245,663 to \$163,778. Total power system liabilities decreased from \$6,6435,581 to \$6,271,285. Current liabilities decreased from \$4,398,278 to \$4,374,116 while long-term liabilities decreased from \$2,245,303 to \$1,897,169. Deferred outflows of resources decreased from \$734,160 to \$588,952 while deferred inflows of resources increased from \$61,279 to \$167,940.

Income before capital contributions decreased from \$2,253,493 in fiscal year ending 2017 to \$2,176,425 in fiscal year ending 2018, a 3.42% decrease. Total operating revenue increased from \$35,008,665 to \$35,217,415. This is a function of weather and unbilled revenue. Operational and maintenance expenses increased from \$3,655,786 in 2017 to \$3,912,490 in 2018 and other expenses increased from \$3,350 to \$3,354. Interest expense on customer deposits increased from \$5,735 to \$6,208.

#### *Water System*

Total water system assets increased from \$23,710,809 to \$27,314,770, a 15.20% increase. Current assets increased from \$6,777,805 to \$7,538,349. Plant, net of accumulated depreciation, increased from \$15,921,728 to \$18,670,974. Deferred outflow of resources decreased from \$476,597 to \$403,266. Total liabilities increased from \$3,910,759 to \$4,820,297. Long-term liabilities increased from \$3,235,967 to \$4,222,155. Deferred inflows of resources increased from \$23,831 to \$80,645.

Income before capital contributions decreased from \$330,649 in fiscal year ending 2017 to \$243,292 in fiscal year ending 2018, a 26.42% decrease. Total operating revenue showed an increase from \$4,518,319 in 2017 to \$4,642,115 in 2018. Operational and maintenance expenses increased from \$3,129,665 to \$3,310,500. Interest expense increased from \$65,430 to \$77,849.

#### *Sewerage System*

Total sewerage system assets decreased from \$44,918,859 to \$44,426,058, a 1.10% decrease. Current assets decreased from \$5,087,314 to \$5,066,383. Plant, net of accumulated depreciation, decreased from \$39,733,479 to \$39,264,398. Deferred outflows of resources decreased from \$339,890 to \$272,664 while deferred inflows of resources increased from \$28,370 to \$108,796. Total liabilities decreased from \$22,726,712 to \$21,469,338. Long-term liabilities decreased from \$21,447,099 to \$20,153,629.

Income before capital contributions decreased from \$607,864 in fiscal year ending 2017 to \$512,166 in fiscal year ending 2018, a 15.74% decrease. Sewer rates are based on water usage and bill at approximately 135% of the water rate. Operational and maintenance expenses showed an increase from \$2,492,468 in 2017 to \$2,625,189. Interest expense decreased from \$448,288 to \$401,595.

Condensed Statement of Activities  
June 30, 2018

	Governmental activities		Business-type activities		Total Primary Government	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,774,404	\$ 1,618,296	\$ 44,713,875	\$ 44,257,050	\$ 46,488,279	\$ 45,875,346
Operating grants	844,540	177,049	-	-	844,540	177,049
Capital grants	1,633,818	2,752,565	275,998	171,373	1,909,816	2,923,938
General revenues:						
Property taxes	7,356,778	7,223,111	-	-	7,356,778	7,223,111
Other taxes	6,148,605	6,085,251	-	-	6,148,605	6,085,251
Other	2,721,299	2,412,991	74,235	75,734	2,795,534	2,488,725
Total revenues	<u>20,479,444</u>	<u>20,269,263</u>	<u>45,064,108</u>	<u>44,504,157</u>	<u>65,543,552</u>	<u>64,773,420</u>
Expenses:						
General government	4,810,515	4,649,051	-	-	4,810,515	4,649,051
Public recreation	1,682,194	1,686,357	-	-	1,682,194	1,686,357
Public safety	5,609,516	5,324,504	-	-	5,609,516	5,324,504
Public works	2,933,636	2,813,455	-	-	2,933,636	2,813,455
Airport	1,013,147	895,945	-	-	1,013,147	895,945
Welfare	226,648	244,924	-	-	226,648	244,924
Industrial development	223,977	216,493	-	-	223,977	216,493
Interest on debt	83,880	100,485	-	-	83,880	100,485
Power	-	-	33,074,790	32,786,271	33,074,790	32,786,271
Water	-	-	4,396,088	4,189,654	4,396,088	4,189,654
Sewerage	-	-	4,313,349	4,092,853	4,313,349	4,092,853
Total expenses	<u>16,583,513</u>	<u>15,931,214</u>	<u>41,784,227</u>	<u>41,068,778</u>	<u>58,367,740</u>	<u>56,999,992</u>
Excess (deficiency) in net position before transfers	3,895,931	4,338,049	3,279,881	3,435,379	7,175,812	7,773,428
Transfers	<u>766,721</u>	<u>777,452</u>	<u>(766,721)</u>	<u>(777,452)</u>	<u>-</u>	<u>-</u>
Change in net position	4,662,652	5,115,501	2,513,160	2,657,927	7,175,812	7,773,428
Implementation of GASB 75	-	-	(173,687)	-	(173,687)	-
Purchase of Flat Creek	-	-	2,265,534	-	2,265,534	-
Net position-beginning	<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>
Net position-ending	<u>\$ 46,230,989</u>	<u>\$ 41,568,337</u>	<u>\$ 84,515,993</u>	<u>\$ 79,910,986</u>	<u>\$ 130,746,982</u>	<u>\$ 121,479,323</u>

Condensed Statement of Net Position  
June 30, 2018

	Governmental activities		Business-type activities		Total Primary Government	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 22,806,152	\$ 21,807,117	\$ 40,381,864	\$ 38,440,899	\$ 63,188,016	\$ 60,180,382
Capital assets	38,440,370	35,844,776	75,787,548	73,313,972	114,227,918	109,158,748
Total assets	<u>61,246,522</u>	<u>57,651,893</u>	<u>116,169,412</u>	<u>111,754,871</u>	<u>177,415,934</u>	<u>169,339,130</u>
Total deferred outflows of resources	<u>468,592</u>	<u>658,277</u>	<u>1,264,882</u>	<u>1,550,647</u>	<u>2,733,474</u>	<u>2,208,924</u>
Long-term liabilities	6,625,038	7,842,938	26,272,953	26,928,369	32,897,991	36,142,919
Other liabilities	1,226,813	1,336,599	6,287,967	6,352,683	7,514,780	6,250,036
Total liabilities	<u>7,851,851</u>	<u>9,179,537</u>	<u>32,560,920</u>	<u>33,281,052</u>	<u>40,412,771</u>	<u>42,392,955</u>
Total deferred inflows of resources	<u>7,632,274</u>	<u>7,562,296</u>	<u>357,381</u>	<u>113,480</u>	<u>7,989,655</u>	<u>7,675,776</u>
Net position:						
Net investment in capital assets	34,665,266	31,647,833	51,546,339	53,460,368	86,211,605	85,108,201
Restricted	382,430	290,284	837,701	825,535	1,220,131	1,115,819
Unrestricted	11,183,293	9,630,220	32,131,953	25,625,083	43,315,246	35,255,303
Total net position	<u>\$ 46,230,989</u>	<u>\$ 41,568,337</u>	<u>\$ 84,515,993</u>	<u>\$ 79,910,986</u>	<u>\$ 130,746,982</u>	<u>\$ 121,479,323</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 are composed of 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 \$17,999,723 which is an increase of \$927,865 from FY 2017. There were several active grants in FY2018. Some of the larger grants that the City participated in included the Airport Runway Safety Area Grading at \$212,670, Staffing for Adequate Fire and Emergency Response \$286,246, Lane Parkway Resurfacing \$425,000+/-, Sidewalk Improvements Phase 2 \$629,177, Skate Park \$104,000, and 231 N. Business Park Site Development \$500,000. 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 \$1,528,508. The City's major income is property taxes, which supplied the City with 41 percent of total general fund revenue. The second major source of revenue was the local sales tax that supplied 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 \$46,230,989. 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 \$793,275 from FY 2017 to FY 2018.

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 items purchased for this year include the following: six Police cars with equipment, a garbage truck and utility tractor/backhoe for the Public Works Department, ADA improvements to the Senior Citizens building, and new bleachers for the Park.

The City's business-type activities' investment in capital assets as of June 30, 2018, amounts to \$75,787,548 (net of accumulated depreciation). Depreciation charges for the year totaled \$3,491,974. The total increase in the City's business-type activities' capital assets for the current fiscal year was \$2,473,576 (3.37%), an increase in capital assets of \$7,757,680 and an increase in depreciation expense of \$5,284,104 for the net change of \$2,473,576.

### The City's Business-Type Activities Capital Assets

(as of June 30,)

	2018	2017
Land and land rights	\$ 812,539	\$ 634,862
Structures and improvements	42,256,760	41,146,022
Distribution plant	78,367,520	73,099,081
Furniture and fixtures	1,235,603	1,222,646
Transportation equipment	3,383,443	3,047,491
Equipment	2,246,021	2,118,163
Construction in process	7,233,081	6,508,821
Less: Accumulated depreciation	(59,747,419)	(54,463,315)
	<u>\$ 75,787,548</u>	<u>\$ 73,313,972</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 \$6,625,038. The City currently has four outstanding capital outlay notes, one promissory note and one lease which make up 46% of this total. The remaining balance includes net pension liability and other obligations.

At the end of the current fiscal year, the City's business-type activities had total outstanding debt for notes, bonds, and other obligations of \$27,239,357, a decrease of \$672,663 (2.41% decrease) from last year.

### The City's Business-Type Activities Outstanding Debt

(as of June 30,)

	2018	2017
Bonds payable	\$ 5,745,000	\$ 4,700,000
Less: deferred loss	-	(4,960)
	<u>5,745,000</u>	<u>4,695,040</u>
Notes payable	18,453,186	19,569,798
Net pension liability	2,709,078	3,338,821
Net OPEB obligation	<u>332,093</u>	<u>308,361</u>
Total outstanding debt	<u>\$ 27,239,357</u>	<u>\$ 27,912,020</u>

Notes, bonds and other obligation debt at fiscal year-end 2018 was \$1,573,598 for the power system, \$4,364,606 for the water system, and \$21,301,153 for the sewer system.

## **General Fund Budget Performance**

For fiscal year 2018, the City budgeted \$16,251,226 in total expenses for the original budget. This budget amount was amended at the end of the fiscal year to \$16,807,954. The City's actual beginning and ending fund balances were \$9,757,318 and \$10,826,213 respectively, which represents a \$1,068,895 increase in fund balance during 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 10,316 (increase of 90 or .89%), Water 9,353 (increase of 254 or 2.79%), and Sewer 8,353 (increase of 92 or 1.11%).

## **Looking to the Future**

The City staff recognizes the importance of responsible financial reporting and the significance of effective internal policies. Therefore, City Administration continues to review, focus, and implement policies to effectively meet this goal. The proposed annual budget is presented and adopted to and by the City Council yearly. In addition, monthly reports and quarterly financial presentations are provided to the Council throughout the year. The City of Shelbyville Administrative Staff most recently updated the City of Shelbyville Personnel Policies and Procedures. In addition, the Capital Improvements Plan for all Departments is updated yearly. The update of the Capital Improvements Plan continues to assist as a budgeting tool and further provides prioritization of the city's most immediate capital needs. We continue to focus on the maintenance and improvements to city assets and infrastructure. The City continues to foster a goal-oriented environment and the Department Directors set and provide annual goals for their respective departments. The City also continues to seek out and pursue grant opportunities to provide funding for capital projects. Upcoming projects for the City include the continued development of the additional H.V. Griffin Park Property, Sidewalk Repairs associated with the Tennessee Alternatives Program Grant Phase 4, Full Depth Runway Construction and Rehabilitation Project with RSA Improvements at the Shelbyville Municipal Airport, various STP Projects, and an update to the Long-Range Comprehensive Plan. The City continues to see a moderate increase in revenues from local sales tax and building permits, both commercial and residential.

## **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, 2018

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,260,263	\$ 31,148,023	\$ 43,408,286
Taxes receivable - net	9,126,961	-	9,126,961
Accounts receivable	26,089	3,947,746	3,973,835
Intergovernmental receivable	1,199,737	-	1,199,737
Unbilled revenue	-	1,139,334	1,139,334
Inventory and other assets	193,102	668,063	861,165
Energy conservation loans	-	163,778	163,778
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	3,242,619	3,242,619
Capital assets:			
Land and construction in progress	7,714,256	8,045,620	15,759,876
Other capital assets, net of accumulated depreciation	30,726,114	67,741,928	98,468,042
TOTAL ASSETS	<u>61,246,522</u>	<u>116,097,111</u>	<u>177,343,633</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	468,592	1,090,652	1,559,244
Deferred amounts from refunding of debt	-	174,230	174,230
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>468,592</u>	<u>1,264,882</u>	<u>1,733,474</u>
<b>LIABILITIES</b>			
Accounts payable	896,230	2,709,047	3,605,277
Accrued expenses and other liabilities	167,610	80,553	248,163
Deposits	63,311	2,041,895	2,105,206
Internal balances	72,301	(72,301)	-
Funds held in trust	27,361	-	27,361
Noncurrent liabilities:			
Due in one year	805,635	1,456,472	2,262,107
Due in more than one year	5,819,403	26,272,953	32,092,356
TOTAL LIABILITIES	<u>7,851,851</u>	<u>32,488,619</u>	<u>40,340,470</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	137,669	311,000	448,669
Deferred amounts from refunding of debt	-	46,381	46,381
Deferred current property taxes	7,494,605	-	7,494,605
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,632,274</u>	<u>357,381</u>	<u>7,989,655</u>
<b>NET POSITION</b>			
Net investment in capital assets	34,665,266	51,546,339	86,211,605
Restricted for:			
Highways and streets	275,989	-	275,989
Drug education and enforcement	71,673	-	71,673
Animal control	347	-	347
Public recreation	4,421	-	4,421
TV station	30,000	-	30,000
Debt service	-	837,701	837,701
Unrestricted	11,183,293	32,131,953	43,315,246
TOTAL NET POSITION	<u>\$ 46,230,989</u>	<u>\$ 84,515,993</u>	<u>\$ 130,746,982</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, 2018**

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	\$ 4,810,515	\$ 417,205	\$ 10,717	\$ 19,935	\$ (4,362,658)	\$ -	\$ (4,362,658)	
Public recreation	1,682,194	366,255	2,050	102,265	(1,211,624)	-	(1,211,624)	
Public safety	5,609,516	424,074	740,482	87,468	(4,357,492)	-	(4,357,492)	
Public works	2,933,636	23,005	80,509	692,527	(2,137,595)	-	(2,137,595)	
Airport	1,013,147	543,865	10,782	364,981	(93,519)	-	(93,519)	
Welfare	226,648	-	-	-	(226,648)	-	(226,648)	
Industrial development	223,977	-	-	366,642	142,665	-	142,665	
Interest on long-term debt	83,880	-	-	-	(83,880)	-	(83,880)	
Total governmental activities	16,583,513	1,774,404	844,540	1,633,818	(12,330,751)	-	(12,330,751)	
Business-type activities								
Power system	33,074,790	35,217,415	-	-	-	2,142,625	2,142,625	
Water system	4,396,088	4,642,115	-	113,348	-	359,375	359,375	
Sewerage system	4,313,349	4,854,345	-	162,650	-	703,646	703,646	
Total business-type activities	41,784,227	44,713,875	-	275,998	-	3,205,646	3,205,646	
Total primary government	\$ 58,367,740	\$ 46,488,279	\$ 844,540	\$ 1,909,816	(12,330,751)	3,205,646	(9,125,105)	
General revenues:								
					7,356,778	-	7,356,778	
					471,362	-	471,362	
					4,299,098	-	4,299,098	
					874,234	-	874,234	
					179,216	-	179,216	
					324,695	-	324,695	
					76,597	-	76,597	
					2,245,220	-	2,245,220	
					223,294	-	223,294	
					12,764	-	12,764	
					46,886	-	46,886	
					116,538	74,235	190,773	
					766,721	(766,721)	-	
					16,993,403	(692,486)	16,300,917	
					4,662,652	2,513,160	7,175,812	
					41,568,337	82,002,833	123,571,170	
					\$ 46,230,989	\$ 84,515,993	\$ 130,746,982	

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**June 30, 2018**

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets and deferred outflows of resources</b>			
<b>Assets:</b>			
Cash	\$ 9,911,487	\$ 2,348,776	\$ 12,260,263
Taxes receivable - net	9,109,519	17,442	9,126,961
Accounts receivable	26,089	-	26,089
Intergovernmental receivable	582,348	617,389	1,199,737
Due from other funds	-	94,147	94,147
Inventory and other assets	193,102	-	193,102
Total assets	<u>19,822,545</u>	<u>3,077,754</u>	<u>22,900,299</u>
Deferred outflows of resources:	-	-	-
Total assets and deferred outflows of resources	<u>\$ 19,822,545</u>	<u>\$ 3,077,754</u>	<u>\$ 22,900,299</u>
<b>Liabilities, deferred inflows of resources, and fund balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 367,316	\$ 528,914	\$ 896,230
Intergovernmental liability	-	18,088	18,088
Accrued wages	149,522	-	149,522
Deposits	63,312	-	63,312
Due to other funds	141,454	24,994	166,448
Funds held in trust	-	27,361	27,361
Total liabilities	<u>721,604</u>	<u>599,357</u>	<u>1,320,961</u>
Deferred inflows of resources:			
Unavailable revenue - state and local taxes	32,140	-	32,140
Unavailable revenue - property taxes	8,242,587	-	8,242,587
Total deferred inflows of resources	<u>8,274,727</u>	<u>-</u>	<u>8,274,727</u>
<b>Fund balances:</b>			
Nonspendable			
Inventory and other assets	193,102	-	193,102
Restricted			
Cable TV	30,000	-	30,000
Animal control	347	-	347
Public recreation	4,421	-	4,421
Police	-	71,673	71,673
State street aid	-	275,989	275,989
Committed			
Debt reduction	-	216,019	216,019
Assigned			
Public recreation	-	30,000	30,000
State road projects	-	883,992	883,992
Capital assets	-	1,000,724	1,000,724
Unassigned	10,598,344	-	10,598,344
Total fund balances	<u>10,826,214</u>	<u>2,478,397</u>	<u>13,304,611</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,822,545</u>	<u>\$ 3,077,754</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.			38,440,370
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			780,122
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			(6,294,114)
Net position of governmental activities			<u>\$ 46,230,989</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, 2018**

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 13,196,787	\$ 223,294	\$ 13,420,081
Payments in lieu of taxes	324,695	-	324,695
Penalties and interest	76,597	-	76,597
Licenses and permits	35,686	-	35,686
Intergovernmental	2,514,494	1,996,661	4,511,155
Charges for services	1,327,746	-	1,327,746
Fines	391,824	19,148	410,972
Miscellaneous	29,570	20,064	49,634
Investment earnings	102,324	14,214	116,538
Total revenues	<u>17,999,723</u>	<u>2,273,381</u>	<u>20,273,104</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	5,909,304	76,381	5,985,685
Parks and recreation	1,246,728	438,521	1,685,249
Public safety	4,962,299	372,443	5,334,742
Public works	2,925,977	1,779,924	4,705,901
Airport	688,623	366,997	1,055,620
Welfare	222,233	-	222,233
Industrial development	-	782,427	782,427
<b>Debt service:</b>			
Principal retirement	390,975	-	390,975
Interest payments on notes	83,880	-	83,880
Total expenditures	<u>16,430,019</u>	<u>3,816,693</u>	<u>20,246,712</u>
Excess of revenues over (under) expenditures	<u>1,569,704</u>	<u>(1,543,312)</u>	<u>26,392</u>
<b>Other financing sources (uses):</b>			
Transfers in	1,188,114	1,935,453	3,123,567
Transfers out	(1,935,453)	(421,393)	(2,356,846)
Sales of general capital assets	36,855	-	36,855
Insurance recoveries	209,675	-	209,675
Total other financing sources (uses)	<u>(500,809)</u>	<u>1,514,060</u>	<u>1,013,251</u>
Net change in fund balances	1,068,895	(29,252)	1,039,643
Fund balances - July 1, 2017	9,757,318	2,507,649	12,264,967
Fund balances - June 30, 2018	<u>\$ 10,826,213</u>	<u>\$ 2,478,397</u>	<u>\$ 13,304,610</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, 2018**

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

Net change in fund balances - total governmental funds	\$ 1,039,643
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	4,027,306
Depreciation expense	(1,407,621)
The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net position:	
Sales and abandonments of capital assets	(24,091)
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	(16,099)
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	200,000
Capital outlay note principal payments	367,000
Capital lease payments	23,975
Settlement	100,000
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	(3,359)
Net pension liability	562,935
Net OPEB obligation	(32,652)
Change in deferred assets	(174,385)
Change in net position of governmental activities	<u><u>\$ 4,662,652</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes:				
Property	\$ 6,989,188	\$ 7,359,110	\$ 7,372,877	\$ 13,767
Business	382,631	458,329	471,362	13,033
Local sales	4,094,410	4,256,055	4,299,098	43,043
Beverage	861,158	863,877	874,234	10,357
Franchise	176,464	178,040	179,216	1,176
Payments in lieu of taxes	293,659	327,536	324,695	(2,841)
Penalties and interest	86,925	78,009	76,597	(1,412)
Licenses and permits	47,187	38,424	35,686	(2,738)
Intergovernmental revenues				
State TVA in lieu	238,541	235,543	234,544	(999)
State sales tax allocation	1,600,683	1,727,274	1,753,073	25,799
State income tax allocation	87,795	102,312	70,450	(31,862)
State beer tax allocation	9,819	9,487	9,337	(150)
State mixed drink tax allocation	40,261	42,309	44,872	2,563
State gasoline and motor fuel tax	41,073	132,176	40,982	(91,194)
State excise tax allocation	51,668	91,963	91,963	-
State and federal grant funds	214,561	165,506	201,862	36,356
State supplements	59,498	55,898	67,411	11,513
Charges for services	1,063,756	1,244,893	1,327,746	82,853
Fines	338,056	369,421	391,824	22,403
Miscellaneous	13,066	28,439	29,570	1,131
Investment earnings	13,171	79,501	102,324	22,823
<b>TOTAL REVENUES</b>	<b>16,703,570</b>	<b>17,844,102</b>	<b>17,999,723</b>	<b>155,621</b>
<b>EXPENDITURES</b>				
General government:				
Administration				
Salaries	494,938	474,329	469,103	5,226
Professional services	228,722	207,817	202,715	5,102
Payroll taxes	573,010	581,331	548,644	32,687
Travel and business	24,390	19,454	12,317	7,137
Mayor and council salaries	57,600	57,680	57,680	-
Health and disability insurance	1,644,108	1,631,343	1,582,117	49,226
Retirement	1,199,069	1,195,008	1,173,573	21,435
Insurance	528,502	490,543	488,106	2,437
Electric tax equivalent	159,467	157,214	156,312	902
Employee recognition programs	76,330	70,533	68,968	1,565
Computer software	40,074	37,689	34,939	2,750
Advertising	26,000	26,121	27,264	(1,143)
Legal settlement	100,000	100,000	100,000	-
Note payment	200,000	200,000	200,000	-
Other general government	195,850	268,736	222,275	46,461
	<b>5,548,060</b>	<b>5,517,798</b>	<b>5,344,013</b>	<b>173,785</b>

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

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>				
General government:				
Planning and zoning				
Salaries	216,787	174,947	174,905	42
Professional services	53,000	127,970	112,265	15,705
Employee education and training	5,500	1,235	1,281	(46)
Utilities	3,267	3,529	3,642	(113)
Gasoline and oil	2,018	1,849	1,869	(20)
Fees paid to state	20,945	42,170	41,950	220
Subscriptions and dues	1,344	1,540	1,138	402
Other planning and zoning	37,445	17,727	11,002	6,725
	<u>340,306</u>	<u>370,967</u>	<u>348,052</u>	<u>22,915</u>
Cemetery				
Salaries	90,177	82,600	84,393	(1,793)
Utilities	3,533	4,331	4,692	(361)
Maintenance and repair	7,260	6,123	4,506	1,617
Gasoline and oil	2,697	3,123	3,970	(847)
Other cemetery	18,395	10,990	8,443	2,547
	<u>122,062</u>	<u>107,167</u>	<u>106,004</u>	<u>1,163</u>
Animal control				
Salaries	80,458	80,368	82,159	(1,791)
Professional services	3,700	3,632	3,686	(54)
Utilities	9,203	7,978	8,555	(577)
Maintenance and repair	2,890	1,594	1,313	281
Gasoline and oil	1,946	2,173	2,541	(368)
Other animal control	16,777	15,372	12,981	2,391
	<u>114,974</u>	<u>111,117</u>	<u>111,235</u>	<u>(118)</u>
Public recreation:				
Parks and recreation				
Salaries	329,672	271,124	246,486	24,638
Utilities	22,693	19,396	19,369	27
Maintenance and repair	72,095	66,077	64,568	1,509
Gasoline and oil	17,847	15,116	13,248	1,868
Chemical supplies	8,660	7,101	5,055	2,046
Special events	7,300	7,190	1,890	5,300
Expensable tools	5,375	7,431	6,302	1,129
Other parks and recreation	23,245	17,216	14,749	2,467
	<u>486,887</u>	<u>410,651</u>	<u>371,667</u>	<u>38,984</u>

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

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>				
Public recreation				
Recreational center				
Salaries	491,138	488,999	496,543	(7,544)
Professional services	8,950	7,076	6,067	1,009
Utilities	157,695	151,665	147,043	4,622
Maintenance and repair	84,267	80,503	59,146	21,357
Recreational programming	17,185	14,482	15,286	(804)
Expensable tools	23,900	22,676	22,977	(301)
Chemical supplies	12,910	11,609	8,550	3,059
Employee education and training	5,344	2,974	2,294	680
Other recreational center	55,574	45,639	42,190	3,449
	<u>856,963</u>	<u>825,623</u>	<u>800,096</u>	<u>25,527</u>
Sports league				
Salaries	42,174	41,755	34,646	7,109
Professional services	28,300	25,348	22,274	3,074
Clothing and uniforms	8,800	7,591	7,775	(184)
Materials	5,400	4,459	4,145	314
Other sports league	7,847	6,872	6,125	747
	<u>92,521</u>	<u>86,025</u>	<u>74,965</u>	<u>11,060</u>
Public safety:				
Police				
Salaries	2,531,269	2,463,007	2,496,317	(33,310)
Salary supplement	37,298	24,816	22,800	2,016
Employee education and training	35,000	39,907	35,000	4,907
Utilities	43,545	42,970	43,303	(333)
Maintenance and repair	61,482	56,688	52,650	4,038
Gasoline and fuel	73,407	70,854	76,636	(5,782)
Fees paid to state	41,986	32,059	31,594	465
Computer software	25,725	23,882	25,776	(1,894)
Office supplies and materials	14,600	9,643	9,123	520
Clothing and uniforms	18,250	16,840	16,698	142
Expensable tools	40,128	67,579	66,695	884
Lease and rental of equipment	16,444	12,906	8,586	4,320
Other police	30,973	32,963	35,524	(2,561)
	<u>2,970,107</u>	<u>2,894,114</u>	<u>2,920,702</u>	<u>(26,588)</u>

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

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
Public safety:				
Fire				
Salaries	1,839,725	1,689,435	1,715,252	(25,817)
Salary supplement	22,200	21,000	21,000	-
Volunteer firemen	7,200	7,200	4,250	2,950
Employee education and training	20,374	17,832	15,221	2,611
Utilities	31,736	34,539	36,265	(1,726)
Maintenance and repair	55,850	55,951	43,813	12,138
Gasoline and fuel	15,665	13,138	13,308	(170)
Fire hydrant rental	107,712	107,578	108,254	(676)
Expendable tools	52,396	53,955	42,617	11,338
Clothing and uniforms	20,276	17,886	13,457	4,429
Other fire	37,597	33,322	28,160	5,162
	<u>2,210,731</u>	<u>2,051,836</u>	<u>2,041,597</u>	<u>10,239</u>
Public works:				
Streets				
Salaries	942,909	950,148	964,898	(14,750)
Utilities	18,268	20,751	22,189	(1,438)
Maintenance and repair	62,250	55,566	33,704	21,862
Gasoline and fuel	61,532	82,103	86,315	(4,212)
Expendable materials	35,100	35,200	30,496	4,704
Construction material	37,500	40,740	30,932	9,808
Clothing and uniforms	12,246	11,357	10,876	481
Chemical supplies	10,140	8,883	9,558	(675)
State road paving	61,498	66,296	66,296	-
Other streets	47,750	33,786	17,018	16,768
	<u>1,289,193</u>	<u>1,304,830</u>	<u>1,272,282</u>	<u>32,548</u>
Stormwater management				
Professional services	20,000	22,021	10,281	11,740
Gasoline and oil	1,609	1,535	1,701	(166)
Construction material	131,000	32,383	23,850	8,533
State maintenance fee	3,460	3,460	3,460	-
Flume repairs	-	1,105,535	1,052,528	53,007
Other stormwater management	14,790	11,777	6,899	4,878
	<u>170,859</u>	<u>1,176,711</u>	<u>1,098,719</u>	<u>77,992</u>



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

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>				
Sanitation				
Salaries	327,681	269,378	261,933	7,445
Maintenance and repair	37,200	36,678	36,682	(4)
Landfill services	208,627	221,630	227,675	(6,045)
Gasoline and oil	28,736	23,419	18,060	5,359
Capital outlay	-	-	-	-
Other sanitation	12,313	12,360	10,626	1,734
	<u>614,557</u>	<u>563,465</u>	<u>554,976</u>	<u>8,489</u>
Finance				
Debt principal	390,975	390,975	390,975	-
Interest on debt	83,880	83,880	83,880	-
	<u>474,855</u>	<u>474,855</u>	<u>474,855</u>	<u>-</u>
Airport				
Salaries	233,588	202,354	204,439	(2,085)
Utilities	45,621	43,986	42,685	1,301
Maintenance and repair	49,628	49,082	34,073	15,009
Fuel for resale	351,140	340,068	354,249	(14,181)
Gasoline and oil	5,405	5,859	6,443	(584)
Bank service charges	9,386	9,790	10,188	(398)
Other airport	44,983	39,753	36,546	3,207
	<u>739,751</u>	<u>690,892</u>	<u>688,623</u>	<u>2,269</u>
Welfare	219,400	221,903	222,233	(330)
TOTAL EXPENDITURES	<u>16,251,226</u>	<u>16,807,954</u>	<u>16,430,019</u>	<u>377,935</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>452,344</u>	<u>1,036,148</u>	<u>1,569,704</u>	<u>533,556</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,200,886	1,188,114	1,188,114	-
Transfers out	(1,391,129)	(1,935,453)	(1,935,453)	-
Sales of general capital assets	8,000	199	36,855	36,656
Insurance recoveries	-	209,675	209,675	-
TOTAL OTHER FINANCING SOURCES	<u>(182,243)</u>	<u>(537,465)</u>	<u>(500,809)</u>	<u>36,656</u>
NET CHANGE IN FUND BALANCE	<u>\$ 270,101</u>	<u>\$ 498,683</u>	<u>1,068,895</u>	<u>\$ 570,212</u>
FUND BALANCE - BEGINNING			9,757,318	
FUND BALANCE - END			<u>\$ 10,826,213</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, 2018**

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 19,491,725	\$ 6,866,298	\$ 4,790,000	\$ 31,148,023
Accounts receivable, net of allowance	3,491,067	297,905	231,075	4,020,047
Unbilled revenue	1,139,334	-	-	1,139,334
Inventory	332,425	164,457	29,598	526,480
Other assets	129,264	3,029	9,290	141,583
Total current assets	24,583,815	7,331,689	5,059,963	36,975,467
Noncurrent assets:				
Restricted cash and cash equivalents-bonds	-	1,105,447	95,277	1,200,724
Restricted cash and cash equivalents-customer deposits	1,828,815	206,660	6,420	2,041,895
Energy conservation loans	163,778	-	-	163,778
Capital assets	17,852,176	18,670,974	39,264,398	75,787,548
Total noncurrent assets	19,844,769	19,983,081	39,366,095	79,193,945
<b>TOTAL ASSETS</b>	<b>44,428,584</b>	<b>27,314,770</b>	<b>44,426,058</b>	<b>116,169,412</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	588,952	229,036	272,664	1,090,652
Deferred amounts from refunding of debt	-	174,230	-	174,230
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>45,017,536</b>	<b>27,718,036</b>	<b>44,698,722</b>	<b>117,434,294</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	2,533,469	103,459	72,119	2,709,047
Notes payable	-	-	1,136,472	1,136,472
Accrued expenses and other liabilities	11,832	-	-	11,832
Accrued interest	-	-	25,698	25,698
Total current liabilities	2,545,301	103,459	1,234,289	3,883,049
Current liabilities payable from restricted assets:				
Customer deposits	1,828,815	206,660	6,420	2,041,895
Bonds payable	-	245,000	75,000	320,000
Accrued interest	-	43,023	-	43,023
Total current liabilities payable from restricted assets	1,828,815	494,683	81,420	2,404,918
Noncurrent liabilities:				
Conservation - TVA program	163,778	-	-	163,778
Accrued vacation	159,793	102,549	63,948	326,290
Bonds payable	-	3,440,000	1,985,000	5,425,000
Notes payable	-	-	17,316,714	17,316,714
Net pension liability	1,462,900	568,908	677,270	2,709,078
Net OPEB liability	110,698	110,698	110,697	332,093
Total noncurrent liabilities	1,897,169	4,222,155	20,153,629	26,272,953
<b>TOTAL LIABILITIES</b>	<b>6,271,285</b>	<b>4,820,297</b>	<b>21,469,338</b>	<b>32,560,920</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	167,940	65,310	77,750	311,000
Deferred amounts from refunding of debt	-	15,335	31,046	46,381
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>167,940</b>	<b>80,645</b>	<b>108,796</b>	<b>357,381</b>
<b>NET POSITION</b>				
Net investment in capital assets	17,852,176	14,942,951	18,751,212	51,546,339
Restricted	-	817,424	20,277	837,701
Unrestricted	20,726,135	7,056,719	4,349,099	32,131,953
<b>TOTAL NET POSITION</b>	<b>\$ 38,578,311</b>	<b>\$ 22,817,094</b>	<b>\$ 23,120,588</b>	<b>\$ 84,515,993</b>

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, 2018**

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
Operating revenues:				
Charges for services pledged as security for revenue bonds	\$ 34,490,945	\$ 4,564,299	\$ 4,792,348	\$ 43,847,592
Forfeited discounts and penalties	230,118	40,800	61,997	332,915
Rental income	357,732	-	-	357,732
Other operating revenue	138,620	37,016	-	175,636
<b>TOTAL OPERATING REVENUE</b>	<b>35,217,415</b>	<b>4,642,115</b>	<b>4,854,345</b>	<b>44,713,875</b>
Operating expenses:				
Purchased power	28,018,379	-	-	28,018,379
Operational expenses	2,948,446	2,288,043	2,094,420	7,330,909
Maintenance expense	964,044	986,457	494,769	2,445,270
Depreciation and amortization	1,134,359	1,043,739	1,285,147	3,463,245
<b>TOTAL OPERATING EXPENSES</b>	<b>33,065,228</b>	<b>4,318,239</b>	<b>3,874,336</b>	<b>41,257,803</b>
<b>OPERATING INCOME</b>	<b>2,152,187</b>	<b>323,876</b>	<b>980,009</b>	<b>3,456,072</b>
Nonoperating revenues (expenses):				
Interest income	33,800	33,265	7,170	74,235
Interest expense	(6,208)	(77,849)	(401,595)	(485,652)
Bond cost of issuance	-	-	(37,418)	(37,418)
Other income (expenses)	(3,354)	-	-	(3,354)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>24,238</b>	<b>(44,584)</b>	<b>(431,843)</b>	<b>(452,189)</b>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>2,176,425</b>	<b>279,292</b>	<b>548,166</b>	<b>3,003,883</b>
Transfers out	(694,721)	(36,000)	(36,000)	(766,721)
Capital contributions	-	113,348	162,650	275,998
<b>CHANGE IN NET POSITION</b>	<b>1,481,704</b>	<b>356,640</b>	<b>674,816</b>	<b>2,513,160</b>
<b>NET POSITION, BEGINNING OF YEAR(restated)</b>	<b>37,096,607</b>	<b>22,460,454</b>	<b>22,445,772</b>	<b>82,002,833</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 38,578,311</b>	<b>\$ 22,817,094</b>	<b>\$ 23,120,588</b>	<b>\$ 84,515,993</b>

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

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**Year ended June 30, 2018**

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers (including other funds)	\$ 34,838,860	\$ 4,559,658	\$ 4,803,250	\$ 44,201,768
Payments to suppliers	(29,941,924)	(1,949,254)	(1,384,830)	(33,276,008)
Cash paid to employees	(2,082,918)	(1,518,267)	(1,139,985)	(4,741,170)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,814,018	1,092,137	2,278,435	6,184,590
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributed	-	113,348	162,650	275,998
Other income (expense)	(3,354)	-	-	(3,354)
Proceeds from issuance of long-term debt, net	-	-	2,060,000	2,060,000
Acquisition and construction of capital assets	(1,327,770)	(547,087)	(816,066)	(2,690,923)
Principal paid on long-term debt	-	(190,000)	(3,231,612)	(3,421,612)
Interest paid on long-term debt	-	(63,767)	(415,201)	(478,968)
Bond costs of issuance	-	-	(37,418)	(37,418)
Interest paid on customer deposits	(6,208)	-	-	(6,208)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	(1,337,332)	(687,506)	(2,277,647)	(4,302,485)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Increase in customer deposits	78,092	2,788	-	80,880
Issuance of energy conservation loans	81,885	-	-	81,885
Payments to DREMC for transfers of members	(4,360)	-	-	(4,360)
Transfers to other funds	(694,721)	(36,000)	(36,000)	(766,721)
Home weatherization loan advances	(81,885)	-	-	(81,885)
NET CASH PROVIDED(USED) BY NON-CAPITAL FINANCING ACTIVITIES	(620,989)	(33,212)	(36,000)	(690,201)
<b>CASH FLOWS FROM INVESTING ACTIVITIES - Interest and other income</b>	32,827	32,768	6,838	72,433
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	888,524	404,187	(28,374)	1,264,337
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	20,432,016	7,774,218	4,920,071	33,126,305
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 21,320,540	\$ 8,178,405	\$ 4,891,697	\$ 34,390,642
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>				
Unrestricted cash and cash equivalents	\$ 21,320,540	\$ 7,072,958	\$ 4,796,420	\$ 33,189,918
Restricted cash and cash equivalents	-	1,105,447	95,277	1,200,724
	\$ 21,320,540	\$ 8,178,405	\$ 4,891,697	\$ 34,390,642

**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**June 30, 2018**

	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	\$ 2,152,187	\$ 287,876	\$ 944,009	\$ 3,384,072
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,134,359	1,043,739	1,285,147	3,463,245
Provision for bad debts	102,732	25,827	53,119	181,678
(Increase) decrease in:				
Accounts receivable	(378,555)	(83,969)	(51,095)	(513,619)
Inventory	4,952	(4,214)	(6,345)	(5,607)
Other assets	(31,488)	1,775	-	(29,713)
Due from other funds	-	1,512	-	1,512
Increase (decrease) in:				
Accounts payable	(97,582)	(173,298)	18,209	(252,671)
Pension liability	(88,192)	(34,296)	(8,150)	(130,638)
OPEB liability	7,912	7,912	7,910	23,734
Due to other funds	(1,512)	-	-	(1,512)
Accrued expenses	9,205	(16,727)	(369)	(7,891)
Total adjustments	661,831	768,261	1,298,426	2,728,518
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,814,018	\$ 1,056,137	\$ 2,242,435	\$ 6,112,590

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

**STATEMENT OF NET POSITION**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**FIDUCIARY FUND**  
**June 30, 2018**

		Pension Trust Fund
<hr/>		
ASSETS		
Investments		
Pooled separate accounts		\$ 11,930,759
	TOTAL ASSETS	<u>11,930,759</u>
NET POSITION		
Net position held in trust for pension benefits		11,930,759
	TOTAL NET POSITION	<u>\$ 11,930,759</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, 2018**

	Pension Trust Fund
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 924,248
Plan members	-
Total contributions	<u>924,248</u>
Investment earnings:	
Net increase in the fair value of investments	<u>821,120</u>
Total investment earnings	<u>821,120</u>
Total additions	<u>1,745,368</u>
<b>DEDUCTIONS</b>	
Benefits	765,228
Administrative expenses	<u>28,947</u>
Total deductions	<u>794,175</u>
Change in net position	951,193
Net position - beginning	<u>10,979,566</u>
Net position - ending	<u><u>\$ 11,930,759</u></u>

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

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

**June 30, 2018**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(1) Financial reporting entity and introduction**

The City of Shelbyville, Tennessee (the City) was incorporated in 1819, and its citizens elect a Mayor at large and six-member governing council (council) by wards. As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Shelbyville (the government) and its component units. There are no legally separate component units of 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, including Shelbyville Flat Creek, and the Shelbyville Sewerage System, which operate under a grant of power by Chapter 465 of the Private Acts of Tennessee of 1939 and the Amended Charter of the City. 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, 2018

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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, 2018**

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**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, 2018

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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, 2018

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#### 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 power 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, 2018

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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, 2018, expenditures exceeded appropriations in the animal control department (the legal level of budgetary control) within the general government function of the general fund by \$118 and the police department within the public safety function by \$26,588. Expenditures exceeded appropriations in the state street aid fund by \$6,278 and by \$263,987 in the state road 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, 2018

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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, 2018. The amount of interest cost incurred and charged to expense during the year ended June 30, 2018, was \$83,880 for the governmental activities and \$485,652 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, 2018, is \$30,066.

Customer utility accounts receivable of the government's enterprise funds are presented net of an allowance for uncollectible accounts of \$162,157. Bad debt expense for the current year is \$181,678. 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, 2018**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The power system has recorded unbilled revenue of \$1,139,334 as of June 30, 2018. 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, 2018, 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, 2018, the carrying amount of the Systems' deposits was \$34,390,642 and the amount of the banks balances was \$36,923,666. Of the bank balances, \$2,258,913 was covered by Federal depository insurance, and \$11,319,338 was collateralized with securities pledged that comply with statutes as acceptable collateral, and \$23,345,415 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, 2018.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2018**

**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, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,363,252	\$ 600,000	\$ -	\$ 2,963,252
Construction in progress	5,159,158	2,099,147	2,507,301	4,751,004
Total capital assets, not being depreciated	<u>7,522,410</u>	<u>2,699,147</u>	<u>2,507,301</u>	<u>7,714,256</u>
Capital assets, being depreciated:				
Buildings	11,623,365	47,396	20,076	11,650,685
Equipment	4,548,181	218,121	53,764	4,712,538
Vehicles	6,598,638	487,462	243,096	6,843,005
Infrastructure	<u>17,744,442</u>	<u>3,082,482</u>	<u>-</u>	<u>20,826,923</u>
Total capital assets being depreciated	40,514,626	3,835,461	316,936	44,033,151
Less accumulated depreciation for:				
Buildings	4,071,869	246,516	20,076	4,298,309
Equipment	2,163,094	349,021	53,764	2,458,351
Vehicles	3,527,449	336,820	219,005	3,645,264
Infrastructure	<u>2,429,848</u>	<u>475,265</u>	<u>-</u>	<u>2,905,113</u>
Total accumulated depreciation	<u>12,192,260</u>	<u>1,407,622</u>	<u>292,845</u>	<u>13,307,037</u>
Total capital assets, being depreciated, net	<u>28,322,366</u>	<u>2,427,839</u>	<u>24,091</u>	<u>30,726,114</u>
Governmental activities capital assets, net	<u>\$ 35,844,776</u>	<u>\$ 5,126,986</u>	<u>\$ 2,531,392</u>	<u>\$ 38,440,370</u>



**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2018**

**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	\$ 178,396	\$ 719	\$ 812,539
Construction in progress	6,508,821	1,866,218	1,141,958	7,233,081
Total capital assets, not being depreciated	<u>7,143,683</u>	<u>2,044,614</u>	<u>1,142,677</u>	<u>8,045,620</u>
Capital assets, being depreciated:				
Structures and improvements	41,146,223	1,113,674	3,137	42,256,760
Distribution plant	73,099,081	5,373,339	104,900	78,367,520
Furniture and fixtures	1,222,646	12,957	-	1,235,603
Transportation equipment	3,047,491	544,452	208,500	3,383,443
Equipment	<u>2,118,163</u>	<u>136,565</u>	<u>8,707</u>	<u>2,246,021</u>
Total capital assets, being depreciated	120,633,604	7,180,987	325,244	127,489,347
Less accumulated depreciation for:				
Structures and improvements	10,285,403	1,225,732	(426,027)	11,937,162
Distribution plant	38,477,312	1,773,929	(1,560,876)	41,812,117
Furniture and fixtures	1,028,709	14,834	(12,957)	1,056,500
Transportation equipment	2,691,171	394,818	209,127	2,876,862
Equipment	<u>1,980,720</u>	<u>82,661</u>	<u>(1,397)</u>	<u>2,064,778</u>
Total accumulated depreciation	<u>54,463,315</u>	<u>3,491,974</u>	<u>(1,792,130)</u>	<u>59,747,419</u>
Total capital assets, being depreciated, net	<u>66,170,289</u>	<u>3,689,013</u>	<u>2,117,374</u>	<u>67,741,928</u>
Business-type activities capital assets, net	<u>\$ 73,313,972</u>	<u>\$ 5,733,627</u>	<u>\$ 3,260,051</u>	<u>\$ 75,787,548</u>

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

Governmental activities:	
General government	\$ 40,388
Public recreation	334,370
Public safety	317,301
Public works	400,180
Airport	310,968
Welfare	<u>4,415</u>
Total depreciation expense - governmental activities	<u>\$ 1,407,622</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2018**

**NOTE E - CAPITAL ASSETS (Continued)**

Business-type activities:	
Power system	\$ 1,163,036
Water system	1,037,132
Sewerage system	<u>1,291,806</u>
Total depreciation expense - business-type activities	<u>\$ 3,491,974</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	\$ 1,253,000
Governmental activities – storm flume repair	2.04	2020	206,000
Governmental activities – storm flume repair	2.64	2025	822,000
Governmental activities – industrial development	2.50	2027	<u>495,000</u>
			<u>\$ 2,776,000</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>
2019	\$ 379,000	\$ 71,965
2020	391,000	62,491
2021	297,000	52,709
2022	307,000	44,784
2023	319,000	36,016
2024-2028	<u>1,083,000</u>	<u>54,221</u>
Total	<u>\$ 2,776,000</u>	<u>\$ 322,186</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 – general obligation bonds	2.25 – 4.0%	8/01/2037	\$ 2,060,000
Water and sewer – general obligation bonds	2.25 – 4.0%	8/01/2037	\$ 1,290,000
Water and sewer - revenue bonds	1.25 – 2.8%	8/01/2028	2,395,000
Sewerage system – revolving loan	1.70%	6/30/2037	2,212,455
Sewerage system – revolving loan	1.78%	2/01/2034	<u>16,240,731</u>
			<u>\$ 24,198,186</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, 2018**

**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
2019	\$ 320,000	\$ 157,855	\$ 1,136,472	\$ 317,544
2020	335,000	148,655	1,156,680	297,336
2021	345,000	138,855	1,177,236	276,780
2022	350,000	128,395	1,198,188	255,828
2023	365,000	117,310	1,219,476	234,540
2024-2028	1,965,000	426,795	6,162,483	841,661
2029-2033	1,180,000	203,238	5,615,484	327,816
2034-2038	885,000	66,975	787,167	5,246
Total	<u>\$ 5,745,000</u>	<u>\$ 1,388,078</u>	<u>\$ 18,453,186</u>	<u>\$ 2,556,751</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	\$ 200,000

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, 2018, \$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, 2018, were as follows:

Year Ending June 30	
2019	\$ 26,724
2020	26,723
2021	<u>26,724</u>
Total minimum lease payments	80,171
Less: amount representing interest	<u>(4,214)</u>
Present value of minimum lease payments	<u>\$ 75,957</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2018**

**NOTE F - LONG-TERM DEBT (Continued)**

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital outlay notes	\$ 3,143,000	\$ -	\$ 367,000	\$ 2,776,000	\$ 379,000
Promissory note	400,000	-	200,000	200,000	200,000
Capital lease	99,932	-	23,975	75,957	24,635
Post-employment benefit obligation	889,434	94,674	62,022	922,086	62,000
Settlement	400,000	-	100,000	300,000	100,000
Net pension liability	2,350,368	1,182,433	1,745,368	1,787,433	-
Compensated absences	560,204	503,803	500,445	563,562	40,000
Long-term liabilities	<u>\$ 7,842,938</u>	<u>\$ 1,780,910</u>	<u>\$ 2,998,810</u>	<u>\$ 6,625,038</u>	<u>\$ 805,635</u>
Business-type activities:					
Revenue bonds	\$ 4,695,040	\$ 3,350,000	\$ 2,300,040	\$ 5,745,000	\$ 320,000
Notes payable	19,569,798	-	1,116,612	18,453,186	1,136,472
Conservation – TVA program	245,663	-	81,885	163,778	-
Compensated absences	315,986	10,304	-	326,290	-
Net pension liability	3,338,821	-	629,743	2,709,078	-
Post-employment benefit obligation	308,361	32,231	8,499	332,093	-
Long-term liabilities	<u>\$ 28,473,669</u>	<u>\$ 3,392,535</u>	<u>\$ 4,136,779</u>	<u>\$ 27,729,425</u>	<u>\$ 1,456,472</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 advances made by TVA.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### CITY OF SHELBYVILLE, TENNESSEE

June 30, 2018

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#### NOTE G - COMMITMENTS AND CONTINGENCIES (Continued)

At June 30, 2018 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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	81
Inactive employees entitled to but not yet receiving benefits	50
Active employees	<u>55</u>
Total	<u>186</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, 2018, the City contributed \$924,248.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2018

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NOTE H - PENSION PLAN (Continued)

Net pension liability

The government's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018, rolled forward to June 30, 2018, using standard actuarial methodology and the actual assets of the trust as of June 30, 2018.

Actuarial assumptions

The total pension liability as of June 30, 2018, 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:

Graduated rates based on the 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, 2018**

**NOTE H - PENSION PLAN (Continued)**

**Mortality Table**

The mortality table is chosen based on the past 17 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, 2017	\$ (13,329,934)	\$ 10,979,566	\$ (2,350,368)
Changes for the year:			
Service cost	(88,697)	-	(88,697)
Interest cost	(1,010,291)	-	(1,010,291)
Difference between expected and actual experience	(54,498)	-	(54,498)
Employer contributions	-	924,248	924,248
Employee contributions	-	-	-
Net investment income	-	821,120	821,120
Benefit payments	765,228	(765,228)	-
Administrative expense	-	(28,947)	(28,947)
Other charges	-	-	-
Net changes	<u>388,258</u>	<u>951,193</u>	<u>562,935</u>
Balance at June 30, 2018	<u><u>\$ (13,718,192)</u></u>	<u><u>\$ 11,930,759</u></u>	<u><u>\$ (1,787,433)</u></u>

The plan's fiduciary net position as a percentage of the total pension liability was 87.0% at June 30, 2018.

**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	\$ 3,181,688	\$ 1,787,433	\$ 532,152

**Pension expense**

For the year ended June 30, 2018, the general government recognized pension expense of \$535,698.

**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, 2018, 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, 2018

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, 2018, the annual money-weighted rate of return on pension plan investments was 7.48%.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2018, the general government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 108,233	\$ 137,669
Net difference between projected and actual earnings on pension plan investments	360,359	-
Total	<u>\$ 468,592</u>	<u>\$ 137,669</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:

2019	\$ 263,722
2020	129,736
2021	(49,876)
2022	3,696
2023	(3,271)
Thereafter	(13,084)

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 unobservable and significant to the fair value measurement.



**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2018**

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**NOTE H - PENSION PLAN (Continued)**

All of the City's pension trust investments at June 30, 2018, 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), an agent 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, 2017:**

Total pension liability	\$ 22,442,914
Plan fiduciary net position	<u>19,733,836</u>
Net pension liability	<u>\$ 2,709,078</u>
Net position as percentage of the total pension liability	87.93%

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

Net pension liability with a 1% decrease in discount rate: 6.00%	\$ 5,420,181
Net pension liability at current discount rate: 7.00%	2,709,078
Net pension liability with a 1% increase in discount rate: 8.00%	289,892

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, 2018**

**NOTE H - PENSION PLAN (Continued)**

Pension Expense:

Service cost	\$ 316,215
Interest on the total pension liability	1,481,577
Differences between expected and actual experience	64,908
Change of assumptions	-
Employee contributions	(123,168)
Projected earnings on pension plan investments	(1,253,937)
Differences between projected and actual earnings on plan investments	26,784
Pension plan administrative expense	-
Other changes in fiduciary net pension	-
Total pension expense	<u>\$ 512,379</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, 2016	\$(21,268,597)	\$ 17,929,776	\$ (3,338,821)
Changes for the year:			
Service cost	(316,215)	-	(316,215)
Interest cost	(1,481,577)	-	(1,481,577)
Difference between expected and actual experience	(215,386)	-	(215,386)
Employer contributions	-	682,920	682,920
Employee contributions	-	123,168	123,168
Net investment income	-	1,836,833	1,836,833
Benefit payments	838,861	(838,861)	-
Administrative expense	-	-	-
Other charges	-	-	-
Net changes	<u>(1,174,317)</u>	<u>1,804,060</u>	<u>629,743</u>
Balance at October 1, 2017	<u>\$(22,442,914)</u>	<u>\$ 19,733,836</u>	<u>\$ (2,709,078)</u>

Deferred Outflows and Inflows of Resources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 585,685	\$ 90,784
Net difference between projected and actual earnings in pension plan investments	-	220,216
Contributions subsequent to the measurement date of October 1, 2017	<u>504,967</u>	<u>-</u>
	<u>\$ 1,090,652</u>	<u>\$ 311,000</u>

The employer contributions of \$504,967 reported as pension related deferred outflows of resources subsequent to the measurement date of October 1, 2017 will be recognized as a reduction of net position liability in the year ended June 30, 2018.

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, 2018**

**NOTE H - PENSION PLAN (Continued)**

2019	\$ 91,692
2020	99,080
2021	(99,685)
2022	(51,671)
2023	87,604
Thereafter	147,665

Target Asset Allocation

<u>Asset Class</u>	<u>Target</u>	<u>Expected Return</u>
Fixed Income	50.00%	2.54%-2.89%
Large Cap	20.00%	6.93%-10.31%
Mid Cap	10.00%	7.84%-12.52%
Small Cap	8.00%	8.90%-15.38%
Real Estate	2.00%	7.61%-12.69%
International Equity	<u>10.00%</u>	<u>6.92%-11.35%</u>
	100.00%	5.00%-7.38%

Plan membership as of October 1, 2017

Inactive plan members or beneficiaries currently receiving benefits	45
Inactive members entitled but not yet receiving benefits	11
Active plan members	<u>74</u>
Total	<u><u>130</u></u>

Schedule of Employer Contributions

<u>Year</u>	<u>Minimum Contribution</u>	<u>Actual Contribution</u>
2015	\$ 646,112	\$ 880,296
2016	\$ 543,280	\$ 953,654
2017	\$ 561,286	\$ 814,504
2018	\$ 620,834	\$ 682,920

Actuarial Assumptions

Measurement date	October 1, 2017
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, 2018

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#### 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 City's enterprise funds.

##### GENERAL GOVERNMENT:

##### Plan Description and Funding Policy

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 benefits of the postretirement benefit plan are unfunded, and no assets have been segregated and restricted to provide for postretirement medical benefits. For the year ended June 30, 2018, the City contributed \$12,248 to fund premiums for retirees receiving benefits while the implicit subsidy was \$49,774. The council may amend the benefit provisions. A separate report was not issued for the plan.

##### Employees Covered by Benefit Terms

At June 30, 2018, the following employees of the City's general government were covered by the benefit terms of the Plan:

Active – Employee only	121
Active – Employee and Dependents	43
Retired – Employee only	4
Retired – Employee and Dependents	<u>1</u>
	<u>169</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2018**

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

**Actuarial Assumptions**

For the City's general government, the Net OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2018
Actuarial valuation date	June 30, 2018
Inflation	3.0%
Salary increases	3.5%
Healthcare cost trend rates	5.00% level
Retiree's share of benefit-related costs	Varies for individual medical coverage based on years of service at retirement. Retiree pays 60% of the contribution for additional dependent coverage.
Mortality	RPH-2014 Total Table with Projection MP-2017

**Discount Rate**

For the City's general government, the discount rate used to measure the total liability was 3.88 percent. Because the Plan is unfunded, the projected benefits are discounted back using rates equivalent to AA 20-year municipal bonds. The GO Bond Buyer Index was used to approximate those yields as of June 30, 2018.

**Changes in Net OPEB Liability**

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at July 1, 2017	\$ 889,434	\$ -	\$ 889,434
Changes for the year:			
Service cost	74,755	-	74,755
Interest cost	35,599	-	35,599
Difference between expected and actual experience	-	-	-
Employer contributions	-	-	-
Employee contributions	-	-	-
Net investment income	-	-	-
Benefit payments	(62,022)	-	(62,022)
Administrative expense	-	-	-
Other charges	(15,680)	-	(15,680)
Net changes	<u>32,652</u>	<u>-</u>	<u>32,652</u>
Balance at June 30, 2018	<u>\$ 922,086</u>	<u>\$ -</u>	<u>\$ 922,086</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2018**

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

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

The following presents the net OPEB liability related to the Plan, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.88%) or 1-percentage-point higher (4.88%) than the current discount rate.

	1% Decrease <u>(2.88%)</u>	Discount Rate <u>(3.88%)</u>	1% Increase <u>(4.88%)</u>
Net OPEB liability	\$ 1,003,609	\$ 922,086	\$ 847,034

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the net OPEB liability related to the Plan, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (4.0%) or 1-percentage-point higher (6.0%) than the current healthcare cost trend rate.

	1% Decrease <u>(4.0%)</u>	Healthcare Cost Trend Rates <u>(5.0%)</u>	1% Increase <u>(6.0%)</u>
Net OPEB liability	\$ 816,528	\$ 922,086	\$ 1,047,434

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

*OPEB Expense* – For the fiscal year ended June 30, 2018, the Systems’ recognized OPEB expense of \$110,354.

*Deferred outflows of resources and deferred inflows of resources* – For the fiscal year ended June 30, 2018, the general government reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the Plan from the following sources:

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer payments subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

### CITY OF SHELBYVILLE, TENNESSEE

June 30, 2018

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

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

For the year ended June 30:

2019	\$	-
2020		-
2021		-
2022		-
2023		-
Thereafter	\$	-

#### ENTERPRISE FUNDS:

##### Plan Description and Funding Policy

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 retiring after age 62 with at least 10 years of service to continue health insurance coverage until they reach age 65. The Systems pay 50% of individual coverage under this plan.

##### Employees Covered by Benefit Terms

At July 1, 2017, the following employees of the Systems were covered by the benefit terms of the Plan:

Active	83
Retired Members	3
Retired Spouses	-
Total	<u>86</u>

##### Actuarial Assumptions

For the City's enterprise funds, the Net OPEB liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2018
Actuarial valuation date	July 1, 2017
Inflation	3.0%
Salary increases	4.0%
Healthcare cost trend rates	Per-capita claims costs are projected to increase an initial rate of 8.0% with annual declines of 0.5% until an ultimate rate of 5.0% is achieved.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2018**

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

Discount Rate

For the City's enterprise funds, the discount rate used to measure the total liability was 3.87 percent. Because the Plan is unfunded, the projected benefits are discounted back using rates equivalent to AA 20-year municipal bonds. The GO Bond Buyer Index was used to approximate those yields as of June 30, 2018.

Changes in Net OPEB Liability

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at July 1, 2017	\$ 308,362	\$ -	\$ 308,362
Changes for the year:			
Service cost	20,460	-	20,460
Interest cost	11,771	-	11,771
Difference between expected and actual experience	-	-	-
Employer contributions	-	8,500	(8,500)
Employee contributions	-	-	-
Net investment income	-	-	-
Benefit payments	(8,500)	(8,500)	-
Administrative expense	-	-	-
Other charges	-	-	-
Net changes	<u>23,731</u>	<u>-</u>	<u>23,731</u>
Balance at June 30, 2018	<u>\$ 332,093</u>	<u>\$ -</u>	<u>\$ 332,093</u>

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

The following presents the net OPEB liability related to the Plan, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate.

	<u>1% Decrease (2.87%)</u>	<u>Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Net OPEB liability	\$ 347,566	\$ 332,093	\$ 316,637

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the net OPEB liability related to the Plan, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (7.0% decreasing to 4.0%) or 1-percentage-point higher (9.0% decreasing to 6.0%) than the current healthcare cost trend rate.



**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2018**

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

	1% Decrease (7.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (8.0% decreasing to 5.0%)	1% Increase (9.0% decreasing to 6.0%)
Net OPEB liability	\$ 304,658	\$ 332,093	\$ 363,775

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

*OPEB Expense* – For the fiscal year ended June 30, 2018, the Systems’ recognized OPEB expense of \$32,231.

*Deferred outflows of resources and deferred inflows of resources* – For the fiscal year ended June 30, 2018, the Systems’ reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the Plan from the following sources:

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer payments subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

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

For the year ended June 30:

2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	<u>\$ -</u>

**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, 2018, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2018, the government received \$91,963 from the State of Tennessee for this shared revenue.

# NOTES TO FINANCIAL STATEMENTS (Continued)

## CITY OF SHELBYVILLE, TENNESSEE

June 30, 2018

### 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, 2018, 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, eleven-member Board of Directors, five appointed by Bedford County, five appointed by the City, and one serving "at large." 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, 2018. Complete financial statements of the Library can be obtained at 220 South Jefferson Street, Shelbyville, Tennessee 37160.

Bedford Railroad Authority (the Authority) was created by Bedford County and the cities of Shelbyville and Wartrace, Tennessee, to provide for the continuation of rail service on a section of existing rail spur line located within Bedford County between the cities of Shelbyville and Wartrace. The Authority is governed by a board of directors including the County Mayor, the Mayor of each city, and members selected by the governing bodies of each county and city who are members of the Authority. For the year ended June 30, 2018, no funds had been contributed by the City of Shelbyville to this organization. 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. While some of these funds have begun to be released, in the event this funding does not fully resume, the City is under no requirement to fund the Authority. Complete financial statements of Bedford Railroad Authority can be obtained at 366 Riverbend Road, Shelbyville, Tennessee 37160.

Summary financial information as of June 30, 2018, of these organizations is shown below.

	Bedford Railroad	Shelbyville- Bedford County Public Library
Total assets and deferred outflows	\$ 4,042,522	\$ 2,907,558
Total liabilities and deferred inflows	<u>513</u>	<u>25,238</u>
Net position	<u>\$ 4,042,009</u>	<u>\$ 2,882,320</u>
Revenues	\$ 316	\$ 380,592
Expenditures	<u>47,865</u>	<u>404,728</u>
Increase (decrease) in net position	<u>\$ (47,549)</u>	<u>\$ (24,136)</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

### CITY OF SHELBYVILLE, TENNESSEE

June 30, 2018

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#### 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 \$231,633. Employer contributions, as well as the expense recognized in the statement of activities, totaled \$238,651. 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 \$984 and employee contributions totaled \$7,012 for the year ended June 30, 2018.

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, 2018.

#### 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, 2018, \$27,361, is included in the Police Drug fund as seized money held for disposition.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2018**

**NOTE P - RESTRICTED NET POSITION**

Net position of governmental activities restricted by enabling legislation to specific purposes include \$275,989 in limited purpose state gasoline and motor fuel taxes and \$18,538 in fines and forfeitures from drug related offenses.

**NOTE Q - INTERFUND TRANSFERS**

The composition of interfund transfers for the year ended June 30, 2018, is as follows:

<u>Transfers in:</u>	<u>Transfers out:</u>				
	Power fund	Sewer fund	Water fund	General fund	Nonmajor governmental funds
General fund	\$ 694,721	\$ 36,000	\$ 36,000	\$ -	\$ 421,393
Capital projects fund	-	-	-	1,182,324	-
Industrial fund	-	-	-	50,000	-
State road projects fund	-	-	-	212,024	-
Debt service fund	-	-	-	491,105	-

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, 2018.

**NOTE R - INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2018, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Power system	State street aid	\$ 24,994
Power system	General	47,307
State street aid	General	94,147
Total		<u>\$ 166,448</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, 2018, the council had identified \$470,536 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, 2018

### NOTE T - CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS

In the current year, the government implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard replaces the requirements of GASB Statement No. 45 as it relates to governments that provide postemployment benefits other than pensions. The new Statement requires governments providing defined benefit postemployment benefits to recognize the long-term obligation for those benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of other postemployment benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing information about the types of benefits provided, how contributions to the plans are determined, and assumptions and methods used to calculate the liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

The following is a summary of the restatement to net position of the business-type activities:

	Power System	Water System	Sewerage System
Net position, June 30, 2017, as previously stated	\$ 37,154,503	\$ 20,252,816	\$ 22,503,667
GSSB 75 implementation	<u>(57,896)</u>	<u>(57,896)</u>	<u>(57,895)</u>
Net position, June 30, 2017, as restated	<u>\$ 37,096,607</u>	<u>\$ 20,194,920</u>	<u>\$ 22,445,772</u>

For the governmental activities, the change in the net OPEB liability resulting from the implementation of GASB 75 was not significant; thus, no prior period adjustment has been reflected in the financial statements.

### 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 (ceding) certain 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, law enforcement liability, employment benefit liability, unmanned aerial vehicles (drones) and auto liability, and privacy and network security liability - \$700,000; flood, earthquake, tornado, wind, hail, sleet, lighting and rain - \$500,000; all other events including auto physical damage 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 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.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2018**

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**NOTE V - FLAT CREEK WATER CO-OP, INC. ACQUISITION**

An agreement was reached in July 2017 between Flat Creek Water Co-op, Inc. (Co-op) and Shelbyville Power, Water, & Sewerage Systems Board to transfer all the assets of the Co-op to the Systems. Finalized in April 2018, the acquisition transferred the following:

Assets	\$ 3,600,981
Liabilities	1,319,978
Deferred Inflows of Resources	15,469
Equity	2,265,534

**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	6/30/18
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 116,663	\$ 113,459	\$ 103,780	\$ 88,697
Interest	935,284	963,296	996,777	1,010,291
Changes in benefit terms	-	-		
Differences between actual & expected experience	-	78,913	(168,263)	54,498
Change of assumptions	-	-		
Benefit payments, including refunds of employee contributions	(667,050)	(707,532)	(720,433)	(765,228)
Net change in total pension liability	384,897	448,136	211,861	388,258
Total pension liability-beginning	12,285,040	12,669,937	13,118,073	13,329,934
Total pension liability-ending (a)	<u>\$ 12,669,937</u>	<u>\$ 13,118,073</u>	<u>\$ 13,329,934</u>	<u>\$ 13,718,192</u>
 <b>PLAN FIDUCIARY NET POSITION</b>				
Contributions-employer	\$ 873,492	\$ 924,248	\$ 924,248	\$ 924,248
Contributions-employee	-	-	-	-
Net investment income	70,425	(137,687)	1,031,926	821,120
Benefit payments, including refunds of employee contributions	(667,050)	(707,532)	(720,433)	(765,228)
Administrative expense	(23,841)	(23,568)	(26,284)	(28,947)
Net change in plan fiduciary net position	253,026	55,461	1,209,457	951,193
Plan fiduciary net position-beginning	9,461,622	9,714,648	9,770,109	10,979,566
Plan fiduciary net position-ending (b)	<u>\$ 9,714,648</u>	<u>\$ 9,770,109</u>	<u>\$ 10,979,566</u>	<u>\$ 11,930,759</u>
 Net pension liability (asset)-ending (a) - (b)	<u>\$ 2,955,289</u>	<u>\$ 3,347,964</u>	<u>\$ 2,350,368</u>	<u>\$ 1,787,433</u>
 Plan fiduciary net position as a percentage of total pension liability	76.67%	74.48%	82.37%	86.97%
 Covered payroll	\$ 2,936,205	\$ 2,945,356	\$ 2,789,904	\$ 2,757,582
 Net pension liability (asset) as a percentage of covered payroll	100.65%	113.67%	84.25%	64.82%

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>	<u>6/30/18</u>
Actuarially determined contribution	\$ 733,133	\$ 737,049	\$ 843,286	\$ 805,480
Contributions in relation to the actuarially determined contribution	873,492	924,248	924,248	924,248
Contribution deficiency (excess)	<u>\$ (140,359)</u>	<u>\$ (187,199)</u>	<u>\$ (80,962)</u>	<u>\$ (118,768)</u>
Covered payroll	\$ 2,936,205	\$ 2,945,356	\$ 2,789,904	\$ 2,374,606
Contributions as a percentage of covered payroll	29.75%	31.38%	33.13%	38.92%

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 2018 were calculated based on the January 1, 2018, 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
Possibility of disability	None



**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**

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	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/17</u>	<u>6/30/18</u>
Money-weighted rate of return	0.49%	-1.64%	10.19%	7.48%

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 CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**FOR FULL-TIME EMPLOYEES OF THE CITY OF SHELBYVILLE, TN**

	6/30/18
TOTAL OPEB LIABILITY	
Service cost	\$ 74,755
Interest	35,599
Differences between actual and expected experience	-
Change of assumptions	-
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments	(62,022)
Other charges	(15,680)
Administrative expense	-
Net change in total OPEB liability	32,652
Total OPEB liability-beginning	889,434
Total OPEB liability-ending (a)	<u>\$ 922,086</u>
PLAN FIDUCIARY NET POSITION	
Contributions-employer	\$ -
Contributions-employee	62,022
Net investment income	-
Benefit payments	(62,022)
Administrative expense	-
Net change in plan fiduciary net position	-
Plan fiduciary net position-beginning	-
Plan fiduciary net position-ending (b)	<u>\$ -</u>
Net OPEB liability-ending (a) - (b)	<u>\$ 922,086</u>
Covered payroll	\$ 6,189,988
Net OPEB liability as a percentage of covered payroll	14.9%

**Notes to Schedule**

Methods and Assumptions:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal - Level Percentage of Projected Salary
Inflation	3.0%
Salary increases	3.5%
Healthcare cost trend rate	5.0% level
Mortality	RPH-2014 Total Table with Projection MP-2017

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 CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

	6/30/15	6/30/16	6/30/17	6/30/18
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 296,322	\$ 302,964	\$ 312,365	\$ 316,215
Interest	1,268,528	1,334,919	1,428,966	1,481,577
Changes in benefit terms	-	-	-	-
Differences between actual and expected experience	81,928	486,834	(136,176)	215,386
Change of assumptions	-	-	-	-
Benefit payments, including refunds of employee contributions	(704,730)	(705,221)	(875,976)	(838,861)
Net change in total pension liability	942,048	1,419,496	729,179	1,174,317
Total pension liability-beginning	18,177,875	19,119,923	20,539,418	21,268,597
Total pension liability-ending (a)	<u>\$ 19,119,923</u>	<u>\$ 20,539,419</u>	<u>\$ 21,268,597</u>	<u>\$ 22,442,914</u>
 <b>PLAN FIDUCIARY NET POSITION</b>				
Contributions-employer	\$ 112,301	\$ 126,871	\$ 123,430	\$ 123,168
Contributions-employee	880,296	953,654	814,504	682,920
Net investment income	1,069,308	136,558	1,395,313	1,836,833
Benefit payments, including refunds of employee contributions	(704,730)	(705,221)	(875,976)	(838,861)
Administrative expense	(1,249)	(70)	-	-
Net change in plan fiduciary net position	1,355,926	511,792	1,457,271	1,804,060
Plan fiduciary net position-beginning	14,604,787	15,960,713	16,472,505	17,929,776
Plan fiduciary net position-ending (b)	<u>\$ 15,960,713</u>	<u>\$ 16,472,505</u>	<u>\$ 17,929,776</u>	<u>\$ 19,733,836</u>
 Net pension liability (asset)-ending (a) - (b)	<u>\$ 3,159,210</u>	<u>\$ 4,066,914</u>	<u>\$ 3,338,821</u>	<u>\$ 2,709,078</u>
 Plan fiduciary net position as a percentage of total pension liability	83.48%	80.20%	84.30%	87.93%
 Covered employee payroll	\$ 3,913,791	\$ 4,155,447	\$ 4,172,790	\$ 4,199,098
 Net pension liability (asset) as a percentage of covered employee payroll	80.72%	97.87%	80.01%	64.52%

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.

**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>	<u>6/30/18</u>
Actuarially determined contribution	\$ 646,112	\$ 543,280	\$ 561,286	\$ 620,834
Contributions in relation to the actuarially determined contribution	880,296	953,654	814,504	682,920
Contribution deficiency (excess)	<u>\$ (234,184)</u>	<u>\$ (410,374)</u>	<u>\$ (253,218)</u>	<u>\$ (62,086)</u>
Covered-employee payroll	\$ 3,913,791	\$ 4,155,447	\$ 4,172,790	\$ 4,199,098
Contributions as a percentage of covered-employee payroll	22.49%	22.95%	19.52%	16.26%

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 CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**

	<u>6/30/18</u>
TOTAL OPEB LIABILITY	
Service cost	\$ 20,460
Interest	11,771
Differences between actual and expected experience	-
Change of assumptions	-
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments	(8,500)
Administrative expense	-
Net change in total OPEB liability	<u>23,731</u>
Total OPEB liability-beginning	<u>308,362</u>
Total OPEB liability-ending (a)	<u><u>\$ 332,093</u></u>
 PLAN FIDUCIARY NET POSITION	
Contributions-employer	\$ -
Contributions-employee	8,500
Net investment income	-
Benefit payments	(8,500)
Administrative expense	-
Net change in plan fiduciary net position	<u>-</u>
Plan fiduciary net position-beginning	<u>-</u>
Plan fiduciary net position-ending (b)	<u><u>\$ -</u></u>
 Net OPEB liability-ending (a) - (b)	<u><u>\$ 332,093</u></u>
 Covered payroll	 \$ 1,363,792
 Net OPEB liability as a percentage of covered payroll	 24.4%

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, 2018**

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**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, 2018**

	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	\$ 112,844	\$ 19,754	\$ 45,899	\$ 53,135	\$ 885,787	\$ 30,000	\$ 100,870	\$ 884,468	\$ 216,019	\$ 2,348,776
Intergovernmental receivable	94,000	-	-	-	55,908	-	-	467,481	-	617,389
Due from general fund	94,147	-	-	-	-	-	-	-	-	94,147
Taxes receivable	-	17,442	-	-	-	-	-	-	-	17,442
Total assets	<u>\$ 300,991</u>	<u>\$ 37,196</u>	<u>\$ 45,899</u>	<u>\$ 53,135</u>	<u>\$ 941,695</u>	<u>\$ 30,000</u>	<u>\$ 100,870</u>	<u>\$ 1,351,949</u>	<u>\$ 216,019</u>	<u>\$ 3,077,754</u>
Liabilities:										
Accounts payable	\$ 8	\$ 37,196	\$ -	\$ -	\$ 23,467	\$ -	\$ 286	\$ 467,957	\$ -	\$ 528,914
Funds held in trust	-	-	27,361	-	-	-	-	-	-	27,361
Intergovernmental payable	-	-	-	-	-	-	18,088	-	-	18,088
Due to proprietary funds	24,994	-	-	-	-	-	-	-	-	24,994
Total liabilities	<u>25,002</u>	<u>37,196</u>	<u>27,361</u>	<u>-</u>	<u>23,467</u>	<u>-</u>	<u>18,374</u>	<u>467,957</u>	<u>-</u>	<u>599,357</u>
Fund balances:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted										
Highways and streets	275,989	-	-	-	-	-	-	-	-	275,989
Public safety	-	-	18,538	53,135	-	-	-	-	-	71,673
Committed	-	-	-	-	-	-	-	-	216,019	216,019
Assigned										
Public recreation	-	-	-	-	-	30,000	-	-	-	30,000
Highways and streets	-	-	-	-	-	-	-	883,992	-	883,992
Capital projects	-	-	-	-	918,228	-	82,496	-	-	1,000,724
Total fund balances	<u>275,989</u>	<u>-</u>	<u>18,538</u>	<u>53,135</u>	<u>918,228</u>	<u>30,000</u>	<u>82,496</u>	<u>883,992</u>	<u>216,019</u>	<u>2,478,397</u>
Total liabilities and fund balances	<u>\$ 300,991</u>	<u>\$ 37,196</u>	<u>\$ 45,899</u>	<u>\$ 53,135</u>	<u>\$ 941,695</u>	<u>\$ 30,000</u>	<u>\$ 100,870</u>	<u>\$ 1,351,949</u>	<u>\$ 216,019</u>	<u>\$ 3,077,754</u>



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

**CITY OF SHELBYVILLE, TENNESSEE**

For the year ended June 30, 2018

	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	\$ 659,985	\$ -	\$ -	\$ -	\$ 277,507	\$ -	\$ 366,642	\$ 692,527	\$ -
Taxes	-	223,294	-	-	-	-	-	-	-
Investment earnings	2,075	-	288	-	10,210	-	1,641	-	-
Fines and forfeitures	-	-	4,050	15,098	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	20,064	-	-
Total revenues	662,060	223,294	4,338	15,098	287,717	-	388,347	692,527	-
Expenditures:									
General government	-	-	-	-	67,930	-	-	-	-
Parks and recreation	-	-	-	-	438,521	-	-	-	-
Public safety	-	-	572	9,711	362,160	-	-	-	-
Public works	630,835	-	-	-	258,574	-	-	890,515	-
Cemetery	-	-	-	-	8,451	-	-	-	-
Airport	-	-	-	-	366,997	-	-	-	-
Industrial development	-	223,294	-	-	-	-	559,133	-	-
Total expenditures	630,835	223,294	572	9,711	1,502,633	-	559,133	890,515	-
Excess of revenues over (under) expenditures	31,225	-	3,766	5,387	(1,214,916)	-	(170,786)	(197,988)	-
Other financing sources (uses):									
Insurance recoveries	-	-	-	-	-	-	-	-	-
Transfers in - general fund	-	-	-	-	1,182,324	-	50,000	212,024	491,105
Transfers out - general fund	-	-	-	-	(1,250)	-	-	-	(420,143)
Net change in fund balances	31,225	-	3,766	5,387	(33,842)	-	(120,786)	14,036	70,962
Fund balances - July 1, 2017	244,764	-	14,772	47,748	952,070	30,000	203,282	869,956	145,057
Fund balances - June 30, 2018	\$ 275,989	\$ -	\$ 18,538	\$ 53,135	\$ 918,228	\$ 30,000	\$ 82,496	\$ 883,992	\$ 216,019

**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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Apportionment of gasoline tax from State of Tennessee	\$ 675,056	\$ 569,141	\$ 659,985	\$ 90,844
Interest income	200	325	2,075	1,750
	<u>675,256</u>	<u>569,466</u>	<u>662,060</u>	<u>92,594</u>
Expenditures:				
Street lighting	302,949	296,565	296,254	311
Street road paving	-	60,000	-	60,000
Street maintenance	220,000	160,000	226,589	(66,589)
Street marking and lining	15,000	16,305	16,305	-
Salt expense	12,000	10,244	10,244	-
Other equipment	101,750	5,443	5,443	-
Capital outlay	-	76,000	76,000	-
	<u>651,699</u>	<u>624,557</u>	<u>630,835</u>	<u>(6,278)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 23,557</u>	<u>\$ (55,091)</u>	31,225	<u>\$ 86,316</u>
Fund balance - July 1, 2017			244,764	
Fund balance - June 30, 2018			<u>\$ 275,989</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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 206,549	\$ 269,798	\$ 223,294	\$ (46,504)
Interest income	-	-	-	-
	<u>206,549</u>	<u>269,798</u>	<u>223,294</u>	<u>(46,504)</u>
Expenditures:				
Payments to Chamber of Commerce	202,160	264,868	218,549	46,319
Accounting services	4,389	4,930	4,745	185
TOTAL EXPENDITURES	<u>206,549</u>	<u>269,798</u>	<u>223,294</u>	<u>46,504</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - July 1, 2017			-	
Fund balance - June 30, 2018			<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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Court fines	\$ 1,000	\$ -	\$ -	\$ -
Forfeitures	2,500	15,500	4,050	(11,450)
Interest income	-	166	288	122
TOTAL REVENUES	<u>3,500</u>	<u>15,666</u>	<u>4,338</u>	<u>(11,328)</u>
Expenditures:				
Drug dog expense	1,560	1,324	572	752
Employee education and training	100	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>1,660</u>	<u>1,324</u>	<u>572</u>	<u>752</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,840	14,342	3,766	(10,576)
Other financing sources:				
Sales of capital assets	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ 1,840</u>	<u>\$ 14,342</u>	<u>3,766</u>	<u>\$ (10,576)</u>
Fund balance - July 1, 2017			14,772	
Fund balance - June 30, 2018			<u>\$ 18,538</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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Court fines	\$ 3,000	\$ 13,383	\$ 15,098	\$ 1,715
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>3,000</u>	<u>13,383</u>	<u>15,098</u>	<u>1,715</u>
Expenditures:				
Other equipment	7,000	11,711	9,711	2,000
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>7,000</u>	<u>11,711</u>	<u>9,711</u>	<u>2,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,000)	1,672	5,387	3,715
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>\$ (4,000)</u>	<u>\$ 1,672</u>	<u>5,387</u>	<u>\$ 3,715</u>
Fund balance - July 1, 2017			47,748	
Fund balance - June 30, 2018			<u>\$ 53,135</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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 232,427	\$ 396,159	\$ 277,507	\$ (118,652)
Investment earnings	1,000	8,360	10,210	1,850
TOTAL REVENUES	<u>233,427</u>	<u>404,519</u>	<u>287,717</u>	<u>(116,802)</u>
Expenditures:				
Capital outlay - general government	148,579	92,803	67,930	24,873
Capital outlay - parks and recreation	692,400	440,787	438,521	2,266
Capital outlay - public safety	390,960	365,747	362,160	3,587
Capital outlay - public works	274,500	290,265	258,574	31,691
Capital outlay - cemetery	9,500	8,451	8,451	-
Capital outlay - airport	130,000	494,141	366,997	127,144
TOTAL EXPENDITURES	<u>1,645,939</u>	<u>1,692,194</u>	<u>1,502,633</u>	<u>189,561</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,412,512)	(1,287,675)	(1,214,916)	72,759
Other financing sources (uses):				
Transfers in - general fund	750,000	1,182,324	1,182,324	-
Transfers out - general fund	-	(1,250)	(1,250)	-
Insurance recoveries	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>750,000</u>	<u>1,181,074</u>	<u>1,181,074</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (662,512)</u>	<u>\$ (106,601)</u>	<u>(33,842)</u>	<u>\$ 72,759</u>
Fund balance - July 1, 2017			952,070	
Fund balance - June 30, 2018			<u>\$ 918,228</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, 2018**

	<u>Original Budget</u>	<u>Final 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, 2017			30,000	
Fund balance - June 30, 2018			<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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 658,866	\$ 366,642	\$ (292,224)
Investment earnings	-	1,435	1,641	206
Miscellaneous	-	18,226	20,064	1,838
<b>TOTAL REVENUES</b>	<u>-</u>	<u>678,527</u>	<u>388,347</u>	<u>(290,180)</u>
<b>Expenditures:</b>				
Utilities	-	400	169	231
Land improvements	26,510	731,494	506,361	225,133
Other equipment	-	14,450	19,014	(4,564)
Professional services	20,000	70,661	33,589	37,072
<b>TOTAL EXPENDITURES</b>	<u>46,510</u>	<u>817,005</u>	<u>559,133</u>	<u>257,872</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(46,510)</b>	<b>(138,478)</b>	<b>(170,786)</b>	<b>(32,308)</b>
<b>Other financing sources (uses):</b>				
Transfers in - general fund	50,000	50,000	50,000	-
Transfers out - general fund	-	-	-	-
Issuance of capital outlay note	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ 3,490</u></u>	<u><u>\$ (88,478)</u></u>	<u><u>(120,786)</u></u>	<u><u>\$ (32,308)</u></u>
 Fund balance - July 1, 2017			<u>203,282</u>	
Fund balance - June 30, 2018			<u><u>\$ 82,496</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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 1,255,552	\$ 225,046	\$ 692,527	\$ 467,481
TOTAL REVENUES	<u>1,255,552</u>	<u>225,046</u>	<u>692,527</u>	<u>467,481</u>
Expenditures:				
Road design	82,814	64,219	60,390	3,829
Capital outlay - road construction	1,463,105	532,090	758,946	(226,856)
Administration	125,174	30,219	71,179	(40,960)
TOTAL EXPENDITURES	<u>1,671,093</u>	<u>626,528</u>	<u>890,515</u>	<u>(263,987)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(415,541)	(401,482)	(197,988)	203,494
Other financing sources (uses):				
Transfers in - general fund	100,024	212,024	212,024	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>100,024</u>	<u>212,024</u>	<u>212,024</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (315,517)</u>	<u>\$ (189,458)</u>	<u>14,036</u>	<u>\$ 203,494</u>
Fund balance - July 1, 2017			869,956	
Fund balance - June 30, 2018			<u>\$ 883,992</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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	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	491,105	491,105	491,105	-
Transfers out - general fund	(420,143)	(420,143)	(420,143)	-
TOTAL OTHER FINANCING SOURCES (USES)	70,962	70,962	70,962	-
NET CHANGE IN FUND BALANCE	<u>\$ 70,962</u>	<u>\$ 70,962</u>	<u>70,962</u>	<u>\$ -</u>
Fund balance - July 1, 2017			<u>145,057</u>	
Fund balance - June 30, 2018			<u>\$ 216,019</u>	

**SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR - GENERAL GOVERNMENT**  
**CITY OF SHELBYVILLE, TENNESSEE**  
For the year ended June 30, 2018

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		
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	-	-	-	-	-	-	-	-	-	-	-	-
	\$ 75,957	\$ 4,214	\$ 1,253,000	\$ 142,857	\$ 206,000	\$ 6,324	\$ 822,000	\$ 89,680	\$ 495,000	\$ 83,325	\$ 2,851,957	\$ 326,400

**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, 2018

	Fiscal Year		Capital Outlay Note		Capital Outlay Note		Water and Sewer Revenue and		wer General Obligation Refundi		ater General Obligation Refundi		Totals	
	Ending		SRF 2003-172		SRF 07-206		Tax Bonds - Series 2011		Improvement Bonds - Series 2		Improvement Bonds - Series 2			
	June 30,		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
48	2019	\$	229,524	\$ 35,832	\$ 906,948	\$ 281,712	\$ 190,000	\$ 60,205	\$ 75,000	\$ 60,175	\$ 55,000	\$ 37,475	\$ 1,456,472	\$ 475,399
	2020		233,448	31,908	923,232	265,428	200,000	56,305	80,000	57,075	55,000	35,275	1,491,680	445,991
	2021		237,444	27,912	939,792	248,868	200,000	52,105	85,000	53,775	60,000	32,975	1,522,236	415,635
	2022		241,524	23,832	956,664	231,996	205,000	47,445	85,000	50,375	60,000	30,575	1,548,188	384,223
	2023		245,652	19,704	973,824	214,836	210,000	42,360	90,000	46,875	65,000	28,075	1,584,476	351,850
	2024		249,864	15,492	991,296	197,364	215,000	36,940	95,000	43,175	65,000	25,475	1,616,160	318,446
	2025		254,148	11,208	1,009,092	179,568	220,000	31,175	95,000	40,325	65,000	23,525	1,643,240	285,801
	2026		258,504	6,852	1,027,200	161,460	230,000	24,985	95,000	38,425	70,000	22,175	1,680,704	253,897
	2027		262,347	2,429	1,045,632	143,028	235,000	18,357	100,000	36,475	70,000	20,775	1,712,979	221,064
	2028		-	-	1,064,400	124,260	240,000	11,350	100,000	34,350	70,000	19,288	1,474,400	189,248
	2029		-	-	1,083,504	105,156	250,000	3,875	100,000	31,975	75,000	17,563	1,508,504	158,569
	2030		-	-	1,102,944	85,716	-	-	105,000	29,413	75,000	15,687	1,282,944	130,816
	2031		-	-	1,122,744	65,916	-	-	110,000	26,588	80,000	13,650	1,312,744	106,154
	2032		-	-	1,142,892	45,768	-	-	110,000	23,562	80,000	11,450	1,332,892	80,780
	2033		-	-	1,163,400	25,260	-	-	115,000	20,325	80,000	9,150	1,358,400	54,735
	2034		-	-	688,149	5,236	-	-	115,000	16,875	55,000	7,125	858,149	29,236
	2035		-	-	99,018	10	-	-	120,000	13,350	55,000	5,475	274,018	18,835
	2036		-	-	-	-	-	-	125,000	9,675	55,000	3,825	180,000	13,500
	2037		-	-	-	-	-	-	130,000	5,850	55,000	2,175	185,000	8,025
	2038		-	-	-	-	-	-	130,000	1,950	45,000	675	175,000	2,625
		\$	<u>2,212,455</u>	\$ <u>175,169</u>	\$ <u>16,240,731</u>	\$ <u>2,381,582</u>	\$ <u>2,395,000</u>	\$ <u>385,102</u>	\$ <u>2,060,000</u>	\$ <u>640,588</u>	\$ <u>1,290,000</u>	\$ <u>362,388</u>	\$ <u>24,198,186</u>	\$ <u>3,944,829</u>

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

**CITY OF SHELBYVILLE, TENNESSEE**

**Year ended June 30, 2018**

---

During the year ended June 30, 2018, the government turned over \$104,272 of 2016 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, 2018

---

### POWER SYSTEM:

#### RESIDENTIAL RATES

Customer charge	\$ 18.11
Energy charge	\$ 0.09107 per KWH
First 1,000 KWH per month	\$ 109.18

#### 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	\$ 23.27
Usage exceeds 500KWRHS	\$ 33.77
Energy charge	\$ 0.10056 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	\$136.20
Demand charge:	
First 50 kilowatt hours per month	\$ 3.00 per KW
Over 50 kilowatt hours per month	\$ 13.99 per KW
Energy charge:	
First 15,000 kilowatt hours per month	\$ 0.09755 per KWH
Over 15,000 kilowatt hours per month	\$ 0.06128 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	\$463.67
Demand charge:	
First 1,000 kilowatt hours per month	\$ 12.79 per KW
Over 1,000 kilowatt hours per month	\$ 12.90 per KW
Energy charge – all KWH	\$ 0.06705 per KWH

# UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS (Continued)

## CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2018

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	\$463.67
Demand charge:	
First 1,000 kilowatt hours per month	\$ 11.41 per KW
Over 1,000 kilowatt hours per month	\$ 11.27 per KW
Energy charge – all KWH	\$ 0.05629 per KWH

TOU-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	\$ 9.97 per KW
All KW Off-Peak	\$ 2.18 per KW
Energy charge	
First 425 KWH/KW On-Peak (all KWH)	\$ 0.07372 per KWH
First 425 KWH/KW Off-Peak (first 200 hours)	\$ 0.04938 per KWH
(example 425 * KW compared to measured KWH)	
Next 200 KWH Off-Peak	\$ 0.02046
Additional KWH Off-Peak	\$ 0.01798
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	\$ 7.33
400 watt mercury vapor (Flood or Cobra head)	\$ 14.30
200 watt high pressure sodium	\$ 10.03
250 watt high pressure sodium	\$ 12.07
100 watt high pressure sodium	\$ 6.89

### **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, 2018

---

### Service Charges

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

### **WATER FLAT CREEK:**

All customer rates:

First 1,500 gallons \$20.20 (Minimum Bill)  
Next 38,500 gallons \$ 8.40 per 1,000 gal  
All over 40,000 gallons \$ 6.50 per 1,000 gal

### **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 2018:**

Power System 10,316  
Water System 9,353  
Sewerage System 8,353





## 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: **2018** **7/2017 - 6/2018**

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.

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

### WATER SUPPLIED

Volume from own sources: + ? 9 1,472.378 MG/Yr  
Water imported: + ? 8 2.160 MG/Yr  
Water exported: + ? n/a MG/Yr

### Master Meter and Supply Error Adjustments

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

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

**WATER SUPPLIED: 1,445.668 MG/Yr**

### AUTHORIZED CONSUMPTION

Billed metered: + ? 9 1,105.637 MG/Yr  
Billed unmetered: + ? n/a MG/Yr  
Unbilled metered: + ? 7 40.701 MG/Yr  
Unbilled unmetered: + ? 7 45.539 MG/Yr  
Unbilled Unmetered volume entered is greater than the recommended default value

**AUTHORIZED CONSUMPTION: 1,191.877 MG/Yr**

Click here: ?  
for help using option  
buttons below

Pcnt: Value:  
MG/Yr

Use buttons to select  
percentage of water  
supplied  
OR  
value

Pcnt: Value:  
0.25% MG/Yr

1.00% MG/Yr  
0.25% MG/Yr

### WATER LOSSES (Water Supplied - Authorized Consumption)

**253.791 MG/Yr**

### Apparent Losses

Unauthorized consumption: + ? 3.614 MG/Yr  
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed  
Customer metering inaccuracies: + ? 8 11.579 MG/Yr  
Systematic data handling errors: + ? 5 2.764 MG/Yr  
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed  
**Apparent Losses: 17.957 MG/Yr**

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

Real Losses = Water Losses - Apparent Losses: ? **235.834 MG/Yr**

**WATER LOSSES: 253.791 MG/Yr**

### NON-REVENUE WATER

**NON-REVENUE WATER: 340.031 MG/Yr**

= Water Losses + Unbilled Metered + Unbilled Unmetered

### SYSTEM DATA

Length of mains: + ? 10 290.6 miles  
Number of active AND inactive service connections: + ? 9 10,755  
Service connection density: ? 37 conn./mile main

Are customer meters typically located at the curbstop or property line?  
Average length of customer service line: + ? 7 27.0 ft (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average operating pressure: + ? 7 74.0 psi

### COST DATA

Total annual cost of operating water system: + ? 10 \$4,354,239 \$/Year  
Customer retail unit cost (applied to Apparent Losses): + ? 8 \$3.88 \$/1000 gallons (US)  
Variable production cost (applied to Real Losses): + ? 10 \$2,893.27 \$/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: **2018** **7/2017 - 6/2018**

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

### System Attributes:

Apparent Losses: **17.957** MG/Yr  
+ Real Losses: **235.833** MG/Yr  
= **Water Losses: 253.791** MG/Yr

? Unavoidable Annual Real Losses (UARL): **97.18** MG/Yr

Annual cost of Apparent Losses: **\$69,675**

Annual cost of Real Losses: **\$682,330** 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: **23.5%**  
Non-revenue water as percent by cost of operating system: **23.0%** Real Losses valued at Variable Production Cost

#### Operational Efficiency:

Apparent Losses per service connection per day: **4.57** gallons/connection/day  
Real Losses per service connection per day: **60.08** gallons/connection/day  
Real Losses per length of main per day\*: **N/A**  
Real Losses per service connection per day per psi pressure: **0.81** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **235.83** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **2.43**

\* 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, 2018

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<u>Tax Year</u>	<u>Balance June 30, 2017</u>	<u>Taxes Levied</u>	<u>Collections</u>	<u>Discoveries and Adjustments</u>	<u>Balance June 30, 2018</u>
2018	\$ -	\$ 7,496,384	\$ -	\$ -	\$ 7,496,384
2017	7,410,724		(7,072,153)	(20,692)	317,879
2016	394,186	-	(227,046)	(16,010)	151,130
2015	196,871	-	(91,401)	9	105,479
2014	91,469	-	(14,794)	-	76,675
2013	45,383	-	(2,858)	-	42,525
2012	40,717	-	(1,467)	-	39,250
2011	58,225	-	(746)	-	57,479
2010	4,227	-	(193)	-	4,034
2009	5,126	-	(320)	-	4,806
2008	4,460	-	(1,004)	-	3,456
Previous years	18,556	-	-	(6,882)	11,674
	<u>\$ 8,269,944</u>	<u>\$ 7,496,384</u>	<u>\$ (7,411,982)</u>	<u>\$ (43,575)</u>	<u>8,310,771</u>
Less estimated uncollectible accounts					<u>(30,066)</u>
Net receivable balance June 30, 2018					<u>\$ 8,280,705</u>

NOTE: All uncollected taxes for years prior to 2017 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, 2018**

---

<u>Tax Year</u>	Total Assessed <u>Value</u>	<u>Tax Rate</u>	<u>Levy</u>
2018	\$ 401,240,863	\$ 1.77	\$ 7,102,076
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

**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, 2018**

Federal Grantor/ Pass-Through Agency	Program/ Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipient	Expenditures
<b><u>FEDERAL AWARDS</u></b>					
U.S. Department of Transportation (1)	Airport Improvement Program	20.106	AERO-14-243-00	\$ -	\$ 704
U.S. Department of Transportation (1)	Airport Improvement Program	20.106	AERO-16-190-00	-	146,870
U.S. Department of Transportation (1)	Airport Improvement Program	20.106	AERO-18-220-00	-	18,000
	<i>Total Program 20.106</i>			-	165,574
U.S. Department of Transportation (2)	State and Community Highway Safety	20.600	Z17THS067	-	1,086
U.S. Department of Transportation (2)	State and Community Highway Safety	20.600	Z18THS282	-	11,532
	<i>Total Program 20.600</i>			-	12,618
U.S. Department of Transportation (1)	Highway Planning and Construction	20.205	TAP-9314	-	265,672
U.S. Department of Transportation (1)	Highway Planning and Construction	20.205	STP-M-387(4)	-	341,484
	<i>Total Program 20.205</i>			-	607,156
U.S. Department of Homeland Security	Staffing for Adequate Fire and Safety Response	97.083	EMW-2016-FH-00489	-	78,475
U.S. Department of Justice	Bulletproof Vest Partnership Program	16.607	n/a	-	8,993
	<b>TOTAL FEDERAL AWARDS</b>			-	872,816
<b><u>STATE FINANCIAL ASSISTANCE</u></b>					
TN Department of Transportation		N/A	AERM-18-158-00	-	11,711
TN Department of Transportation		N/A	CMA-1813	-	80,504
TN Department of Transportation		N/A	AERO-14-243-00	-	39
TN Department of Transportation		N/A	AERO-16-220-00	-	1,000
TN Department of Transportation		N/A	AERO-16-190-00	-	8,160
TN Department of Transportation		N/A	STP-M-387(4)	-	85,371
TN Department of Environment and Conservation		N/A	32701-03007	-	102,265
TN Department of Economic and Community Development		N/A	33006-63217	-	366,642
	<b>TOTAL STATE FINANCIAL ASSISTANCE</b>			-	655,692
	<b>TOTAL FEDERAL AND STATE AWARDS</b>			\$ -	\$ 1,528,508

**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, 2018. 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 Safety and Homeland Security.

**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, 2018, 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 15, 2019. 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 2018-001.

## **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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003.

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

City of Shelbyville, Tennessee's response to the findings identified in our audit is described in the accompanying corrective action plan. City of Shelbyville, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Winnett Associates, PLLC*

February 15, 2019



**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, Tennessee's major federal program for the year ended June 30, 2018. 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 each of the City of Shelbyville, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for 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, Tennessee 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, 2018.

## 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, Tennessee'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, Tennessee's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 15, 2019

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## CITY OF SHELBYVILLE, TENNESSEE

June 30, 2018

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### 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, 2018**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2018-001**

*Criteria:* Generally accepted accounting principles for governments require 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 to capital asset additions on a monthly basis.

*Management Response* – Management’s response is included in the Corrective Action Plan located on page 102.

**Finding 2018-002:**

*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:* The City regularly compares budgeted amounts to actual expenditures. However, the system is not operating in such a manner as to timely identify the costs that, if incurred, will result in exceeding department budgets.

*Effect:* The total expenditures for the year ended June 30, 2018, exceeded their corresponding budgeted amounts for the general government animal control and police departments, as well as the state street aid special revenue fund and the state road projects capital projects fund.

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

*Management Response* – Management’s response is included in the Corrective Action Plan located on page 102.

**Finding 2018-003:**

*Criteria:* Tennessee Public Chapter 181, effective April of 2017, provides for an increase in the tax on gasoline purchases. *Tennessee Code Annotated* section 67-3-901 requires that a municipality’s share of this increase be placed in its state street aid fund.

*Cause and Condition:* The City’s responsibilities under the Improve Act were not fully explored, resulting in the City’s share of the gasoline tax increase being recorded as part of general fund revenues.

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

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2018**

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*Recommendation:* Future receipts of this gasoline tax should be recorded as part of revenues of the state street aid fund.

*Management Response* – Management’s response is included in the Corrective Action Plan located on page 102.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

*City of*  
**SHELBYVILLE**  
*Tennessee*

**Corrective Action Plan**

**FINDING: 2018-001 RECONCILING CAPITAL ASSETS**

**Response and Corrective Action Plan Prepared by:** Shanna Boyette, City Manager

**Person Responsible for Implementing the Corrective Action:** City Treasurer

**Anticipated Completion Date of Corrective Action:** Adequate staffing will be assigned immediately.

**Repeat Finding:** Yes

**Reason Corrective Action Was Not Taken in the Prior Year:**

Adequate staffing was not assigned to this duty.

**Planned Corrective Action:**

Additional review and analysis of software program and tools will be explored in a timely matter to more efficiently reconcile capital assets

**FINDING: 2018-002 OVEREXPENDITURE OF BUDGET**

**Response and Corrective Action Plan Prepared by:** Shanna Boyette, City Manager

**Person Responsible for Implementing the Corrective Action:** City Treasurer

**Anticipated Completion Date of Corrective Action:** Fiscal year ending June 30, 2019.

**Repeat Finding:** Yes

**Reason Corrective Action Was Not Taken in the Prior Year:**

Unforeseen needed expenditure associated with grant funding occurred the last week of the fiscal year

**Planned Corrective Action:**

To utilize budgeting reports available within the current financial software system to more effectively identify and project potential over expenditures

**FINDING: 2018-003 ACCOUNTING FOR GAS TAX REVENUE**

**Response and Corrective Action Plan Prepared by:** Shanna Boyette, City Manager

**Person Responsible for Implementing the Corrective Action:** City Treasurer

**Anticipated Completion Date of Corrective Action:** Immediately

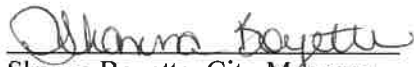
**Repeat Finding:** No

**Reason Corrective Action Was Not Taken in the Prior Year:**

Not applicable

**Planned Corrective Action:**

The recording of the gas tax is now being coded monthly to the state street aid fund.

  
Shanna Boyette, City Manager

3-15-19  
Date

# **SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

## **CITY OF SHELBYVILLE**

**For the Fiscal Year Ended June 30, 2018**

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### Financial Statement Findings

Finding Number	Finding Title	Status
2017-001	Recording of capital assets (original finding # 2017-001)	Repeated
2017-002	Spending above amounts appropriated (original finding # 2015-003)	Repeated

### Federal Award Findings and Questioned Costs

None