

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

**CITY OF SHELBYVILLE, TENNESSEE**

June 30, 2019

## **INTRODUCTORY SECTION**

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**OFFICIALS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**JUNE 30, 2019**

MAYOR                      Wallace Cartwright

VICE-MAYOR              William Christie

COUNCILMEMBERS      Ward 1 - Henry Feldhaus III

Ward 2 - Marilyn Ewing

Ward 3 - Mark Clanton

Ward 4 - William Christie

Ward 5 - Jean Pruitt

Ward 6 - Rick Overcast

OTHER OFFICIALS      City Manager    - Shanna Boyette

City Recorder   - Lisa Smith

City Treasurer   - Kay Parker

City Judge        - John T. Bobo

City Attorney    - Ginger Shofner

Shelbyville Power, Water, and Sewerage Systems:

General Manager – David Crowell

Administrative Manager – Garrett Gordon

## **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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 15, and 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, supplemental information, and the corrective action plan 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, miscellaneous schedules, and corrective action plan 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 10, 2020, 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 10, 2020

**CITY OF SHELBYVILLE, TENNESSEE**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Year ended June 30, 2019**

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, 2019. 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 \$244,256 which was driven by property tax and pension gains in the deferred inflows.
- The assets and deferred outflows of resources of the governmental activities of the City of Shelbyville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended 2019 by \$52,163,397 which is an increase of \$5,932,408 from the prior year.

- Governmental activities total expenses increased by \$874,696 for 2019. Long-term debt payoff and mandatory fire wage adjustments were the two primary contributing factors to the increase.
- 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 \$86,823,391. Of this amount, \$33,113,233 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 \$2,307,398.

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 \$44,428,584 in the fiscal year ending June 30, 2018 to \$44,255,661 for the fiscal year ending June 30, 2019, an increase of 2.48%. Current assets increased from \$26,412,630 to \$27,830,038. Plant, net of accumulated depreciation, decreased from \$17,852,176 to \$17,583,368. Other assets decreased from \$163,778 to \$115,876. Total power system liabilities increased from \$6,271,285 to \$6,311,907. Current liabilities increased from \$4,374,116 to \$4,416,604 while long-term liabilities decreased from \$1,897,169 to \$1,895,303. Deferred outflows of resources increased from \$588,952 to \$626,346 while deferred inflows of resources increased from \$167,940 to \$127,827.

Income before capital contributions decreased from \$2,176,425 in fiscal year ending 2018 to \$1,782,335 in fiscal year ending 2019, an 18.11% decrease. Total operating revenue decreased from \$35,217,415 to \$35,059,640. This is a function of weather and unbilled revenue. Operational and maintenance expenses increased from \$3,912,490 in 2018 to \$4,242,303 in 2019 and other expenses increased from \$3,354 to \$3,331. Interest expense on customer deposits increased from \$6,208 to \$20,321.

#### *Water System*

Total water system assets decreased from \$23,314,770 to \$27,209,905, a .38% decrease. Current assets increased from \$8,643,796 to \$9,041,809. Plant, net of accumulated depreciation, decreased from \$18,670,974 to \$18,168,096. Deferred outflow of resources decreased from \$403,266 to \$401,865. Total liabilities decreased from \$4,820,297 to \$4,596,588. Long-term liabilities decreased from \$4,222,155 to \$3,994,409. Deferred inflows of resources decreased from \$80,645 to \$64,239.

Income before capital contributions decreased from \$243,292 in fiscal year ending 2018 to \$1,154 in fiscal year ending 2019, a 99.53% decrease. Total operating revenue showed an increase from \$4,642,115 in 2018 to \$5,085,981 in 2019. Operational and maintenance expenses decreased from \$2,625,189 to \$2,609,555. Interest expense decreased from \$401,595 to \$376,219.

#### *Sewerage System*

Total sewerage system assets decreased from \$44,426,058 to \$44,255,661, a .38% decrease. Current assets decreased from \$5,161,660 to \$4,377,896. Plant, net of accumulated depreciation, increased from \$39,264,398 to \$39,877,765. Deferred outflows of resources increased from \$272,664 to \$290,781 while deferred inflows of resources decreased from \$108,796 to \$88,591. Total liabilities decreased from \$21,469,338 to \$20,301,297. Long-term liabilities decreased from \$20,153,629 to \$18,944,509.

Income before capital contributions increased from \$512,166 in fiscal year ending 2018 to \$760,326 in fiscal year ending 2019, a 48.54% increase. Sewer rates are based on water usage and bill at approximately 135% of the water rate. Operational and maintenance expenses showed a decrease from \$2,628,189 in 2018 to \$2,609,555 in 2019. Interest expense decreased from \$401,595 to \$376,219.

Condensed Statement of Activities  
June 30, 2019

	Governmental activities		Business-type activities		Total Primary Government	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,659,798	\$ 1,774,404	\$ 45,205,461	\$ 44,713,875	\$ 46,865,259	\$ 46,488,279
Operating grants	1,052,687	844,540	-	-	1,052,687	844,540
Capital grants	3,408,118	1,633,818	408,335	275,998	3,816,453	1,909,816
General revenues:						
Property taxes	7,445,871	7,356,778	-	-	7,445,871	7,356,778
Other taxes	6,560,676	6,148,605	-	-	6,560,676	6,148,605
Other	2,546,715	2,721,299	141,054	74,235	2,687,769	2,795,534
Total revenues	<u>22,673,865</u>	<u>20,479,444</u>	<u>45,754,850</u>	<u>45,064,108</u>	<u>68,428,715</u>	<u>65,543,552</u>
Expenses:						
General government	4,968,080	4,810,515	-	-	4,968,080	4,810,515
Public recreation	1,767,517	1,682,194	-	-	1,767,517	1,682,194
Public safety	6,019,460	5,609,516	-	-	6,019,460	5,609,516
Public works	3,121,113	2,933,636	-	-	3,121,113	2,933,636
Airport	1,068,402	1,013,147	-	-	1,068,402	1,013,147
Welfare	215,335	226,648	-	-	215,335	226,648
Industrial development	224,588	223,977	-	-	224,588	223,977
Interest on debt	73,714	83,880	-	-	73,714	83,880
Power	-	-	33,329,982	33,074,790	33,329,982	33,074,790
Water	-	-	5,113,557	4,396,088	5,113,557	4,396,088
Sewerage	-	-	4,287,161	4,313,349	4,287,161	4,313,349
Total expenses	<u>17,458,209</u>	<u>16,583,513</u>	<u>42,730,700</u>	<u>41,784,227</u>	<u>60,188,909</u>	<u>58,367,740</u>
Excess (deficiency) in net position before transfers	5,215,656	3,895,931	3,024,150	3,379,881	8,239,806	7,175,812
Transfers	<u>716,752</u>	<u>766,721</u>	<u>(716,752)</u>	<u>(766,721)</u>	-	-
Change in net position	5,932,408	4,662,652	2,307,398	2,513,160	8,239,806	7,175,812
Implementation of GASB 75	-	-	-	(173,687)	-	(173,687)
Purchase of Flat Creek	-	-	-	2,265,534	-	2,265,534
Net position-beginning	<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>
Net position-ending	<u>\$ 52,163,397</u>	<u>\$ 46,230,989</u>	<u>\$ 86,823,391</u>	<u>\$ 84,515,993</u>	<u>\$ 138,986,788</u>	<u>\$ 130,746,982</u>

Condensed Statement of Net Position  
June 30, 2019

	Governmental activities		Business-type activities		Total Primary Government	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 27,750,045	\$ 22,806,152	\$ 41,355,351	\$ 40,381,864	\$ 69,105,396	\$ 63,188,016
Capital assets	41,499,943	38,440,370	75,629,229	75,787,548	117,129,172	114,227,918
Total assets	<u>69,249,988</u>	<u>61,246,522</u>	<u>116,984,580</u>	<u>116,169,412</u>	<u>186,234,568</u>	<u>177,415,934</u>
Total deferred outflows of resources	<u>1,024,659</u>	<u>468,592</u>	<u>1,318,992</u>	<u>1,264,882</u>	<u>2,343,651</u>	<u>2,733,474</u>
Long-term liabilities	5,945,528	6,625,038	26,325,901	26,272,953	32,271,429	32,897,991
Other liabilities	4,289,192	1,226,813	4,873,623	6,287,967	9,162,815	7,514,780
Total liabilities	<u>10,234,720</u>	<u>7,851,851</u>	<u>31,199,524</u>	<u>32,560,920</u>	<u>41,434,244</u>	<u>40,412,771</u>
Total deferred inflows of resources	<u>7,876,530</u>	<u>7,632,274</u>	<u>280,657</u>	<u>357,381</u>	<u>8,157,187</u>	<u>7,989,655</u>
Net position:						
Net investment in capital assets	35,615,868	34,665,266	52,847,493	51,546,339	88,463,361	86,211,605
Restricted	480,985	382,430	862,665	837,701	1,343,650	1,220,131
Unrestricted	16,066,544	11,183,293	33,113,233	32,131,953	49,179,777	43,315,246
Total net position	<u>\$ 52,163,397</u>	<u>\$ 46,230,989</u>	<u>\$ 86,823,391</u>	<u>\$ 84,515,993</u>	<u>\$ 138,986,788</u>	<u>\$ 130,746,982</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 that expenses are recognized when they are incurred and revenues are accounted for when they are earned, not when the money is received. The increase in fund balance is the combined result of conservative revenue estimates and spending less money than budgeted.

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 \$18,468,411 which is an increase of \$428,688 from FY 2018. The city received a total of \$3,652,306 of grant funds during FY2019 related to several active grants including the following: Airport grant funds of \$3,369,521; road related grants including the Fairfield Pike/Deery Street project and the annual state road maintenance grant totaling \$127,267; SAFER personnel grant for the Fire Department of \$134,938; and Police Department related grants of \$14,317. The City General Fund's largest revenue source is property tax which generates 41% of total revenue, followed by local sales tax which accounts for 25%. 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 \$52,163,397. 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 \$1,807,236 from FY 2018 to FY 2019.

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

Capital asset additions/improvements during FY2019 included the following: General (*HVAC at Senior Citizens building, City Hall drive-thru window improvements, front sidewalk ADA improvements, and rock work at front entrance*); Roads (*resurfacing Lane Parkway, finalizing TAP Phase 2 Sidewalk Project*); Police (*four new police cars with video systems, dual purpose canine*); Animal Control (*truck*); Fire (*rescue craft, shift commander vehicle with pumper, Fire Hall #3 improvements*); Recreation Center (*new roof, kitchen remodel, hot water boiler, video security system upgrade*); Parks (*bleachers, truck w/dump body, skate park improvements*); Airport (*hangar apron rehab.*); Public Works (*truck, tractor, boom mower, truck w/dump body*).

The City's business-type activities' investment in capital assets as of June 30, 2019, amounts to \$75,629,229 (net of accumulated depreciation). Depreciation charges for the year totaled \$3,650,478. The total decrease in the City's business-type activities' capital assets for the current fiscal year was \$158,319 (.21%), an increase in capital assets of \$3,201,646 and an increase in depreciation expense of \$3,359,965 for the net change of \$158,319.

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

(as of June 30,)

	2019	2018
Land and land rights	\$ 858,049	\$ 812,539
Structures and improvements	42,327,523	42,256,760
Distribution plant	79,864,277	78,367,520
Furniture and fixtures	1,411,027	1,235,603
Transportation equipment	3,383,443	3,383,443
Equipment	2,544,590	2,246,021
Construction in process	8,347,704	7,233,081
Less: Accumulated depreciation	<u>(63,107,384)</u>	<u>(59,747,419)</u>
	<u>\$ 75,629,229</u>	<u>\$ 75,787,548</u>

## Long-Term Liabilities

At the end of the current fiscal year, the governmental activities of the City of Shelbyville included total outstanding long-term liabilities of \$5,945,528. Included are three capital outlay notes totaling \$2,293,000 accounting for 38.5% and net pension liability of \$1,916,360 which represents 32%. Other long-term liabilities include post-employment benefit obligation, compensated absences, and a settlement.

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 \$25,884,847, a decrease of \$1,355,110 (4.97% decrease) from the previous year.

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

(as of June 30,)

	2019	2018
Bonds payable	\$ 5,425,000	\$ 5,745,000
Less: deferred loss	<u>-</u>	<u>-</u>
	5,425,000	5,745,000
Notes payable	17,316,713	18,453,186
Net pension liability	2,778,256	2,709,078
Net OPEB obligation	<u>364,878</u>	<u>332,093</u>
Total outstanding debt	<u>\$ 25,884,847</u>	<u>\$ 27,239,357</u>

Notes, bonds and other obligation debt at fiscal year-end 2019 was \$1,621,884 for the power system, \$4,145,060 for the water system, and \$20,117,903 for the sewer system.

## **General Fund Budget Performance**

For fiscal year 2019, the City budgeted \$16,697,021 in total expenses in the original budget. The budget was amended during the fiscal year which resulted in an amended budget total of \$17,038,993. The City's actual beginning and ending fund balances were \$10,826,213 and \$12,818,795 respectively, which represents a \$1,992,582 increase in fund balance during FY2019.

## **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 10,396 (increase of 80 or .78%), Water 10,229 (increase of 876 or 9.37%), and Sewer 8,444 (increase of 91 or 1.09%).

## **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 to and adopted by the City Council. In addition, monthly reports and quarterly financial presentations are provided to the Council throughout the year. The City of Shelbyville has recently updated its Purchasing Policy and its Internal Control Policy. In addition, the Capital Improvements Plan for all Departments is updated annually. 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 Fairfield/Deery Street intersection improvement project, Sidewalk Repairs associated with the Tennessee Alternatives Program Grant Phases 3 & 4, Completion of the 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's local sales tax revenue increased 5.9% from FY2018 to FY2019. The City's overall General Fund revenues increased 2.6% over FY2018.

## **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, 2019

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,067,499	\$ 32,094,323	\$ 46,161,822
Taxes receivable - net	9,280,288	-	9,280,288
Accounts receivable	47,084	3,812,873	3,859,957
Intergovernmental receivable	4,314,857	-	4,314,857
Unbilled revenue	-	1,064,964	1,064,964
Inventory and other assets	40,317	892,334	932,651
Energy conservation loans	-	115,876	115,876
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	3,374,981	3,374,981
Capital assets:			
Land and construction in progress	8,144,470	9,205,753	17,350,223
Other capital assets, net of accumulated depreciation	33,355,473	66,423,476	99,778,949
TOTAL ASSETS	<u>69,249,988</u>	<u>116,984,580</u>	<u>186,234,568</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	1,024,659	1,157,123	2,181,782
OPEB	-	4,500	4,500
Deferred amounts from refunding of debt	-	157,369	157,369
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,024,659</u>	<u>1,318,992</u>	<u>2,343,651</u>
<b>LIABILITIES</b>			
Accounts payable	4,046,555	2,629,655	6,676,210
Accrued expenses and other liabilities	155,417	116,943	272,360
Deposits	61,649	2,137,293	2,198,942
Internal balances	10,268	(10,268)	-
Funds held in trust	15,303	-	15,303
Noncurrent liabilities:			
Due in one year	508,570	1,491,680	2,000,250
Due in more than one year	5,436,958	24,834,221	30,271,179
TOTAL LIABILITIES	<u>10,234,720</u>	<u>31,199,524</u>	<u>41,434,244</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	245,272	236,717	481,989
Deferred amounts from refunding of debt	-	43,940	43,940
Deferred current property taxes	7,631,258	-	7,631,258
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,876,530</u>	<u>280,657</u>	<u>8,157,187</u>
<b>NET POSITION</b>			
Net investment in capital assets	35,615,868	52,847,493	88,463,361
Restricted for:			
Highways and streets	400,135	-	400,135
Drug education and enforcement	46,082	-	46,082
Animal control	347	-	347
Public recreation	4,421	-	4,421
TV station	30,000	-	30,000
Debt service	-	862,665	862,665
Unrestricted	16,066,544	33,113,233	49,179,777
TOTAL NET POSITION	<u>\$ 52,163,397</u>	<u>\$ 86,823,391</u>	<u>\$ 138,986,788</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, 2019**

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	\$ 4,968,080	\$ 393,503	\$ 29,551	\$ -	\$ (4,545,026)	\$ -	\$ (4,545,026)
Public recreation	1,767,517	370,677	26,016	1,735	(1,369,089)	-	(1,369,089)
Public safety	6,019,460	334,911	898,343	7,443	(4,778,763)	-	(4,778,763)
Public works	3,121,113	28,664	86,442	40,825	(2,965,182)	-	(2,965,182)
Airport	1,068,402	532,043	12,335	3,358,115	2,834,091	-	2,834,091
Welfare	215,335	-	-	-	(215,335)	-	(215,335)
Industrial development	224,588	-	-	-	(224,588)	-	(224,588)
Interest on long-term debt	73,714	-	-	-	(73,714)	-	(73,714)
Total governmental activities	17,458,209	1,659,798	1,052,687	3,408,118	(11,337,606)	-	(11,337,606)
Business-type activities							
Power system	33,329,982	35,059,640	-	-	-	1,729,658	1,729,658
Water system	5,113,557	5,085,981	-	132,695	-	105,119	105,119
Sewerage system	4,287,161	5,059,840	-	275,640	-	1,048,319	1,048,319
Total business-type activities	42,730,700	45,205,461	-	408,335	-	2,883,096	2,883,096
Total primary government	\$ 60,188,909	\$ 46,865,259	\$ 1,052,687	\$ 3,816,453	(11,337,606)	2,883,096	(8,454,510)
General revenues:							
Property taxes					7,445,871	-	7,445,871
Business taxes					490,478	-	490,478
Local sales taxes					4,553,831	-	4,553,831
Beverage taxes					876,287	-	876,287
Franchise taxes					183,373	-	183,373
Payments in lieu of taxes					231,337	-	231,337
Penalties and interest					57,643	-	57,643
State shared revenues					2,217,929	-	2,217,929
Hotel/Motel taxes					225,370	-	225,370
Gain on sale of capital assets					2,831	-	2,831
Other					41,535	-	41,535
Unrestricted investment earnings					226,777	141,054	367,831
Transfers					716,752	(716,752)	-
Total general revenues					17,270,014	(575,698)	16,694,316
Change in net position					5,932,408	2,307,398	8,239,806
Net position - beginning of period					46,230,989	84,515,993	130,746,982
Net position - end of period					\$ 52,163,397	\$ 86,823,391	\$ 138,986,788

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**June 30, 2019**

	General	Capital Fund	Other Governmental Funds	Total Governmental Funds
Assets and deferred outflows of resources				
Assets:				
Cash	\$ 11,760,726	\$ 817,995	\$ 1,488,778	\$ 14,067,499
Taxes receivable - net	9,262,846	-	17,442	9,280,288
Accounts receivable	47,084	-	-	47,084
Intergovernmental receivable	519,815	3,661,049	133,993	4,314,857
Inventory and other assets	40,317	-	-	40,317
Total assets	<u>21,630,788</u>	<u>4,479,044</u>	<u>1,640,213</u>	<u>27,750,045</u>
Deferred outflows of resources:	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 21,630,788</u>	<u>\$ 4,479,044</u>	<u>\$ 1,640,213</u>	<u>\$ 27,750,045</u>
Liabilities, deferred inflows of resources, and fund balances				
Liabilities:				
Accounts payable	\$ 408,465	\$ 3,541,676	\$ 96,414	\$ 4,046,555
Intergovernmental liability	-	-	32,544	32,544
Accrued wages	122,873	-	-	122,873
Deposits	61,649	-	-	61,649
Due to other funds	10,268	-	-	10,268
Funds held in trust	-	-	15,303	15,303
Total liabilities	<u>603,255</u>	<u>3,541,676</u>	<u>144,261</u>	<u>4,289,192</u>
Deferred inflows of resources:				
Unavailable revenue - state and local taxes	32,140	-	-	32,140
Unavailable revenue - property taxes	8,176,598	-	-	8,176,598
Total deferred inflows of resources	<u>8,208,738</u>	<u>-</u>	<u>-</u>	<u>8,208,738</u>
Fund balances:				
Nonspendable				
Inventory and other assets	40,317	-	-	40,317
Restricted				
Cable TV	30,000	-	-	30,000
Animal control	347	-	-	347
Public recreation	4,421	-	-	4,421
Police	-	-	46,082	46,082
State street aid	-	-	400,135	400,135
Committed				
Debt reduction	-	-	185,455	185,455
Assigned				
State road projects	-	-	780,510	780,510
Capital assets	-	937,368	83,770	1,021,138
Unassigned	12,743,710	-	-	12,743,710
Total fund balances	<u>12,818,795</u>	<u>937,368</u>	<u>1,495,952</u>	<u>15,252,115</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,630,788</u>	<u>\$ 4,479,044</u>	<u>\$ 1,640,213</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.	41,499,943
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	577,480
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(5,166,141)
Net position of governmental activities	<u>\$ 52,163,397</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, 2019**

	General	Capital Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 13,752,482	\$ -	\$ 225,370	\$ 13,977,852
Payments in lieu of taxes	231,337	-	-	231,337
Penalties and interest	57,643	-	-	57,643
Licenses and permits	31,885	-	-	31,885
Intergovernmental	2,523,889	3,359,850	751,294	6,635,033
Charges for services	1,312,147	-	-	1,312,147
Fines	287,163	-	28,603	315,766
Miscellaneous	75,742	-	4,738	80,480
Investment earnings	196,123	24,096	6,558	226,777
Total revenues	<u>18,468,411</u>	<u>3,383,946</u>	<u>1,016,563</u>	<u>22,868,920</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	5,966,345	61,683	-	6,028,028
Parks and recreation	1,345,622	408,609	-	1,754,231
Public safety	5,294,801	281,106	61,152	5,637,059
Public works	1,995,635	141,127	834,766	2,971,528
Airport	652,639	3,534,858	-	4,187,497
Welfare	210,920	-	-	210,920
Industrial development	-	-	226,151	226,151
<b>Debt service:</b>				
Principal retirement	558,956	-	-	558,956
Interest payments on notes	73,714	-	-	73,714
Total expenditures	<u>16,098,632</u>	<u>4,427,383</u>	<u>1,122,069</u>	<u>21,648,084</u>
Excess of revenues over (under) expenditures	<u>2,369,779</u>	<u>(1,043,437)</u>	<u>(105,506)</u>	<u>1,220,836</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,243,536	1,062,577	596,220	2,902,333
Transfers out	(1,628,797)	-	(556,784)	(2,185,581)
Sales of general capital assets	3,308	-	1,853	5,161
Insurance recoveries	4,756	-	-	4,756
Total other financing sources (uses)	<u>(377,197)</u>	<u>1,062,577</u>	<u>41,289</u>	<u>726,669</u>
Net change in fund balances	1,992,582	19,140	(64,217)	1,947,505
Fund balances - July 1, 2018	10,826,213	918,228	1,560,169	13,304,610
Fund balances - June 30, 2019	<u>\$ 12,818,795</u>	<u>\$ 937,368</u>	<u>\$ 1,495,952</u>	<u>\$ 15,252,115</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, 2019**

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

Net change in fund balances - total governmental funds	\$ 1,947,505
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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	4,703,163
Depreciation expense	(1,641,259)

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

Sales and abandonments of capital assets	(2,330)
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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	(202,642)
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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	483,000
Capital lease payments	75,956
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	(20,238)
Net pension liability	(128,927)
Net OPEB obligation	(30,280)
Change in deferred assets	448,460

Change in net position of governmental activities	<u><u>\$ 5,932,408</u></u>
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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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes:				
Property	\$ 7,081,218	\$ 7,081,218	\$ 7,648,513	\$ 567,295
Business	417,069	417,069	490,478	73,409
Local sales	4,246,018	4,246,018	4,553,831	307,813
Beverage	860,960	860,960	876,287	15,327
Franchise	179,629	179,629	183,373	3,744
Payments in lieu of taxes	312,720	312,720	231,337	(81,383)
Penalties and interest	61,841	61,841	57,643	(4,198)
Licenses and permits	30,766	30,766	31,885	1,119
Intergovernmental revenues				
State TVA in lieu	231,819	231,819	244,762	12,943
State sales tax allocation	1,687,639	1,687,639	1,811,878	124,239
State income tax allocation	78,911	78,911	12,933	(65,978)
State beer tax allocation	9,743	9,743	9,414	(329)
State mixed drink tax allocation	43,302	43,302	45,345	2,043
State gasoline and motor fuel tax	131,978	131,978	40,426	(91,552)
State excise tax allocation	50,514	50,514	53,171	2,657
State and federal grant funds	219,411	220,411	257,500	37,089
State supplements	50,598	50,598	48,460	(2,138)
Charges for services	1,115,401	1,115,401	1,312,147	196,746
Fines	358,421	358,421	287,163	(71,258)
Miscellaneous	10,432	35,432	75,742	40,310
Investment earnings	17,482	17,482	196,123	178,641
<b>TOTAL REVENUES</b>	<b>17,195,872</b>	<b>17,221,872</b>	<b>18,468,411</b>	<b>1,246,539</b>
<b>EXPENDITURES</b>				
General government:				
Administration				
Salaries	485,031	487,284	489,129	(1,845)
Professional services	221,590	221,590	184,785	36,805
Payroll taxes	557,124	577,934	583,887	(5,953)
Travel and business	26,430	26,430	29,482	(3,052)
Mayor and council salaries	57,600	57,600	57,600	-
Health and disability insurance	1,516,878	1,516,878	1,535,215	(18,337)
Retirement	1,198,096	1,198,096	1,155,362	42,734
Insurance	571,788	571,788	497,867	73,921
Electric tax equivalent	154,059	154,059	145,069	8,990
Employee recognition programs	161,750	161,750	172,012	(10,262)
Computer software	75,231	75,231	57,004	18,227
Advertising	27,208	27,208	22,654	4,554
Legal settlement	100,000	100,000	100,000	-
Note payment	200,000	200,000	200,000	-
Other general government	205,811	207,811	173,872	33,939
	<b>5,558,596</b>	<b>5,583,659</b>	<b>5,403,938</b>	<b>179,721</b>

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

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>				
General government:				
Planning and zoning				
Salaries	232,615	232,612	214,125	18,487
Professional services	52,000	52,000	59,434	(7,434)
Employee education and training	5,450	5,450	3,181	2,269
Utilities	4,886	4,886	3,854	1,032
Gasoline and oil	3,280	3,280	1,806	1,474
Fees paid to state	30,117	30,117	41,695	(11,578)
Office supplies and materials	7,800	7,800	2,761	5,039
Other planning and zoning	23,567	23,570	6,730	16,840
	<u>359,715</u>	<u>359,715</u>	<u>333,586</u>	<u>26,129</u>
Cemetery				
Salaries	93,004	93,004	77,695	15,309
Utilities	4,000	4,000	4,292	(292)
Maintenance and repair	9,260	9,260	7,226	2,034
Gasoline and oil	2,982	2,982	1,820	1,162
Other cemetery	13,320	13,320	9,597	3,723
	<u>122,566</u>	<u>122,566</u>	<u>100,630</u>	<u>21,936</u>
Animal control				
Salaries	96,465	96,465	91,727	4,738
Professional services	3,700	6,000	5,621	379
Utilities	9,096	9,096	8,883	213
Maintenance and repair	2,890	4,375	2,685	1,690
Gasoline and oil	3,372	3,372	2,311	1,061
Materials and supplies	5,000	8,000	8,395	(395)
Other animal control	11,188	11,688	8,569	3,119
	<u>131,711</u>	<u>138,996</u>	<u>128,191</u>	<u>10,805</u>
Public recreation:				
Parks and recreation				
Salaries	345,380	345,380	291,558	53,822
Utilities	20,295	20,295	20,171	124
Maintenance and repair	78,095	78,095	62,955	15,140
Gasoline and oil	21,123	21,123	14,859	6,264
Chemical supplies	8,660	8,660	4,532	4,128
Special events	7,300	7,300	12,425	(5,125)
Expensable tools	7,375	7,375	9,385	(2,010)
Other parks and recreation	21,140	21,140	15,804	5,336
	<u>509,368</u>	<u>509,368</u>	<u>431,689</u>	<u>77,679</u>

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

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>				
Public recreation				
Recreational center				
Salaries	491,386	491,386	492,447	(1,061)
Professional services	8,700	8,700	6,092	2,608
Utilities	164,543	164,543	141,705	22,838
Maintenance and repair	101,467	101,467	95,473	5,994
Recreational programming	17,735	19,735	17,496	2,239
Expensable tools and materials	33,365	40,365	31,538	8,827
Chemical supplies	12,800	12,800	17,096	(4,296)
Employee education and training	6,352	6,352	3,513	2,839
Other recreational center	41,235	41,235	32,537	8,698
	<u>877,583</u>	<u>886,583</u>	<u>837,897</u>	<u>48,686</u>
Sports league				
Salaries	49,057	49,057	38,369	10,688
Professional services	25,200	25,200	21,603	3,597
Clothing and uniforms	8,600	8,600	6,776	1,824
Materials	5,450	5,450	3,660	1,790
Other sports league	8,437	8,437	5,628	2,809
	<u>96,744</u>	<u>96,744</u>	<u>76,036</u>	<u>20,708</u>
Public safety:				
Police				
Salaries	2,491,640	2,491,640	2,444,833	46,807
Salary supplement	32,098	32,098	23,400	8,698
Employee education and training	41,383	45,730	43,326	2,404
Utilities	46,862	46,862	42,411	4,451
Maintenance and repair	61,604	61,604	54,771	6,833
Gasoline and fuel	89,957	89,957	68,115	21,842
Fees paid to state	37,383	37,383	22,856	14,527
Computer software	22,977	22,977	25,979	(3,002)
Office supplies and materials	12,328	12,328	12,111	217
Clothing and uniforms	21,400	21,400	21,206	194
Expensable tools	43,740	43,740	28,925	14,815
Lease and rental of equipment	17,664	17,664	14,953	2,711
Other police	35,863	35,863	29,927	5,936
	<u>2,954,899</u>	<u>2,959,246</u>	<u>2,832,813</u>	<u>126,433</u>

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

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
Public safety:				
Fire				
Salaries	1,891,177	2,163,202	2,143,627	19,575
Salary supplement	36,500	36,500	20,200	16,300
Employee education and training	12,550	12,550	15,451	(2,901)
Utilities	41,751	41,751	34,117	7,634
Maintenance and repair	70,055	70,055	36,892	33,163
Gasoline and fuel	17,151	17,151	13,550	3,601
Fire hydrant rental	107,712	107,712	99,035	8,677
Expendable tools	66,035	66,035	42,430	23,605
Clothing and uniforms	18,240	18,240	20,260	(2,020)
Other fire	44,802	44,802	36,426	8,376
	<u>2,305,973</u>	<u>2,577,998</u>	<u>2,461,988</u>	<u>116,010</u>
Public works:				
Streets				
Salaries	970,085	970,085	877,948	92,137
Utilities	24,169	24,169	26,780	(2,611)
Maintenance and repair	62,250	62,250	32,873	29,377
Gasoline and fuel	88,253	88,253	74,763	13,490
Expendable materials	35,100	35,100	30,727	4,373
Construction material	37,500	37,500	26,267	11,233
Clothing and uniforms	12,350	12,350	12,985	(635)
Chemical supplies	10,140	10,140	9,065	1,075
State road paving	61,498	61,498	61,900	(402)
Other streets	51,675	51,675	25,494	26,181
	<u>1,353,020</u>	<u>1,353,020</u>	<u>1,178,802</u>	<u>174,218</u>
Stormwater management				
Professional services	20,000	20,000	9,913	10,087
Gasoline and oil	2,239	2,239	2,125	114
Construction material	145,000	105,000	86,555	18,445
State maintenance fee	3,460	3,460	3,460	-
Other stormwater management	15,392	43,383	36,092	7,291
	<u>186,091</u>	<u>174,082</u>	<u>138,145</u>	<u>35,937</u>



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

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>				
Sanitation				
Salaries	351,166	351,166	310,702	40,464
Utilities	5,735	5,735	5,087	648
Maintenance and repair	37,200	45,904	62,392	(16,488)
Landfill services	235,445	275,445	268,936	6,509
Gasoline and oil	35,983	35,983	25,796	10,187
Other sanitation	8,100	8,100	5,775	2,325
	<u>673,629</u>	<u>722,333</u>	<u>678,688</u>	<u>43,645</u>
Finance				
Debt principal	575,621	558,956	558,956	-
Interest on debt	78,333	78,333	73,714	4,619
	<u>653,954</u>	<u>637,289</u>	<u>632,670</u>	<u>4,619</u>
Airport				
Salaries	260,719	260,719	207,781	52,938
Utilities	43,206	44,166	42,237	1,929
Maintenance and repair	44,260	44,260	31,285	12,975
Fuel for resale	299,023	299,023	316,683	(17,660)
Gasoline and oil	9,434	9,434	7,227	2,207
Bank service charges	3,862	3,862	12,464	(8,602)
Other airport	41,748	45,010	34,962	10,048
	<u>702,252</u>	<u>706,474</u>	<u>652,639</u>	<u>53,835</u>
Welfare	210,920	210,920	210,920	-
TOTAL EXPENDITURES	<u>16,697,021</u>	<u>17,038,993</u>	<u>16,098,632</u>	<u>940,361</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>498,851</u>	<u>182,879</u>	<u>2,369,779</u>	<u>2,186,900</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,283,490	1,283,490	1,243,536	(39,954)
Transfers out	(1,531,220)	(1,628,797)	(1,628,797)	-
Sales of general capital assets	5,000	5,000	3,308	(1,692)
Insurance recoveries	-	1,485	4,756	3,271
TOTAL OTHER FINANCING SOURCES	<u>(242,730)</u>	<u>(338,822)</u>	<u>(377,197)</u>	<u>(38,375)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 256,121</u>	<u>\$ (155,943)</u>	<u>1,992,582</u>	<u>\$ 2,148,525</u>
FUND BALANCE - BEGINNING			10,826,213	
FUND BALANCE - END			<u>\$ 12,818,795</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, 2019**

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 20,918,032	\$ 7,276,903	\$ 3,899,388	\$ 32,094,323
Accounts receivable, net of allowance	3,313,469	241,161	268,511	3,823,141
Unbilled revenue	1,064,964	-	-	1,064,964
Grant receivable	-	-	42,608	42,608
Inventory	353,875	195,650	25,047	574,572
Other assets	268,526	5,462	1,166	275,154
Total current assets	<u>25,918,866</u>	<u>7,719,176</u>	<u>4,236,720</u>	<u>37,874,762</u>
Noncurrent assets:				
Restricted cash and cash equivalents-bonds	-	1,102,932	134,756	1,237,688
Restricted cash and cash equivalents-customer deposits	1,911,172	219,701	6,420	2,137,293
Energy conservation loans	115,876	-	-	115,876
Capital assets	17,583,368	18,168,096	39,877,765	75,629,229
Total noncurrent assets	<u>19,610,416</u>	<u>19,490,729</u>	<u>40,018,941</u>	<u>79,120,086</u>
TOTAL ASSETS	<u>45,529,282</u>	<u>27,209,905</u>	<u>44,255,661</u>	<u>116,994,848</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	624,846	242,996	289,281	1,157,123
OPEB	1,500	1,500	1,500	4,500
Deferred amounts from refunding of debt	-	157,369	-	157,369
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>46,155,628</u>	<u>27,611,770</u>	<u>44,546,442</u>	<u>118,313,840</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	2,452,710	87,455	89,490	2,629,655
Notes payable	-	-	1,156,680	1,156,680
Accrued expenses and other liabilities	52,722	-	-	52,722
Accrued interest	-	-	24,198	24,198
Total current liabilities	<u>2,505,432</u>	<u>87,455</u>	<u>1,270,368</u>	<u>3,863,255</u>
Current liabilities payable from restricted assets:				
Customer deposits	1,911,172	219,701	6,420	2,137,293
Bonds payable	-	255,000	80,000	335,000
Accrued interest	-	40,023	-	40,023
Total current liabilities payable from restricted assets	<u>1,911,172</u>	<u>514,724</u>	<u>86,420</u>	<u>2,512,316</u>
Noncurrent liabilities:				
Conservation - TVA program	115,876	-	-	115,876
Accrued vacation	157,543	104,349	63,286	325,178
Bonds payable	-	3,185,000	1,905,000	5,090,000
Notes payable	-	-	16,160,033	16,160,033
Net pension liability	1,500,258	583,434	694,564	2,778,256
Net OPEB liability	121,626	121,626	121,626	364,878
Total noncurrent liabilities	<u>1,895,303</u>	<u>3,994,409</u>	<u>18,944,509</u>	<u>24,834,221</u>
TOTAL LIABILITIES	<u>6,311,907</u>	<u>4,596,588</u>	<u>20,301,297</u>	<u>31,209,792</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	127,827	49,711	59,179	236,717
Deferred amounts from refunding of debt	-	14,528	29,412	43,940
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>127,827</u>	<u>64,239</u>	<u>88,591</u>	<u>280,657</u>
<b>NET POSITION</b>				
Net investment in capital assets	17,583,368	14,688,073	20,576,052	52,847,493
Restricted	-	807,909	54,756	862,665
Unrestricted	22,132,526	7,454,961	3,525,746	33,113,233
TOTAL NET POSITION	<u>\$ 39,715,894</u>	<u>\$ 22,950,943</u>	<u>\$ 24,156,554</u>	<u>\$ 86,823,391</u>

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**Year ended June 30, 2019**

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
Operating revenues:				
Charges for services pledged as security for revenue bonds	\$ 34,397,919	\$ 5,003,002	\$ 4,997,498	\$ 44,398,419
Forfeited discounts and penalties	230,418	43,357	62,342	336,117
Rental income	286,755	-	-	286,755
Other operating revenue	144,548	39,622	-	184,170
<b>TOTAL OPERATING REVENUE</b>	<b>35,059,640</b>	<b>5,085,981</b>	<b>5,059,840</b>	<b>45,205,461</b>
Operating expenses:				
Purchased power	27,912,923	-	-	27,912,923
Operational expenses	3,217,097	2,534,655	2,116,569	7,868,321
Maintenance expense	1,025,206	1,321,205	456,986	2,803,397
Depreciation and amortization	1,151,104	1,163,017	1,337,387	3,651,508
<b>TOTAL OPERATING EXPENSES</b>	<b>33,306,330</b>	<b>5,018,877</b>	<b>3,910,942</b>	<b>42,236,149</b>
<b>OPERATING INCOME</b>	<b>1,753,310</b>	<b>67,104</b>	<b>1,148,898</b>	<b>2,969,312</b>
Nonoperating revenues (expenses):				
Interest income	52,677	64,730	23,647	141,054
Interest expense	(20,321)	(94,680)	(376,219)	(491,220)
Other income (expenses)	(3,331)	-	-	(3,331)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>29,025</b>	<b>(29,950)</b>	<b>(352,572)</b>	<b>(353,497)</b>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>1,782,335</b>	<b>37,154</b>	<b>796,326</b>	<b>2,615,815</b>
Transfers out	(644,752)	(36,000)	(36,000)	(716,752)
Capital contributions	-	132,695	275,640	408,335
<b>CHANGE IN NET POSITION</b>	<b>1,137,583</b>	<b>133,849</b>	<b>1,035,966</b>	<b>2,307,398</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>38,578,311</b>	<b>22,817,094</b>	<b>23,120,588</b>	<b>84,515,993</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 39,715,894</b>	<b>\$ 22,950,943</b>	<b>\$ 24,156,554</b>	<b>\$ 86,823,391</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, 2019**

	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)	\$ 35,192,086	\$ 5,114,500	\$ 4,938,078	\$ 45,244,664
Payments to suppliers	(30,026,386)	(3,673,335)	(1,401,343)	(35,101,064)
Cash paid to employees	(2,237,136)	(205,302)	(1,109,394)	(3,551,832)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,928,564</u>	<u>1,235,863</u>	<u>2,427,341</u>	<u>6,591,768</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributed	-	132,695	275,640	408,335
Other income (expense)	(3,331)	-	-	(3,331)
Proceeds from issuance of long-term debt, net	-	-	-	-
Acquisition and construction of capital assets	(882,294)	(644,085)	(1,952,389)	(3,478,768)
Principal paid on long-term debt	-	(245,000)	(1,211,472)	(1,456,472)
Interest paid on long-term debt	-	(97,680)	(377,719)	(475,399)
Bond costs of issuance	-	-	-	-
Interest paid on customer deposits	(20,321)	-	-	(20,321)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>(905,946)</u>	<u>(854,070)</u>	<u>(3,265,940)</u>	<u>(5,025,956)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Increase in customer deposits	82,357	13,041	-	95,398
Issuance of energy conservation loans	47,902	-	-	47,902
Payments to DREMC for transfers of members	(3,218)	-	-	(3,218)
Transfers to other funds	(644,752)	(36,000)	(36,000)	(716,752)
Home weatherization loan advances	(47,902)	-	-	(47,902)
NET CASH PROVIDED(USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>(565,613)</u>	<u>(22,959)</u>	<u>(36,000)</u>	<u>(624,572)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES - Interest and other income</b>	<u>51,659</u>	<u>62,297</u>	<u>23,466</u>	<u>137,422</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,508,664	421,131	(851,133)	1,078,662
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	21,320,540	8,178,405	4,891,697	34,390,642
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 22,829,204</u>	<u>\$ 8,599,536</u>	<u>\$ 4,040,564</u>	<u>\$ 35,469,304</u>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>				
Unrestricted cash and cash equivalents	\$ 22,829,204	\$ 7,496,604	\$ 3,905,808	\$ 34,231,616
Restricted cash and cash equivalents	-	1,102,932	134,756	1,237,688
	<u>\$ 22,829,204</u>	<u>\$ 8,599,536</u>	<u>\$ 4,040,564</u>	<u>\$ 35,469,304</u>

**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**June 30, 2019**

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 1,753,310	\$ 31,104	\$ 1,112,898	\$ 2,897,312
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,151,104	1,163,017	1,337,387	3,651,508
Provision for bad debts	119,520	28,225	50,022	197,767
(Increase) decrease in:				
Accounts receivable	132,446	28,519	(121,762)	39,203
Inventory	(21,450)	(31,193)	4,551	(48,092)
Other assets	(138,244)	-	-	(138,244)
Increase (decrease) in:				
Accounts payable	(80,757)	(16,004)	17,373	(79,388)
Pension liability	(38,651)	(15,033)	(17,894)	(71,578)
OPEB liability	9,428	9,428	9,428	28,284
Accrued expenses	41,858	1,800	(662)	42,996
Total adjustments	1,175,254	1,168,759	1,278,443	3,622,456
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,928,564	\$ 1,199,863	\$ 2,391,341	\$ 6,519,768

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

**STATEMENT OF NET POSITION**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**FIDUCIARY FUND**  
**June 30, 2019**

		Pension Trust Fund
<hr/>		
ASSETS		
Investments		
Pooled separate accounts		\$ 12,519,028
	TOTAL ASSETS	<u>12,519,028</u>
NET POSITION		
Net position held in trust for pension benefits		12,519,028
	TOTAL NET POSITION	<u>\$ 12,519,028</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, 2019**

	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>527,268</u>
Total investment earnings	<u>527,268</u>
Total additions	<u>1,451,516</u>
<b>DEDUCTIONS</b>	
Benefits	841,071
Administrative expenses	<u>22,176</u>
Total deductions	<u>863,247</u>
Change in net position	588,269
Net position - beginning	<u>11,930,759</u>
Net position - ending	<u><u>\$ 12,519,028</u></u>

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

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

**June 30, 2019**

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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, 2019

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government reports the following major governmental funds:

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

Capital fund - This fund is used to account for the acquisition and construction of both major and routine capital purchases across all functions of the general government.

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 its 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, 2019

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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, 2019

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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 Systems' policy to use restricted resources first, then unrestricted as they are needed.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2019

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2019

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

(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, 2019

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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, 2019. The amount of interest cost incurred and charged to expense during the year ended June 30, 2019, was \$73,714 for the governmental activities and \$491,220 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, 2019, is \$30,066.

Customer utility accounts receivable of the government's enterprise funds are presented net of an allowance for uncollectible accounts of \$142,061. Bad debt expense for the current year is \$203,722. 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, 2019**

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

The power system has recorded unbilled revenue of \$1,064,964 as of June 30, 2019. 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, 2019, 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, 2019, the carrying amount of the Systems' deposits was \$35,469,304 and the amount of the banks balances was \$37,809,773. Of the bank balances, \$2,477,190 was covered by Federal depository insurance, and \$13,541,242 was collateralized with securities pledged that comply with statutes as acceptable collateral, and \$21,791,341 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, 2019.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

**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, 2019, 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	\$ 2,963,252	\$ -	\$ 250	\$ 2,963,002
Construction in progress	4,751,004	4,143,740	3,713,276	5,181,468
Total capital assets, not being depreciated	<u>7,714,256</u>	<u>4,143,740</u>	<u>3,713,526</u>	<u>8,144,470</u>
Capital assets, being depreciated:				
Buildings	11,650,685	837,079	-	12,487,764
Equipment	4,712,538	206,043	11,452	4,907,129
Vehicles	6,843,005	317,355	62,531	7,097,829
Infrastructure	<u>20,826,923</u>	<u>2,912,221</u>	<u>-</u>	<u>23,739,144</u>
Total capital assets being depreciated	44,033,151	4,272,698	73,983	48,231,866
Less accumulated depreciation for:				
Buildings	4,298,309	251,774	-	4,550,083
Equipment	2,458,351	348,679	9,372	2,797,658
Vehicles	3,645,264	361,834	62,532	3,944,566
Infrastructure	<u>2,905,113</u>	<u>678,973</u>	<u>-</u>	<u>3,584,086</u>
Total accumulated depreciation	<u>13,307,037</u>	<u>1,641,260</u>	<u>71,904</u>	<u>14,876,393</u>
Total capital assets, being depreciated, net	<u>30,726,114</u>	<u>2,631,438</u>	<u>2,079</u>	<u>33,355,473</u>
Governmental activities capital assets, net	<u>\$ 38,440,370</u>	<u>\$ 6,775,178</u>	<u>\$ 3,715,605</u>	<u>\$ 41,499,943</u>



**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

**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	\$ 812,539	\$ 45,510	\$ -	\$ 858,049
Construction in progress	7,233,081	2,657,786	1,543,163	8,347,704
Total capital assets, not being depreciated	<u>8,045,620</u>	<u>2,703,296</u>	<u>1,543,163</u>	<u>9,205,753</u>
Capital assets, being depreciated:				
Structures and improvements	42,256,760	70,763	-	42,327,523
Distribution plant	78,367,520	1,867,656	370,899	79,864,277
Furniture and fixtures	1,235,603	175,424	-	1,411,027
Transportation equipment	3,383,443	-	-	3,383,443
Equipment	<u>2,246,021</u>	<u>298,569</u>	<u>-</u>	<u>2,544,590</u>
Total capital assets, being depreciated	127,489,347	2,412,412	370,899	129,530,860
Less accumulated depreciation for:				
Structures and improvements	11,937,162	1,265,180	-	13,202,342
Distribution plant	41,812,117	2,000,201	(290,542)	43,521,776
Furniture and fixtures	1,056,500	50,270	-	1,106,770
Transportation equipment	2,876,862	252,853	29	3,129,744
Equipment	<u>2,064,778</u>	<u>81,974</u>	<u>-</u>	<u>2,146,752</u>
Total accumulated depreciation	<u>59,747,419</u>	<u>3,650,478</u>	<u>(290,513)</u>	<u>63,107,384</u>
Total capital assets, being depreciated, net	<u>67,741,928</u>	<u>(1,238,066)</u>	<u>80,386</u>	<u>66,423,476</u>
Business-type activities capital assets, net	<u>\$ 75,787,548</u>	<u>\$ 1,465,230</u>	<u>\$ 1,623,549</u>	<u>\$ 75,629,229</u>

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

Governmental activities:	
General government	\$ 104,451
Public recreation	348,445
Public safety	310,174
Public works	475,245
Airport	398,530
Welfare	<u>4,415</u>
Total depreciation expense - governmental activities	<u>\$ 1,641,260</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

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

Business-type activities:	
Power system	\$ 1,164,491
Water system	1,146,965
Sewerage system	<u>1,339,022</u>
Total depreciation expense - business-type activities	<u>\$ 3,650,478</u>

**NOTE F - LONG-TERM LIABILITIES**

Direct borrowings and direct placements

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	\$ 1,125,000
Governmental activities – storm flume repair	2.64	2025	728,000
Governmental activities – industrial development	2.50	2027	<u>440,000</u>
			<u>\$ 2,293,000</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 287,000	\$ 60,369
2021	297,000	52,709
2022	307,000	44,784
2023	319,000	36,016
2024	331,000	26,930
2025-2029	<u>752,000</u>	<u>27,291</u>
Total	<u>\$ 2,293,000</u>	<u>\$ 248,099</u>

Notes payable of the business-type activities outstanding at year-end are as follows:

Sewerage system – revolving loan	1.70%	6/30/2037	\$ 1,982,930
Sewerage system – revolving loan	1.78%	2/01/2034	<u>15,333,783</u>
			<u>\$ 17,316,713</u>

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2020	\$ 1,156,680	\$ 297,336
2021	1,177,236	276,780
2022	1,198,188	255,828
2023	1,219,476	234,540
2024	1,241,160	212,856
2025-2029	6,004,826	733,961
2030-2034	5,220,129	227,896
2035-2038	99,018	10
Total	<u>\$ 17,316,713</u>	<u>\$ 2,239,207</u>

Other debt

Revenue bonds

Revenue bonds 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	\$ 1,985,000
Water and sewer – general obligation bonds	2.25 – 4.0%	8/01/2037	1,235,000
Water and sewer - revenue bonds	1.25 – 2.8%	8/01/2028	2,205,000
			<u>\$ 5,425,000</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.

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2020	\$ 335,000	\$ 148,655
2021	345,000	138,855
2022	350,000	128,395
2023	365,000	117,310
2024	375,000	105,590
2025-2029	2,015,000	374,618
2030-2034	925,000	173,825
2035-2038	715,000	42,975
Total	<u>\$ 5,425,000</u>	<u>\$ 1,230,223</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

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

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Direct borrowings:					
Capital outlay notes	\$ 2,776,000	\$ -	\$ 483,000	\$ 2,293,000	\$ 287,000
Promissory note	200,000	-	200,000	-	-
Other long-term liabilities:					
Capital lease	75,957	-	75,957	-	-
Post-employment benefit obligation	922,086	111,849	81,569	952,366	81,570
Settlement	300,000	-	100,000	200,000	100,000
Net pension liability	1,787,433	1,580,443	1,451,516	1,916,360	-
Compensated absences	<u>563,562</u>	<u>487,983</u>	<u>467,743</u>	<u>583,802</u>	<u>40,000</u>
Long-term liabilities	<u>\$ 6,625,038</u>	<u>\$ 2,180,275</u>	<u>\$ 2,859,785</u>	<u>\$ 5,945,528</u>	<u>\$ 508,570</u>

The liabilities for pension-related debt, other postemployment benefit obligation, and compensated absences are fully liquidated by the general fund.

Business-type activities:

Direct borrowings:

Notes payable	\$ 18,453,186	\$ -	\$ 1,136,473	\$ 17,316,713	\$ 1,156,680
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Other debt:

Revenue bonds	5,745,000	-	320,000	5,425,000	335,000
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Other long-term liabilities:

Conservation – TVA program	163,778	-	47,902	115,876	-
Compensated absences	326,290	-	1,112	325,178	-
Net pension liability	2,709,078	69,178	-	2,778,256	-
Post-employment benefit obligation	<u>332,093</u>	<u>32,785</u>	<u>-</u>	<u>364,878</u>	<u>-</u>
Long-term liabilities	<u>\$ 27,729,425</u>	<u>\$ 101,963</u>	<u>\$ 1,505,487</u>	<u>\$ 26,325,901</u>	<u>\$ 1,491,680</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.

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.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### CITY OF SHELBYVILLE, TENNESSEE

June 30, 2019

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

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.

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.

At June 30, 2019, 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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	91
Inactive employees entitled to but not yet receiving benefits	47
Active employees	<u>47</u>
Total	<u>185</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2019

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NOTE H - PENSION PLAN (Continued)

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, 2019, the City contributed \$924,248.

Net pension liability

The government's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019, rolled forward to June 30, 2019, using standard actuarial methodology and the actual assets of the trust as of June 30, 2019.

Actuarial assumptions

The total pension liability as of June 30, 2019, 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 – 7.65%  
Discount rate – 7.65%

*Demographic Actuarial Assumptions*

Mortality:

Society of Actuaries RP-204 Blue Collar Mortality Table

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

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

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 7.65%. 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.

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, 2018	\$(13,718,192)	\$ 11,930,759	\$ (1,787,433)
Changes for the year:			
Service cost	(80,049)	-	(80,049)
Interest cost	(1,036,772)	-	(1,036,772)
Difference between expected and actual experience	138,263	-	138,263
Change in actuarial assumptions	(579,709)	-	(579,709)
Employer contributions	-	924,248	924,248
Employee contributions	-	-	-
Net investment income	-	527,268	527,268
Benefit payments	841,071	(841,071)	-
Administrative expense	-	(22,176)	(22,176)
Other charges	-	-	-
Net changes	<u>(717,196)</u>	<u>588,269</u>	<u>(128,927)</u>
Balance at June 30, 2019	<u><u>\$(14,435,388)</u></u>	<u><u>\$ 12,519,028</u></u>	<u><u>\$ (1,916,360)</u></u>

The plan's fiduciary net position as a percentage of the total pension liability was 86.7% at June 30, 2019.

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 7.65 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 3,437,549	\$ 1,916,360	\$ 613,046

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2019

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NOTE H - PENSION PLAN (Continued)

Pension expense

For the year ended June 30, 2019, the general government recognized pension expense of \$604,716.

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, 2019, and for the year then ended, the Plan held no securities issued by the City or other related parties.

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, 2019, the annual money-weighted rate of return on pension plan investments was 4.41%.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2019, the general government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 96,207	\$ 245,272
Change in actuarial assumptions	515,297	-
Net difference between projected and actual earnings on pension plan investments	413,155	-
Total	<u>\$ 1,024,659</u>	<u>\$ 245,272</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:

2020	\$ 258,730
2021	79,120
2022	132,693
2023	125,724
2024	45,778
Thereafter	137,342



## NOTES TO FINANCIAL STATEMENTS (Continued)

### CITY OF SHELBYVILLE, TENNESSEE

June 30, 2019

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

##### 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.

All of the City's pension trust investments at June 30, 2019, 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, 2018:

Total pension liability	\$ 23,732,640
Plan fiduciary net position	<u>20,954,384</u>
Net pension liability	<u>\$ 2,778,256</u>
Net position as percentage of the total pension liability	88.29%

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

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

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

Net pension liability with a 1% decrease in discount rate: 6.00%	\$ 5,748,556
Net pension liability at current discount rate: 7.00%	2,778,256
Net pension liability with a 1% increase in discount rate: 8.00%	268,355

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

Pension Expense:

Service cost	\$ 314,982
Interest on the total pension liability	1,563,647
Recognized liability (gains)/losses	115,150
Change of assumptions	-
Employee contributions	(125,352)
Projected earnings on pension plan investments	(1,379,243)
Recognized assets (gains)/losses	46,376
Pension plan administrative expense	-
Other changes in fiduciary net pension	-
Total pension expense	<u>\$ 535,560</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, 2017	\$(22,442,914)	\$ 19,733,836	\$ (2,709,078)
Changes for the year:			
Service cost	(314,982)	-	(314,982)
Interest cost	(1,563,647)	-	(1,563,647)
Difference between expected and actual experience	(251,209)	-	(251,209)
Employer contributions	-	654,028	654,028
Employee contributions	-	125,352	125,352
Net investment income	-	1,281,280	1,281,280
Benefit payments	840,111	(840,111)	-
Administrative expense	-	-	-
Other charges	-	-	-
Net changes	<u>(1,289,727)</u>	<u>1,220,549</u>	<u>(69,178)</u>
Balance at October 1, 2018	<u>\$(23,732,641)</u>	<u>\$ 20,954,385</u>	<u>\$ (2,778,256)</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

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

Deferred Outflows and Inflows of Resources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 699,048	\$ 68,088
Net difference between projected and actual earnings in pension plan investments	-	168,629
Contributions subsequent to the measurement date of October 1, 2018	<u>458,075</u>	<u>-</u>
	<u>\$ 1,157,123</u>	<u>\$ 236,717</u>

The employer contributions of \$458,075 reported as pension related deferred outflows of resources subsequent to the measurement date of October 1, 2018 will be recognized as a reduction of net position liability in the year ended June 30, 2020.

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

2020	\$ 168,915
2021	(29,850)
2022	18,164
2023	157,439
2024	51,706
Thereafter	95,957

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, 2018

Inactive plan members or beneficiaries currently receiving benefits	47
Inactive members entitled but not yet receiving benefits	12
Active plan members	<u>72</u>
Total	<u>131</u>

Schedule of Employer Contributions

<u>Year</u>	<u>Minimum Contribution</u>	<u>Actual Contribution</u>
2016	\$ 543,280	\$ 953,654
2017	561,286	814,504
2018	620,834	682,920
2019	578,943	654,028

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

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NOTE H - PENSION PLAN (Continued)

Actuarial Assumptions

Measurement date	October 1, 2018
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

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, 2019, the City contributed \$45,253 to fund premiums for retirees receiving benefits while the implicit subsidy was \$36,317. The council may amend the benefit provisions. A separate report was not issued for the plan.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

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

**Employees Covered by Benefit Terms**

At June 30, 2019, the following employees of the City's general government were covered by the benefit terms of the Plan:

Inactive employees currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>164</u>
	<u>169</u>

**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

**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, 2018	\$ 922,086	\$ -	\$ 922,086
Changes for the year:			
Service cost	77,655	-	77,655
Interest cost	34,194	-	34,194
Difference between expected and actual experience	-	-	-
Employer contributions	-	81,569	(81,569)
Employee contributions	-	-	-
Net investment income	-	-	-
Benefit payments	(81,569)	81,569	-
Administrative expense	-	-	-
Other charges	-	-	-
Net changes	<u>30,280</u>	<u>-</u>	<u>30,280</u>
Balance at June 30, 2019	<u>\$ 952,366</u>	<u>\$ -</u>	<u>\$ 952,366</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

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

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 using rates equivalent to AA 20-year municipal bonds. The GO Bond Buyer Index was used to approximate those yields as of June 30, 2019.

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	\$ 1,036,566	\$ 952,366	\$ 874,849

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	\$ 843,342	\$ 952,366	\$ 1,081,830

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

*OPEB Expense* – For the fiscal year ended June 30, 2019, the general government recognized OPEB expense of \$111,849.

*Deferred outflows of resources and deferred inflows of resources* – For the fiscal year ended June 30, 2019, 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, 2019**

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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, 2018, 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>

Discount Rate

For the City's enterprise funds, the discount rate used to measure the total liability was 3.50 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, 2019.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

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

Actuarial Assumptions

For the City's enterprise funds, the Net OPEB liability in the July 1, 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, 2019
Actuarial valuation date	July 1, 2017
Mortality	RP-2014 Adjusted to 2006 Total Dataset Headcount weighted Mortality with MP 2018. This table is used pending review of the Society of Actuaries of Governmental Mortality Study.
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.
Per capita claims	Claims were developed by adjusting the underlying medical premiums for the ages of retirees compared to the underlying active populations. The adjustment was done using the morbidity adjustments in Chart 5 from the 2013 Society of Actuaries Study "Health Care Costs from Birth to Death". The actual medical premium for 2018 was \$614.44 for option 1 and \$727.75 for option 2 per month.

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, 2018	\$ 332,093	\$ -	\$ 332,093
Changes for the year:			
Service cost	21,484	-	21,484
Interest cost	12,725	-	12,725
Difference between expected and actual experience	5,205	-	5,205
Employer contributions	-	6,629	(6,629)
Employee contributions	-	-	-
Net investment income	-	-	-
Benefit payments	(6,629)	(6,629)	-
Administrative expense	-	-	-
Other charges	-	-	-
Net changes	<u>32,785</u>	<u>-</u>	<u>32,785</u>
Balance at June 30, 2019	<u>\$ 364,878</u>	<u>\$ -</u>	<u>\$ 364,878</u>



**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

**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 (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate.

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 380,296	\$ 364,878	\$ 349,410

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.

	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	\$ 336,695	\$ 364,878	\$ 397,465

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

*OPEB Expense* – For the fiscal year ended June 30, 2019, the Systems’ recognized OPEB expense of \$34,912.

*Deferred outflows of resources and deferred inflows of resources* – For the fiscal year ended June 30, 2019, 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	4,500	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer payments subsequent to the measurement date	-	-
Total	<u>\$ 4,500</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:

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

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

For the year ended June 30:

2020	\$	704
2021		704
2022		704
2023		704
2024		704
Thereafter		980

**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, 2019, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2019, the government received \$53,171 from the State of Tennessee for this shared revenue.

**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, 2019, 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 its appointed board members. The Library previously operated under a larger number of board members and is currently transitioning to a lesser amount. Accordingly, as of June 30, 2019, the City has appointed seven of the twelve board members. The City contributed \$136,000 to the operations of the Library during the year ended June 30, 2019. Complete financial statements of the Library can be obtained at 220 South Jefferson Street, Shelbyville, Tennessee 37160.

# NOTES TO FINANCIAL STATEMENTS (Continued)

## CITY OF SHELBYVILLE, TENNESSEE

June 30, 2019

### NOTE L - JOINT VENTURES (Continued)

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, 2019, 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 114 Horseshoe Court, Shelbyville, Tennessee 37160.

Summary financial information as of June 30, 2019, of these organizations is shown below.

	Bedford <u>Railroad</u>	Shelbyville- Bedford County <u>Public Library</u>
Total assets and deferred outflows	\$ 4,126,498	\$ 2,858,069
Total liabilities and deferred inflows	<u>147,693</u>	<u>26,566</u>
Net position	<u>\$ 3,978,805</u>	<u>\$ 2,831,503</u>
Revenues	\$ 138,751	\$ 352,013
Expenditures	<u>204,091</u>	<u>402,830</u>
Increase (decrease) in net position	<u>\$ (65,340)</u>	<u>\$ (50,817)</u>

### 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 \$246,531. Employer contributions, as well as the expense recognized in the statement of activities, totaled \$261,988. 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.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

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**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 \$- and employee contributions totaled \$2,232 for the year ended June 30, 2019.

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, 2019.

**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, 2019, \$15,303, is included in the Police Drug fund as seized money held for disposition.

**NOTE P - RESTRICTED NET POSITION**

Net position of governmental activities restricted by enabling legislation to specific purposes include \$400,135 in limited purpose state gasoline and motor fuel taxes and \$13,352 in fines and forfeitures from drug related offenses.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

**NOTE Q - INTERFUND TRANSFERS**

The composition of interfund transfers for the year ended June 30, 2019, is as follows:

<u>Transfers in:</u>	<u>Transfers out:</u>				
	Power fund	Sewer fund	Water fund	General fund	Nonmajor governmental funds
General fund	\$644,752	\$ 36,000	\$ 36,000	\$ -	\$ 526,784
Capital projects fund	-	-	-	1,032,577	30,000
Nonmajor governmental funds	-	-	-	596,220	-

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, 2019.

**NOTE R - INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2019, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Power system	State street aid	\$ -
Power system	General	10,268
Total		<u>\$ 10,268</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, 2019, the council had identified \$635,943 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, 2019**

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**NOTE T - 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 Public Entity Partners, a public risk entity pool (Pool) and Tennessee not-for-profit corporation. 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 per occurrence; general liability, personal injury liability, errors and omissions liability, law enforcement liability, employment benefit liability, employment practices liability, unmanned aerial vehicles (drones) and auto liability, and privacy and network security liability - \$700,000 per occurrence; flood, earthquake, tornado, wind, named windstorm, hail, sleet, lighting and rain - \$500,000 per occurrence; all other events including auto physical damage and crime coverage - \$300,000 per occurrence. 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.

**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	6/30/19
<b>TOTAL PENSION LIABILITY</b>					
Service cost	\$ 116,663	\$ 113,459	\$ 103,780	\$ 88,697	\$ 80,049
Interest	935,284	963,296	996,777	1,010,291	1,036,772
Changes in benefit terms	-	-	-	-	-
Differences between actual & expected experience	-	78,913	(168,263)	54,498	(138,263)
Change of assumptions	-	-	-	-	579,709
Benefit payments, including refunds of employee contributions	(667,050)	(707,532)	(720,433)	(765,228)	(841,071)
Net change in total pension liability	384,897	448,136	211,861	388,258	717,196
Total pension liability-beginning	12,285,040	12,669,937	13,118,073	13,329,934	13,718,192
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>	<u>\$ 14,435,388</u>
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions-employer	\$ 873,492	\$ 924,248	\$ 924,248	\$ 924,248	\$ 924,248
Contributions-employee	-	-	-	-	-
Net investment income	70,425	(137,687)	1,031,926	821,120	527,268
Benefit payments, including refunds of employee contributions	(667,050)	(707,532)	(720,433)	(765,228)	(841,071)
Administrative expense	(23,841)	(23,568)	(26,284)	(28,947)	(22,176)
Net change in plan fiduciary net position	253,026	55,461	1,209,457	951,193	588,269
Plan fiduciary net position-beginning	9,461,622	9,714,648	9,770,109	10,979,566	11,930,759
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>	<u>\$ 12,519,028</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>	<u>\$ 1,916,360</u>
Plan fiduciary net position as a percentage of total pension liability	76.67%	74.48%	82.37%	86.97%	86.72%
Covered payroll	\$ 2,936,205	\$ 2,945,356	\$ 2,789,904	\$ 2,757,582	\$ 2,466,388
Net pension liability (asset) as a percentage of covered payroll	100.65%	113.67%	84.25%	64.82%	77.70%

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**

	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19
Actuarially determined contribution	\$ 733,133	\$ 737,049	\$ 843,286	\$ 805,480	\$ 741,623
Contributions in relation to the					
actuarially determined contribution	873,492	924,248	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>	<u>\$ (182,625)</u>
Covered payroll	\$ 2,936,205	\$ 2,945,356	\$ 2,789,904	\$ 2,757,580	\$ 2,466,388
Contributions as a percentage of					
covered payroll	29.75%	31.38%	33.13%	33.52%	37.47%

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 2019 were calculated based on the January 1, 2019, 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	7.65 percent
Retirement age	60 for fire and police, 62 for administrative
Mortality	Society of Actuaries RP-2014 Blue Collar Mortality
Possibility of disability	None
Termination or withdrawal from service	Graduated rates based on T-3 table



**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>	<u>6/30/19</u>
Money-weighted rate of return	0.49%	-1.64%	10.19%	7.16%	4.22%

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	6/30/19
TOTAL OPEB LIABILITY		
Service cost	\$ 74,755	\$ 77,655
Interest	35,599	34,194
Differences between actual and expected experience	-	-
Change of assumptions	-	-
Contributions - employer	-	-
Contributions - employee	-	-
Net investment income	-	-
Benefit payments	(62,022)	(81,569)
Other charges	(15,680)	-
Administrative expense	-	-
Net change in total OPEB liability	32,652	30,280
Total OPEB liability-beginning	889,434	922,086
Total OPEB liability-ending (a)	<u>\$ 922,086</u>	<u>\$ 952,366</u>
PLAN FIDUCIARY NET POSITION		
Contributions-employer	\$ -	\$ -
Contributions-employee	62,022	81,569
Net investment income	-	-
Benefit payments	(62,022)	(81,569)
Administrative expense	-	-
Net change in plan fiduciary net position	-	-
Plan fiduciary net position-beginning	-	-
Plan fiduciary net position-ending (b)	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability-ending (a) - (b)	<u>\$ 922,086</u>	<u>\$ 952,366</u>
Covered payroll	\$ 6,189,988	\$ 6,189,988
Net OPEB liability as a percentage of covered payroll	14.9%	15.4%

**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**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
<b>Total pension liability</b>					
Service cost	\$ 296,322	\$ 302,964	\$ 312,365	\$ 316,215	\$ 314,982
Interest	1,268,528	1,334,919	1,428,966	1,481,577	1,563,647
Changes in benefit terms	-	-	-	-	-
Differences between actual & expected experience	81,928	486,833	(136,176)	215,386	251,209
Change of assumptions	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(704,730)	(705,221)	(875,976)	(838,861)	(840,111)
<b>Net change in total pension liability</b>	<b>942,048</b>	<b>1,419,495</b>	<b>729,179</b>	<b>1,174,317</b>	<b>1,289,727</b>
<b>Total pension liability - beginning</b>	<b>18,177,875</b>	<b>19,119,923</b>	<b>20,539,418</b>	<b>21,268,597</b>	<b>22,442,914</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 19,119,923</b>	<b>\$ 20,539,418</b>	<b>\$ 21,268,597</b>	<b>\$ 22,442,914</b>	<b>\$ 23,732,641</b>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 880,296	\$ 953,654	\$ 814,504	\$ 682,920	\$ 654,028
Contributions - employee	112,301	126,871	123,430	123,168	125,352
Net investment income	1,069,308	136,558	1,395,313	1,836,833	1,281,280
Benefit payments, including refunds of employee contributions	(704,730)	(705,221)	(875,976)	(838,861)	(840,111)
Administrative expenses	(1,249)	(70)	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>1,355,926</b>	<b>511,792</b>	<b>1,457,271</b>	<b>1,804,060</b>	<b>1,220,549</b>
<b>Plan fiduciary net position - beginning</b>	<b>14,604,787</b>	<b>15,960,713</b>	<b>16,472,505</b>	<b>17,929,776</b>	<b>19,733,836</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 15,960,713</b>	<b>\$ 16,472,505</b>	<b>\$ 17,929,776</b>	<b>\$ 19,733,836</b>	<b>\$ 20,954,385</b>
<b>Net Pension Liability (Asset) - ending (a) - (b)</b>	<b>\$ 3,159,210</b>	<b>\$ 4,066,913</b>	<b>\$ 3,338,821</b>	<b>\$ 2,709,078</b>	<b>\$ 2,778,256</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>83.48%</b>	<b>80.20%</b>	<b>84.30%</b>	<b>87.93%</b>	<b>88.29%</b>
<b>Covered payroll</b>	<b>\$ 3,913,791</b>	<b>\$ 4,155,447</b>	<b>\$ 4,172,790</b>	<b>\$ 4,199,098</b>	<b>\$ 4,236,415</b>
<b>Net pension liability (asset) as a percentage of covered payroll</b>	<b>80.72%</b>	<b>97.87%</b>	<b>80.01%</b>	<b>64.52%</b>	<b>65.58%</b>

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

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

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>
Actuarially determined contribution	\$ 646,112	\$ 543,280	\$ 561,286	\$ 620,834	\$ 578,943
Contributions in relation to the actuarially determined contribution	<u>880,296</u>	<u>953,654</u>	<u>814,504</u>	<u>682,920</u>	<u>654,028</u>
Contribution deficiency (excess)	<u>\$ (234,184)</u>	<u>\$ (410,374)</u>	<u>\$ (253,218)</u>	<u>\$ (62,086)</u>	<u>\$ (75,085)</u>
Covered payroll	3,913,791	4,155,447	4,172,790	4,199,098	4,236,415
Contribution as a percentage of covered payroll	22.49%	22.95%	19.52%	16.26%	15.44%

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

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

	6/30/18	6/30/19
TOTAL OPEB LIABILITY		
Service cost	\$ 20,460	\$ 21,484
Interest	11,771	12,725
Differences between actual and expected experience	-	-
Change of assumptions	-	5,205
Contributions - employer	-	-
Contributions - employee	-	-
Net investment income	-	-
Benefit payments	(8,500)	(6,629)
Administrative expense	-	-
Net change in total OPEB liability	23,731	32,785
Total OPEB liability-beginning	308,362	332,093
Total OPEB liability-ending (a)	<u>\$ 332,093</u>	<u>\$ 364,878</u>
PLAN FIDUCIARY NET POSITION		
Contributions-employer	\$ -	\$ -
Contributions-employee	8,500	6,629
Net investment income	-	-
Benefit payments	(8,500)	(6,629)
Administrative expense	-	-
Net change in plan fiduciary net position	-	-
Plan fiduciary net position-beginning	-	-
Plan fiduciary net position-ending (b)	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability-ending (a) - (b)	<u>\$ 332,093</u>	<u>\$ 364,878</u>
Covered payroll	\$ 1,363,792	\$ 1,363,792
Net OPEB liability as a percentage of covered payroll	24.4%	26.8%

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, 2019**

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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.

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, 2019**

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	State Street Aid	Hotel/ Motel	Police Drug	Police Equipment	Greenway	Industrial	State Road Projects	Debt Service Fund	
Assets:									
Cash in bank	\$ 331,621	\$ 2	\$ 28,702	\$ 34,017	\$ -	\$ 116,573	\$ 792,408	\$ 185,455	\$ 1,488,778
Intergovernmental receivable	94,000	-	-	-	-	-	39,993	-	133,993
Taxes receivable	-	17,442	-	-	-	-	-	-	17,442
Total assets	<u>\$ 425,621</u>	<u>\$ 17,444</u>	<u>\$ 28,702</u>	<u>\$ 34,017</u>	<u>\$ -</u>	<u>\$ 116,573</u>	<u>\$ 832,401</u>	<u>\$ 185,455</u>	<u>\$ 1,640,213</u>
Liabilities:									
Accounts payable	\$ 25,486	\$ 17,444	\$ 47	\$ 1,287	\$ -	\$ 259	\$ 51,891	\$ -	\$ 96,414
Funds held in trust	-	-	15,303	-	-	-	-	-	15,303
Intergovernmental payable	-	-	-	-	-	32,544	-	-	32,544
Due to proprietary funds	-	-	-	-	-	-	-	-	-
Total liabilities	<u>25,486</u>	<u>17,444</u>	<u>15,350</u>	<u>1,287</u>	<u>-</u>	<u>32,803</u>	<u>51,891</u>	<u>-</u>	<u>144,261</u>
Fund balances:									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted									
Highways and streets	400,135	-	-	-	-	-	-	-	400,135
Public safety	-	-	13,352	32,730	-	-	-	-	46,082
Committed	-	-	-	-	-	-	-	185,455	185,455
Assigned									
Public recreation	-	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	780,510	-	780,510
Capital projects	-	-	-	-	-	83,770	-	-	83,770
Total fund balances	<u>400,135</u>	<u>-</u>	<u>13,352</u>	<u>32,730</u>	<u>-</u>	<u>83,770</u>	<u>780,510</u>	<u>185,455</u>	<u>1,495,952</u>
Total liabilities and fund balances	<u>\$ 425,621</u>	<u>\$ 17,444</u>	<u>\$ 28,702</u>	<u>\$ 34,017</u>	<u>\$ -</u>	<u>\$ 116,573</u>	<u>\$ 832,401</u>	<u>\$ 185,455</u>	<u>\$ 1,640,213</u>



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

For the year ended June 30, 2019

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	State Street Aid	Hotel/ Motel	Police Drug	Police Equipment	Greenway	Industrial	State Road Projects	Debt Service Fund	
Revenues:									
Intergovernmental	\$ 710,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,825	\$ -	\$ 751,294
Taxes	-	225,370	-	-	-	-	-	-	225,370
Investment earnings	4,136	-	367	-	-	2,055	-	-	6,558
Fines and forfeitures	-	-	9,839	18,764	-	-	-	-	28,603
Miscellaneous	-	-	-	4,738	-	-	-	-	4,738
Total revenues	<u>714,605</u>	<u>225,370</u>	<u>10,206</u>	<u>23,502</u>	<u>-</u>	<u>2,055</u>	<u>40,825</u>	<u>-</u>	<u>1,016,563</u>
Expenditures:									
General government	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-
Public safety	-	-	17,245	43,907	-	-	-	-	61,152
Public works	590,459	-	-	-	-	-	244,307	-	834,766
Cemetery	-	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-	-
Industrial development	-	225,370	-	-	-	781	-	-	226,151
Total expenditures	<u>590,459</u>	<u>225,370</u>	<u>17,245</u>	<u>43,907</u>	<u>-</u>	<u>781</u>	<u>244,307</u>	<u>-</u>	<u>1,122,069</u>
Excess of revenues over (under) expenditures	<u>124,146</u>	<u>-</u>	<u>(7,039)</u>	<u>(20,405)</u>	<u>-</u>	<u>1,274</u>	<u>(203,482)</u>	<u>-</u>	<u>(105,506)</u>
Other financing sources (uses):									
Sales of capital assets	-	-	1,853	-	-	-	-	-	1,853
Transfers in	-	-	-	-	-	-	100,000	496,220	596,220
Transfers out	-	-	-	-	(30,000)	-	-	(526,784)	(556,784)
Net change in fund balances	<u>124,146</u>	<u>-</u>	<u>(5,186)</u>	<u>(20,405)</u>	<u>(30,000)</u>	<u>1,274</u>	<u>(103,482)</u>	<u>(30,564)</u>	<u>(64,217)</u>
Fund balances - July 1, 2018	<u>275,989</u>	<u>-</u>	<u>18,538</u>	<u>53,135</u>	<u>30,000</u>	<u>82,496</u>	<u>883,992</u>	<u>216,019</u>	<u>1,560,169</u>
Fund balances - June 30, 2019	<u>\$ 400,135</u>	<u>\$ -</u>	<u>\$ 13,352</u>	<u>\$ 32,730</u>	<u>\$ -</u>	<u>\$ 83,770</u>	<u>\$ 780,510</u>	<u>\$ 185,455</u>	<u>\$ 1,495,952</u>

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

**CITY OF SHELBYVILLE, TENNESSEE**

For the year ended June 30, 2019

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Apportionment of gasoline tax from State of Tennessee	\$ 570,057	\$ 579,537	\$ 710,469	\$ 130,932
Interest income	200	200	4,136	3,936
	<u>570,257</u>	<u>579,737</u>	<u>714,605</u>	<u>134,868</u>
Expenditures:				
Street lighting	303,196	308,196	304,768	3,428
Street road paving	-	-	-	-
Street maintenance	220,000	222,980	222,980	-
Street marking and lining	15,000	15,000	15,462	(462)
Salt expense	12,000	12,000	6,261	5,739
Other equipment	39,500	41,000	40,988	12
Capital outlay	-	-	-	-
	<u>589,696</u>	<u>599,176</u>	<u>590,459</u>	<u>8,717</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (19,439)</u>	<u>\$ (19,439)</u>	124,146	<u>\$ 143,585</u>
Fund balance - July 1, 2018			275,989	
Fund balance - June 30, 2019			<u>\$ 400,135</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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Taxes	\$ 226,639	\$ 226,639	\$ 225,370	\$ (1,269)
Interest income	-	-	-	-
	<u>226,639</u>	<u>226,639</u>	<u>225,370</u>	<u>(1,269)</u>
Expenditures:				
Payments to Chamber of Commerce	221,823	221,823	220,581	1,242
Accounting services	4,816	4,816	4,789	27
TOTAL EXPENDITURES	<u>226,639</u>	<u>226,639</u>	<u>225,370</u>	<u>1,269</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - July 1, 2018			-	
Fund balance - June 30, 2019			<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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Court fines	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Forfeitures	2,500	2,500	9,839	7,339
Interest income	-	-	367	367
TOTAL REVENUES	<u>3,500</u>	<u>3,500</u>	<u>10,206</u>	<u>6,706</u>
Expenditures:				
Drug dog expense	1,560	4,000	2,945	1,055
Employee education and training	100	7,900	7,800	100
Capital outlay	-	6,500	6,500	-
TOTAL EXPENDITURES	<u>1,660</u>	<u>18,400</u>	<u>17,245</u>	<u>1,155</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,840	(14,900)	(7,039)	7,861
Other financing sources:				
Sales of capital assets	-	-	1,853	1,853
NET CHANGE IN FUND BALANCE	<u>\$ 1,840</u>	<u>\$ (14,900)</u>	<u>(5,186)</u>	<u>\$ 9,714</u>
Fund balance - July 1, 2018			18,538	
Fund balance - June 30, 2019			<u>\$ 13,352</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, 2019**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Court fines	\$ 3,000	\$ 3,000	\$ 10,546	\$ 7,546
Court ordered forfeits	-	-	8,218	8,218
Miscellaneous revenue	-	-	4,738	4,738
TOTAL REVENUES	<u>3,000</u>	<u>3,000</u>	<u>23,502</u>	<u>20,502</u>
Expenditures:				
Other equipment	-	1,500	1,287	213
Capital outlay	37,413	42,758	42,620	138
TOTAL EXPENDITURES	<u>37,413</u>	<u>44,258</u>	<u>43,907</u>	<u>351</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(34,413)	(41,258)	(20,405)	20,853
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>\$ (34,413)</u>	<u>\$ (41,258)</u>	<u>(20,405)</u>	<u>\$ 20,853</u>
Fund balance - July 1, 2018			53,135	
Fund balance - June 30, 2019			<u>\$ 32,730</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, 2019**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 5,298,150	\$ 5,298,150	\$ 3,359,850	\$ (1,938,300)
Investment earnings	1,000	1,000	24,096	23,096
TOTAL REVENUES	<u>5,299,150</u>	<u>5,299,150</u>	<u>3,383,946</u>	<u>(1,915,204)</u>
Expenditures:				
Capital outlay - general government	49,859	72,890	59,703	13,187
Capital outlay - parks and recreation	604,698	664,978	408,609	256,369
Capital outlay - public safety	401,338	406,945	281,106	125,839
Capital outlay - public works	159,865	191,024	141,127	49,897
Capital outlay - cemetery	7,500	7,500	1,980	5,520
Capital outlay - airport	5,577,000	5,584,500	3,534,858	2,049,642
TOTAL EXPENDITURES	<u>6,800,260</u>	<u>6,927,837</u>	<u>4,427,383</u>	<u>2,500,454</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,501,110)	(1,628,687)	(1,043,437)	585,250
Other financing sources (uses):				
Transfers in - general fund	935,000	1,032,577	1,032,577	-
Transfers in - greenway fund	-	30,000	30,000	-
Insurance recoveries	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>935,000</u>	<u>1,062,577</u>	<u>1,062,577</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (566,110)</u>	<u>\$ (566,110)</u>	<u>19,140</u>	<u>\$ 585,250</u>
Fund balance - July 1, 2018			918,228	
Fund balance - June 30, 2019			<u>\$ 937,368</u>	

**BUDGET AND ACTUAL - GREENWAY CAPITAL PROJECTS FUND**

**CITY OF SHELBYVILLE, TENNESSEE**

**For the year ended June 30, 2019**

	<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 out - general fund	-	(30,000)	(30,000)	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (30,000)</u>	<u>(30,000)</u>	<u>\$ -</u>
Fund balance - July 1, 2018			<u>30,000</u>	
Fund balance - June 30, 2019			<u>\$ -</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, 2019

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	2,055	2,055
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>2,055</u>	<u>2,055</u>
<b>Expenditures:</b>				
Utilities	419	419	170	249
Land improvements	-	-	-	-
Other equipment	-	-	-	-
Professional services	1,000	1,500	611	889
<b>TOTAL EXPENDITURES</b>	<u>1,419</u>	<u>1,919</u>	<u>781</u>	<u>1,138</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,419)</b>	<b>(1,919)</b>	<b>1,274</b>	<b>3,193</b>
<b>Other financing sources (uses):</b>				
Transfers in - general fund	-	-	-	-
Transfers out - general fund	-	-	-	-
Issuance of capital outlay note	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ (1,419)</u></u>	<u><u>\$ (1,919)</u></u>	<u>1,274</u>	<u><u>\$ 3,193</u></u>
Fund balance - July 1, 2018			<u>82,496</u>	
Fund balance - June 30, 2019			<u><u>\$ 83,770</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, 2019**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 844,228	\$ 844,228	\$ 40,825	\$ (803,403)
TOTAL REVENUES	<u>844,228</u>	<u>844,228</u>	<u>40,825</u>	<u>(803,403)</u>
Expenditures:				
Road design	155,572	155,572	113,671	41,901
Capital outlay - road construction	1,051,392	1,051,392	39,708	1,011,684
Administration	165,093	165,093	50,302	114,791
Miscellaneous	-	-	40,626	(40,626)
TOTAL EXPENDITURES	<u>1,372,057</u>	<u>1,372,057</u>	<u>244,307</u>	<u>1,127,750</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(527,829)	(527,829)	(203,482)	324,347
Other financing sources (uses):				
Transfers in - general fund	100,000	100,000	100,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (427,829)</u>	<u>\$ (427,829)</u>	<u>(103,482)</u>	<u>\$ 324,347</u>
Fund balance - July 1, 2018			883,992	
Fund balance - June 30, 2019			<u>\$ 780,510</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, 2019**

	Original <u>Budget</u>	Final <u>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	496,220	496,220	496,220	-
Transfers out - general fund	(526,784)	(526,784)	(526,784)	-
TOTAL OTHER FINANCING SOURCES (USES)	(30,564)	(30,564)	(30,564)	-
NET CHANGE IN FUND BALANCE	<u>\$ (30,564)</u>	<u>\$ (30,564)</u>	<u>(30,564)</u>	<u>\$ -</u>
Fund balance - July 1, 2018			216,019	
Fund balance - June 30, 2019			<u>\$ 185,455</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, 2019**

Fiscal Year Ending June 30,	(Ameresco) Capital Outlay Note Energy Savings		(Flume #2) Capital Outlay Note Series 2015		(Industrial Park) Capital Outlay Note Series 2015		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 136,000	\$ 28,117	\$ 96,000	\$ 17,952	\$ 55,000	\$ 14,300	\$ 287,000	\$ 60,369
2021	143,000	24,406	99,000	15,378	55,000	12,925	297,000	52,709
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	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-
	<u>\$ 1,125,000</u>	<u>\$ 111,229</u>	<u>\$ 728,000</u>	<u>\$ 69,220</u>	<u>\$ 440,000</u>	<u>\$ 67,650</u>	<u>\$ 2,293,000</u>	<u>\$ 248,099</u>

**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, 2019

Fiscal Year Ending June 30,	Capital Outlay Note SRF 2003-172		Capital Outlay Note SRF 07-206		Water and Sewer Revenue and Tax Bonds Series 2011		Sewer General Obligation Refunding and Improvement Bonds - Series 2017		Water General Obligation Refunding and Improvement Bonds - Series 2017		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	262,346	2,429	1,045,632	143,028	235,000	18,357	100,000	36,475	70,000	20,775	1,712,978	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>\$ 1,982,930</u>	<u>\$ 139,337</u>	<u>\$ 15,333,783</u>	<u>\$ 2,099,870</u>	<u>\$ 2,205,000</u>	<u>\$ 324,897</u>	<u>\$ 1,985,000</u>	<u>\$ 580,413</u>	<u>\$ 1,235,000</u>	<u>\$ 324,913</u>	<u>\$ 22,741,713</u>	<u>\$ 3,469,430</u>

**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**  
**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 07/01/18	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2019
<u>Governmental Activities</u>									
<u>NOTES PAYABLE</u>									
<u>Payable through the General Fund</u>									
Energy Savings	\$ 1,700,000	2.66%	11/14/13	11/01/25	\$ 1,253,000	\$ -	\$ 128,000	\$ -	\$ 1,125,000
Series 2015 (Flume #1)	500,000	2.04	02/13/15	03/01/20	206,000	-	206,000	-	-
Series 2015 (Flume #2)	1,000,000	2.64	08/14/15	08/01/25	822,000	-	94,000	-	728,000
Series 2015 - Industrial Park	600,000	2.62	04/01/15	04/01/27	495,000	-	55,000	-	440,000
Promissory note to individual	400,000	0.00	08/04/16	08/04/18	200,000	-	200,000	-	-
TOTAL NOTES PAYABLE					<u>\$ 2,976,000</u>	<u>\$ -</u>	<u>\$ 683,000</u>	<u>\$ -</u>	<u>\$ 2,293,000</u>
<u>Business-Type Activities</u>									
<u>BONDS PAYABLE</u>									
2011 Water & Sewer Revenue and Tax Refunding Bonds	\$ 3,210,000	1.25-2.8%	11/04/11	08/01/28	\$ 2,395,000	\$ -	\$ 190,000	\$ -	\$ 2,205,000
2017 Sewer System General Obligation Tax Refunding Bonds	2,600,000	2.25-4.0	07/26/17	08/01/37	2,060,000	-	75,000	-	1,985,000
2017 Flat Creek Water General Obligation Tax Refunding Bonds	1,290,000	2.25-4.0	07/26/17	8/01/37	1,290,000	-	55,000	-	1,235,000
TOTAL BONDS PAYABLE					<u>\$ 5,745,000</u>	<u>\$ -</u>	<u>\$ 320,000</u>	<u>\$ -</u>	<u>\$ 5,425,000</u>
<u>NOTES PAYABLE</u>									
<u>Payable through the Sewerage System</u>									
State Revolving Loan - SRF 2003-172	\$ 4,496,263	1.70%	07/01/07	06/30/37	\$ 2,212,455	\$ -	\$ 229,525	\$ -	\$ 1,982,930
State Revolving Loan - SRF 07-206	19,988,683	1.78	05/05/08	02/01/34	16,240,731	-	906,948	-	15,333,783
TOTAL NOTES PAYABLE					<u>\$ 18,453,186</u>	<u>\$ -</u>	<u>\$ 1,136,473</u>	<u>\$ -</u>	<u>\$ 17,316,713</u>

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

**CITY OF SHELBYVILLE, TENNESSEE**

**Year ended June 30, 2019**

---

During the year ended June 30, 2019, the government turned over \$112,616 of 2017 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, 2019

---

### POWER SYSTEM:

#### RESIDENTIAL RATES

Customer charge	\$ 19.61
Energy charge	\$ 0.09011 per KWH
First 1,000 KWH per month	\$ 109.72

#### 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	\$ 25.77
Usage exceeds 500KWRHS	\$ 39.77
Energy charge	\$ 0.09884 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	\$166.20
Demand charge:	
First 50 kilowatt hours per month	\$ 4.00 per KW
Over 50 kilowatt hours per month	\$ 14.29 per KW
Energy charge:	
First 15,000 kilowatt hours per month	\$ 0.09510 per KWH
Over 15,000 kilowatt hours per month	\$ 0.06003 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	\$563.67
Demand charge:	
First 1,000 kilowatt hours per month	\$ 13.09 per KW
Over 1,000 kilowatt hours per month	\$ 13.20 per KW
Energy charge – all KWH	\$ 0.06703 per KWH

**UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS (Continued)****CITY OF SHELBYVILLE, TENNESSEE****Year ended June 30, 2019**

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	\$563.67
Demand charge:	
First 1,000 kilowatt hours per month	\$ 11.71 per KW
Over 1,000 kilowatt hours per month	\$ 11.57 per KW
Energy charge – all KWH	\$ 0.05627 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	\$ 10.24 per KW
All KW Off-Peak	\$ 2.26 per KW
Energy charge	
First 425 KWH/KW On-Peak (all KWH)	\$ 0.07450 per KWH
First 425 KWH/KW Off-Peak (first 200 hours)	\$ 0.04950 per KWH
(example 425 * KW compared to measured KWH)	
Next 200 KWH/KW Off-Peak	\$ 0.01981
Additional KWH Off-Peak	\$ 0.01726
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)	\$ 14.29
200 watt high pressure sodium	\$ 10.02
250 watt high pressure sodium	\$ 12.06
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, 2019

---

### 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 2019:**

Power System 10,396  
Water System 10,229  
Sewerage System 8,444

AWWA REPORTING WORKSHEET  
CITY OF SHELBYVILLE  
JUNE 30, 2019



**AWWA Free Water Audit Software:**

WAS v5.0

American Water Works Association.  
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Reporting Worksheet

	Click to access definition
	Click to add a comment

**Water Audit Report for:** Shelbyville Power, Water & Sewerage Systems  
**Reporting Year:** 2019 7/2018 - 6/2019

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

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

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

**WATER SUPPLIED**

		----- Enter grading in column 'E' and 'J' ----->				Pcnt:	Value:	
Volume from own sources:		<u>9</u>	<u>1,502.123</u>	MG/Yr		<u>4</u>	<u>1.00%</u>	
Water imported:		<u>n/a</u>		MG/Yr		<u>n/a</u>		
Water exported:		<u>n/a</u>		MG/Yr		<u>n/a</u>		

**Master Meter and Supply Error Adjustments**

		<u>4</u>	<u>1.00%</u>	
		<u>n/a</u>		
		<u>n/a</u>		

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

**WATER SUPPLIED:** 1,487.250 MG/Yr

**AUTHORIZED CONSUMPTION**

Billed metered:		<u>9</u>	<u>1,178.389</u>	MG/Yr
Billed unmetered:		<u>n/a</u>		MG/Yr
Unbilled metered:		<u>7</u>	<u>44.737</u>	MG/Yr
Unbilled unmetered:		<u>7</u>	<u>30.497</u>	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

**AUTHORIZED CONSUMPTION:** 1,253.623 MG/Yr

Click here:   
for help using option buttons below

Pcnt:			Value:	<u>30.497</u>	MG/Yr
-------	--	--	--------	---------------	-------

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

Pcnt:			Value:	<u>0.25%</u>	MG/Yr
-------	--	--	--------	--------------	-------

<u>1.00%</u>			MG/Yr
<u>0.25%</u>			MG/Yr

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

**Apparent Losses**

Unauthorized consumption:		<u>5</u>	<u>3.718</u>	MG/Yr
---------------------------	--	----------	--------------	-------

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

Customer metering inaccuracies:		<u>8</u>	<u>12.355</u>	MG/Yr
Systematic data handling errors:		<u>5</u>	<u>2.946</u>	MG/Yr

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

**Apparent Losses:** 19.019 MG/Yr

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

Real Losses = Water Losses - Apparent Losses: 214.609 MG/Yr

**WATER LOSSES:** 233.627 MG/Yr

**NON-REVENUE WATER**

**NON-REVENUE WATER:** 308.861 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

Length of mains:		<u>10</u>	<u>290.3</u>	miles
Number of <u>active</u> AND <u>inactive</u> service connections:		<u>9</u>	<u>10,770</u>	
Service connection density:		<u>7</u>	<u>37</u>	conn./mile main

Are customer meters typically located at the curbside or property line? Yes

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

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

Average operating pressure: 74.0 psi

**COST DATA**

Total annual cost of operating water system:		<u>10</u>	<u>\$5,054,877</u>	\$/Year
Customer retail unit cost (applied to Apparent Losses):		<u>8</u>	<u>\$3.98</u>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):		<u>10</u>	<u>\$3,365.16</u>	\$/Million gallons U

**WATER AUDIT DATA VALIDITY SCORE:**

**\*\*\* YOUR SCORE IS: 84 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

American Water Works Association.  
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Water Audit Report for: **Shelbyville Power, Water & Sewerage Systems**  
Reporting Year: **2019** **7/2018 - 6/2019**

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 84 out of 100 \*\*\*

**System Attributes:**

Apparent Losses:	<b>19.019</b>	MG/Yr
+ Real Losses:	<b>214.609</b>	MG/Yr
= <b>Water Losses:</b>	<b>233.627</b>	MG/Yr

? Unavoidable Annual Real Losses (UARL): **86.05** MG/Yr

Annual cost of Apparent Losses: **\$75,695**

Annual cost of Real Losses: **\$722,192** 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: **20.8%**  
Non-revenue water as percent by cost of operating system: **20.8%** Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: **4.84** gallons/connection/day  
Real Losses per service connection per day: **54.59** gallons/connection/day  
Real Losses per length of main per day\*: **N/A**  
Real Losses per service connection per day per psi pressure: **0.74** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **214.61** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **2.49**

\* 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, 2019**

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<u>Tax Year</u>	<u>Balance June 30, 2018</u>	<u>Taxes Levied</u>	<u>Collections</u>	<u>Discoveries and Adjustments</u>	<u>Balance June 30, 2019</u>
2019	\$ -	\$ 7,633,550	\$ -	\$ -	\$ 7,633,550
2018	7,496,384		(7,179,426)	(42,990)	273,968
2017	317,879		(212,865)	(276)	104,738
2016	151,130	-	(51,230)	(436)	99,464
2015	105,479	-	(5,785)	173	99,867
2014	76,675	-	(842)	-	75,833
2013	42,525	-	(435)	-	42,090
2012	39,250	-	-	-	39,250
2011	57,479	-	-	-	57,479
2010	4,034	-	-	-	4,034
2009	4,806	-	-	-	4,806
Previous years	15,130	-	(270)	-	14,860
	<u>\$ 8,310,771</u>	<u>\$ 7,633,550</u>	<u>\$ (7,450,853)</u>	<u>\$ (43,529)</u>	<u>8,449,939</u>
Less estimated uncollectible accounts					<u>(30,066)</u>
Net receivable balance June 30, 2019					<u>\$ 8,419,873</u>

NOTE: All uncollected taxes for years prior to 2018 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, 2019**

---

<u>Tax Year</u>	Total Assessed <u>Value</u>	<u>Tax Rate</u>	<u>Levy</u>
2019	\$ 411,345,314	\$ 1.77	\$ 7,280,913
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

**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, 2019**

Federal Grantor/ Pass-Through Agency	Program/ Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipient	Expenditures
<u>FEDERAL AWARDS</u>					
Pass-through Funding:					
U.S. Department of Transportation	Airport Improvement Program	20.106	AERO-19-268-00	\$ -	\$ 3,169,528
U.S. Department of Transportation	Airport Improvement Program	20.106	AERO-16-190-00	-	11,844
	<i>Total Program 20.106</i>			-	3,181,372
Pass-through Funding:					
U.S. Department of Transportation	Highway Planning and Construction	20.205	STP-M-387(4)	-	477
U.S. Department of Transportation	Highway Planning and Construction	20.205	STP-M-1043(11)	-	39,993
U.S. Department of Transportation	Highway Planning and Construction	20.205	TAP-9314(11)	-	113
U.S. Department of Transportation	Highway Planning and Construction	20.205	STP-M-10(66)	-	98
	<i>Total Program 20.205</i>			-	40,681
Pass-through Funding:					
U.S. Department of Transportation	State and Community Highway Safety	20.600	Z19THS255	-	10,274
U.S. Department of the Interior	Historic Preservation Fund Grants-In-Aid	15.904	n/a	-	1,913
Direct Funding:					
U.S. Department of Homeland Security	Staffing for Adequate Fire and Emergency Response	97.083	EMW-2016-FH-00489	-	134,938
U.S. Department of Justice	Bulletproof Vest Partnership Program	16.607	n/a	-	4,043
	<b>TOTAL FEDERAL AWARDS</b>			-	3,373,221
<u>STATE FINANCIAL ASSISTANCE</u>					
TN Department of Transportation		N/A	AERM-19-158-00	-	11,406
TN Department of Transportation		N/A	CMA-1899	-	86,442
TN Department of Transportation		N/A	AERO-19-268-00	-	176,085
TN Department of Transportation		N/A	AERO-16-190-00	-	658
TN Department of Transportation		N/A	STP-M-10(66)	-	25
TN Department of Transportation		N/A	STP-M-387(4)	-	119
TN Department of Health		N/A	32505-03919	-	2,615
TN Department of Environment and Conservation		N/A	32701-03007	-	1,735
	<b>TOTAL STATE FINANCIAL ASSISTANCE</b>			-	279,085
	<b>TOTAL FEDERAL AND STATE AWARDS</b>			\$ -	\$ 3,652,306

**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, 2019. 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.

**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, 2019, 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 10, 2020. 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 as item 2019-001 that we consider to be a significant deficiency.



## **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

City of Shelbyville, Tennessee's response to the finding 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 10, 2020

**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, 2019. 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, 2019.

## ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on the major federal program is not modified with respect to this matter.

City of Shelbyville, Tennessee's response to the noncompliance finding 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 compliance and, accordingly, we express no opinion on the response.

## **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.

*Winneth Associates, PLLC*

February 10, 2020

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## CITY OF SHELBYVILLE, TENNESSEE

June 30, 2019

### 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? \_\_\_\_\_yes        x  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   x  yes      \_\_\_\_\_no

Identification of major program:

CFDA Number  
20.106

Name of Federal Program  
U.S. Department of Transportation  
Airport Improvement Program

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, 2019

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#### SECTION II – FINANCIAL STATEMENT FINDINGS

##### Finding 2019-001

*Criteria:* The City of Shelbyville annually receives several state and federal grant awards. To receive reimbursement for all funds expended under each grant, reimbursement must be timely requested.

*Cause and Condition:* We noted two instances in which the City did not request available funding. Under the resurfacing Lane Parkway project, \$39,042.54 was available but not requested. Under the north square sidewalk improvements phase 2 project, \$40,625.88 was available but not requested. Due to personnel turnover in the departments responsible for project management and financial accountability, we were unable to identify all factors contributing to the cause. One factor that was evident was lack of communication.

*Effect:* In the first instance noted above, the funding was transferred to the Fairfield Pike expansion and signalization project. In the second instance, the funding was not eligible to be committed to another project.

*Recommendation:* We suggest existing grant close-out procedures be reviewed to ensure the following are included:

- Responsibility for requesting all available funding is clearly assigned.
- Determination of the term of availability of funding as well as what documents evidence the termination of funding should be made at the onset of the project.
- Verification that all funding has been requested should be made by the City Treasurer before any documentation evidencing the termination of funding is submitted

*Management Response* – Management’s response is included in the Corrective Action Plan located on page 103.

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

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2019**

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SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2019-002:

*Criteria:* The City of Shelbyville, Tennessee annually applies for and receives funding from multiple federal grants. These grants are subject to the Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (commonly called "Uniform Guidance"). Uniform Guidance 2 CFR section 200.302(b)(6) requires non-federal entities to establish certain written procedures to implement the requirements of advanced payments under 2 CFR section 200.305.

*Cause and Condition:* The number of laws and regulations applicable to administering federal grant programs is extensive. Personnel of the City lack the necessary training to be fully knowledgeable of all areas of compliance.

*Effect:* Procedures required by the Uniform Guidance for advanced payments were not documented in writing.

*Recommendation:* The City should prepare the necessary written procedures and consider providing training sufficient to comply with applicable laws and regulations.

*Management Response* – Management's response is included in the Corrective Action Plan located on page 103.

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

**CORRECTIVE ACTION PLAN**

**FINDING: 2019-001 All Reimbursements Not Requested Prior to Grant Close-out**

**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:** June 30, 2020

**Repeat Finding:** No

**Planned Corrective Action:**

A final grant review process will be implemented immediately. The review will be conducted by the City Treasurer, City Purchasing Agent, and applicable Department Director. The review will include discussion and approval of any outstanding invoices and the submittal of all reimbursement requests prior to any grant close-outs being initiated.

**FINDING: 2019-002 Advance Payment Procedures Not Documented in Writing**

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

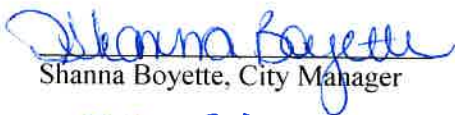
**Person Responsible for Implementing the Corrective Action:** City Treasurer

**Anticipated Completion Date of Corrective Action:** June 30, 2020

**Repeat Finding:** No

**Planned Corrective Action:**

A resolution incorporating written guidelines/procedures for advance payments will be presented to the City Council for consideration/approval.

  
Shanna Boyette, City Manager

2-20-20  
Date

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

**CITY OF SHELBYVILLE**

**For the Fiscal Year Ended June 30, 2019**

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Financial Statement Findings

Finding Number	Finding Title	Status
2018-001	Recording of capital assets (original finding # 2017-001)	Corrected
2018-002	Spending above amounts appropriated (original finding # 2015-003)	Corrected
2018-003	Tax on gasoline purchases recorded incorrectly (original finding # 2018-003)	Corrected

Federal Award Findings and Questioned Costs

None