

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

**CITY OF SHELBYVILLE, TENNESSEE**

June 30, 2020

## **INTRODUCTORY SECTION**

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**OFFICIALS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**JUNE 30, 2020**

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, 2020, and the related notes to the financial statements, which collectively comprise the City of Shelbyville, Tennessee's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Shelbyville Power, Water and Sewerage Systems, which are major funds and represent 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, 2020, 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 and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2021, 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 17, 2021

**CITY OF SHELBYVILLE, TENNESSEE**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Year ended June 30, 2020**

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, 2020. 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 not 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 (the basic operating fund for all city departments), the Capital Fund (used to account for the acquisition and construction of both major and routine capital purchases), and Other Governmental Funds (Special Revenue Funds). The funds are maintained and reported using the modified accrual method of accounting. For reporting purposes, the City consolidates the General Fund and the Budget Reserve Fund which was 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 decreased by \$92,612 which was primarily attributable to a 1% decline in deferred current property taxes.
- 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 2020 by \$57,423,035 which is an increase of \$5,259,638 from the prior year.

- Governmental activities total expenses increased by \$967,270 for 2020. This was mainly due to 9% increases in the categories of General Government and Public Safety.
- 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 \$89,841,450. Of this amount, \$34,930,562 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 \$3,018,059.

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 \$45,529,282 to \$47,106,228, an increase of 3.46%. Current assets increased from \$27,830,038 to \$28,857,017. Plant, net of accumulated depreciation, increased from \$17,583,368 to \$18,180,415. Other assets decreased from \$115,876 to \$68,796. Total power system liabilities increased from \$6,311,907 to \$6,508,627. Current liabilities decreased from \$4,416,604 to \$4,301,498, while long-term liabilities increased from \$1,895,303 to \$2,207,129. Deferred outflows of resources increased from \$626,346 to \$864,910 while deferred inflows of resources decreased from \$127,827 to \$24,512.

Income before capital contributions increased from \$1,782,335 in fiscal year ending 2019 to \$2,370,136 in fiscal year ending 2020, a 32.98% increase. Total operating revenue decreased from \$35,059,640 to \$33,085,047. This is a function of weather and unbilled revenue. Operational and maintenance expenses decreased from \$4,242,303 in 2019 to \$3,969,301 in 2020 and other expenses decreased from \$3,331 to \$3,165. Interest expense on customer deposits increased from \$20,321 to \$21,284.

#### *Water System*

Total water system assets decreased from \$27,209,905 to \$27,192,428, a .06% decrease. Current assets increased from \$9,041,809 to \$9,758,358. Plant, net of accumulated depreciation, decreased from \$18,168,096 to \$17,434,070. Deferred outflow of resources increased from \$401,865 to \$497,715. Total liabilities decreased from \$4,596,588 to \$4,495,932. Long-term liabilities decreased from \$3,994,409 to \$3,908,917. Deferred inflows of resources decreased from \$64,239 to \$23,253.

Income before capital contributions increased from \$1,154 in fiscal year ending 2019 to \$115,290 in fiscal year ending 2020, a 9,890.47% increase. Total operating revenue showed an increase from \$5,085,981 in 2019 to \$5,198,873 in 2020. Operational and maintenance expenses increased from \$3,891,860 to \$3,991,671. Interest expense decreased from \$94,680 to \$88,487.

#### *Sewerage System*

Total sewerage system assets decreased from \$44,255,661 to \$44,156,016, a .23% decrease. Current assets increased from \$4,377,896 to \$4,413,856. Plant, net of accumulated depreciation, decreased from \$39,877,765 to \$39,742,160. Deferred outflows of resources increased from \$290,781 to \$418,745 while deferred inflows of resources decreased from \$88,591 to \$39,126. Total liabilities decreased from \$20,301,297 to \$19,303,142. Long-term liabilities decreased from \$18,944,509 to \$17,879,070.

Income before capital contributions decreased from \$760,326 in fiscal year ending 2019 to \$738,400 in fiscal year ending 2020, a 2.88% decrease. Sewer rates are based on water usage and bill at approximately 135% of the water rate. Operational and maintenance expenses showed an increase from \$2,609,555 in 2019 to \$2,732,765 in 2020. Interest expense decreased from \$376,219 to \$352,811.

Condensed Statement of Activities  
June 30, 2020

	Governmental activities		Business-type activities		Total Primary Government	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,367,009	\$ 1,659,798	\$ 43,486,546	\$ 45,205,461	\$ 44,853,555	\$ 46,865,259
Operating grants	1,097,893	1,052,687	-	-	1,097,893	1,052,687
Capital grants	3,038,701	3,408,118	514,264	408,335	3,552,965	3,816,453
General revenues:						
Property taxes	7,631,072	7,445,871	-	-	7,631,072	7,445,871
Other taxes	7,081,526	6,560,676	-	-	7,081,526	6,560,676
Other	2,748,885	2,546,715	220,454	141,054	2,969,339	2,687,769
Total revenues	<u>22,965,086</u>	<u>22,673,865</u>	<u>44,221,264</u>	<u>45,754,850</u>	<u>67,186,350</u>	<u>68,428,715</u>
Expenses:						
General government	5,427,057	4,968,080	-	-	5,427,057	4,968,080
Public recreation	1,753,598	1,767,517	-	-	1,753,598	1,767,517
Public safety	6,600,172	6,019,460	-	-	6,600,172	6,019,460
Public works	3,140,716	3,121,113	-	-	3,140,716	3,121,113
Airport	1,029,017	1,068,402	-	-	1,029,017	1,068,402
Welfare	221,165	215,335	-	-	221,165	215,335
Industrial development	193,393	224,588	-	-	193,393	224,588
Interest on debt	60,361	73,714	-	-	60,361	73,714
Power	-	-	30,781,709	33,329,982	30,781,709	33,329,982
Water	-	-	5,218,004	5,113,557	5,218,004	5,113,557
Sewerage	-	-	4,483,461	4,287,161	4,483,461	4,287,161
Total expenses	<u>18,425,479</u>	<u>17,458,209</u>	<u>40,483,174</u>	<u>42,730,700</u>	<u>58,908,653</u>	<u>60,188,909</u>
Excess (deficiency) in net position before transfers	4,539,607	5,215,656	3,738,090	3,024,150	8,277,697	8,239,806
Transfers	<u>720,031</u>	<u>716,752</u>	<u>(720,031)</u>	<u>(716,752)</u>	<u>-</u>	<u>-</u>
Change in net position	5,259,638	5,932,408	3,018,059	2,307,398	8,277,697	8,239,806
Implementation of GASB 75	-	-	-	-	-	-
Purchase of Flat Creek	-	-	-	-	-	-
Net position-beginning	<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>
Net position-ending	<u>\$ 57,423,035</u>	<u>\$ 52,163,397</u>	<u>\$ 89,841,450</u>	<u>\$ 86,823,391</u>	<u>\$ 147,264,485</u>	<u>\$ 138,986,788</u>

Condensed Statement of Net Position  
June 30, 2020

	Governmental activities		Business-type activities		Total Primary Government	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 25,937,988	\$ 27,750,045	\$ 43,089,653	\$ 41,355,351	\$ 69,027,641	\$ 69,105,396
Capital assets	44,760,265	41,499,943	75,356,645	75,629,229	120,116,910	117,129,172
Total assets	<u>70,698,253</u>	<u>69,249,988</u>	<u>118,446,298</u>	<u>116,984,580</u>	<u>189,144,551</u>	<u>186,234,568</u>
Total deferred outflows of resources	<u>1,884,588</u>	<u>1,024,659</u>	<u>1,781,370</u>	<u>1,318,992</u>	<u>3,665,958</u>	<u>2,343,651</u>
Long-term liabilities	6,183,712	5,945,528	23,995,116	26,325,901	30,178,828	32,271,429
Other liabilities	1,192,176	4,289,192	6,304,211	4,873,623	7,496,387	9,162,815
Total liabilities	<u>7,375,888</u>	<u>10,234,720</u>	<u>30,299,327</u>	<u>31,199,524</u>	<u>37,675,215</u>	<u>41,434,244</u>
Total deferred inflows of resources	<u>7,783,918</u>	<u>7,876,530</u>	<u>86,891</u>	<u>280,657</u>	<u>7,870,809</u>	<u>8,157,187</u>
Net position:						
Net investment in capital assets	42,715,160	35,615,868	54,069,682	52,847,493	96,784,842	88,463,361
Restricted	706,358	480,985	841,206	862,665	1,547,564	1,343,650
Unrestricted	14,001,517	16,066,544	34,930,562	33,113,233	48,932,079	49,179,777
Total net position	<u>\$ 57,423,035</u>	<u>\$ 52,163,397</u>	<u>\$ 89,841,450</u>	<u>\$ 86,823,391</u>	<u>\$ 147,264,485</u>	<u>\$ 138,986,788</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 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 the airport. The business-type activities reflect the activities of the Shelbyville Power, Water, and Sewerage System which operates under a separate Charter.

## **Overview of the Financial Statements**

Total revenues for the general government were \$18,765,980 which is an increase of \$297,569 from FY19. The city received a total of \$3,220,475 of state and federal grants funds during FY20 including the following: Airport grant funds of \$2,812,500; road related grants including the Palmer Drive Signalization project and the annual state road maintenance grant totaling \$312,023; SAFER personnel grant for the Fire Department of \$67,230; and Police Department related grants of \$18,313. The City General Fund's largest revenue source was property tax which generated 40% of total revenue, followed by local sales tax which accounted for 26%. 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 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 \$57,423,035. 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 decreased only slightly (\$7,894) from \$14,067,499 in FY19 to \$14,059,605 in FY20.

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 FY20 totaled \$8,503,726 and included the following: General (*ADA push button door operators at City Hall*); Police (*five police cars with video systems, purchase of drug dog, records management system upgrade, and renovation of front entrance/office*); Recreation Center (*pool pump room rehab, hot water boiler, and repairs to exterior pool concrete apron*); Parks (*bleachers, resurface tennis courts, softball field lighting and fencing for dugouts*); Airport (*Runway and RSA Rehab*); Streets (*loader/backhoe, wheeled excavator, crew cab truck, crew cab truck w/dump body, Flashing Signal Upgrade @ 231N & Airport Business Park, and Traffic Signal at Palmer Drive*); Sanitation (*used day cab/road tractor*); Cemetery (*mower and fencing*).

The City's business-type activities' investment in capital assets as of June 30, 2020, amounts to \$75,356,645 (net of accumulated depreciation). Depreciation charges for the year totaled \$3,645,608. The total decrease in the City's business-type activities' capital assets for the current fiscal year was \$272,584 (.36%), an increase in capital assets of \$3,191,737 and an increase in depreciation expense of \$3,464,321 for the net change of \$272,584.

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

(as of June 30,)

	2020	2019
Land and land rights	\$ 828,734	\$ 858,049
Structures and improvements	42,410,126	42,327,523
Distribution plant	83,836,349	79,864,277
Furniture and fixtures	1,417,452	1,411,027
Transportation equipment	3,610,094	3,383,443
Equipment	2,690,106	2,544,590
Construction in process	7,135,489	8,347,704
Less: Accumulated depreciation	(66,571,705)	(63,107,384)
	<u>\$ 75,356,645</u>	<u>\$ 75,629,229</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 \$6,708,838. Included are three capital outlay notes totaling \$2,006,000 accounting for 30% and net pension liability of \$2,895,259 which represents 43%. 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 \$25,101,833, a decrease of \$783,014 (3.02% decrease) from the previous year.

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

(as of June 30,)

	2020	2019
Bonds payable	\$ 5,090,000	\$ 5,425,000
Notes payable	16,160,033	17,316,713
Net pension liability	3,343,578	2,778,256
Net OPEB obligation	508,222	364,878
Total outstanding debt	<u>\$ 25,101,833</u>	<u>\$ 25,884,847</u>

Notes, bonds and other obligation debt at fiscal year-end 2020 was \$1,974,940 for the power system, \$4,056,559 for the water system, and \$19,070,334 for the sewer system.

## **General Fund Budget Performance**

The City's original budget for FY20 included \$17,543,451 in total expenditures. After several amendments during the year, the final appropriated amount totaled \$18,042,241. The City's beginning and ending fund balances were \$12,818,795 and \$11,600,993 respectively which represents a \$1,217,802 decrease in fund balance during FY20.

The City's overall General Fund Revenues increased by \$297,569 (1.6%) from \$18,468,411 in FY19 to \$18,765,980 in FY20. The City's local sales tax revenue increased from \$4,553,831 in FY19 to \$4,945,337 in FY20, an increase of 8.6%.

## **Rates**

Power system rates increased along with TVA rates quarterly during the fiscal year. Water system rates increased as of May 1, 2020, and sewer system rates increased as of May 1, 2020.

## **Customers**

The average number of customers for each system were as follows: Power 10,521 (increase of 125 or 1.2%), Water 10,378 (increase of 149 or 1.46%), and Sewer 8,576 (increase of 132 or 1.56%).

## **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 are provided to the Council throughout the year. The City of Shelbyville updates the Capital Improvement Plan for all departments annually. The Plan is utilized as a budgeting tool and also aids in prioritizing the City's most immediate capital needs. We continue to focus on the maintenance and improvement of 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 Pike/Deery Street intersection improvement project, Sidewalk Repairs associated with the Tennessee Alternatives Program Grant Phases 3 & 4, Land Clearing and Site Development at 231 N. Business Park, Communication Upgrade to include Three Site Radio Repeater System for Police and Fire Departments, Sewer Project at the Airport, completion of the Animal Control Building Renovations, Economic Feasibility Study for Downtown Development, and the completion of the update to the Long-Range Comprehensive Plan.

## **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 N. Spring Street, Shelbyville, TN 37160.

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

June 30, 2020

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,059,605	\$ 34,130,663	\$ 48,190,268
Taxes receivable - net	9,468,139	-	9,468,139
Accounts receivable	29,383	3,690,500	3,719,883
Intergovernmental receivable	756,066	-	756,066
Unbilled revenue	-	1,008,912	1,008,912
Inventory and other assets	1,624,795	751,053	2,375,848
Energy conservation loans	-	68,796	68,796
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	3,439,729	3,439,729
Capital assets:			
Land and construction in progress	4,618,275	7,964,223	12,582,498
Other capital assets, net of accumulated depreciation	40,141,990	67,392,422	107,534,412
TOTAL ASSETS	<u>70,698,253</u>	<u>118,446,298</u>	<u>189,144,551</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	1,824,325	1,538,494	3,362,819
OPEB	60,263	102,368	162,631
Deferred amounts from refunding of debt	-	140,508	140,508
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,884,588</u>	<u>1,781,370</u>	<u>3,665,958</u>
<b>LIABILITIES</b>			
Accounts payable	212,254	2,506,079	2,718,333
Accrued expenses and other liabilities	356,520	67,677	424,197
Deposits	69,943	2,216,593	2,286,536
Internal balances	8,374	(8,374)	-
Funds held in trust	19,959	-	19,959
Noncurrent liabilities:			
Due in one year	525,126	1,522,236	2,047,362
Due in more than one year	6,183,712	23,995,116	30,178,828
TOTAL LIABILITIES	<u>7,375,888</u>	<u>30,299,327</u>	<u>37,675,215</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	214,612	45,392	260,004
OPEB	23,303	-	23,303
Deferred amounts from refunding of debt	-	41,499	41,499
Deferred current property taxes	7,546,003	-	7,546,003
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,783,918</u>	<u>86,891</u>	<u>7,870,809</u>
<b>NET POSITION</b>			
Net investment in capital assets	42,715,160	54,069,682	96,784,842
Restricted for:			
Highways and streets	597,672	-	597,672
Drug education and enforcement	48,689	-	48,689
Animal control	307	-	307
Public recreation	4,421	-	4,421
TV station	30,000	-	30,000
Industrial development	25,269	-	25,269
Debt service	-	841,206	841,206
Unrestricted	14,001,517	34,930,562	48,932,079
TOTAL NET POSITION	<u>\$ 57,423,035</u>	<u>\$ 89,841,450</u>	<u>\$ 147,264,485</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, 2020**

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	\$ 5,427,057	\$ 367,224	\$ 96,131	\$ -	\$ (4,963,702)	\$ -	\$ (4,963,702)
Public recreation	1,753,598	247,134	-	-	(1,506,464)	-	(1,506,464)
Public safety	6,600,172	214,946	179,614	7,000	(6,198,612)	-	(6,198,612)
Public works	3,140,716	56,590	807,148	231,131	(2,045,847)	-	(2,045,847)
Airport	1,029,017	481,115	15,000	2,797,070	2,264,168	-	2,264,168
Welfare	221,165	-	-	-	(221,165)	-	(221,165)
Industrial development	193,393	-	-	3,500	(189,893)	-	(189,893)
Interest on long-term debt	60,361	-	-	-	(60,361)	-	(60,361)
Total governmental activities	18,425,479	1,367,009	1,097,893	3,038,701	(12,921,876)	-	(12,921,876)
Business-type activities							
Power system	30,781,709	33,085,047	-	-	-	2,303,338	2,303,338
Water system	5,218,004	5,198,873	-	140,725	-	121,594	121,594
Sewerage system	4,483,461	5,202,626	-	373,539	-	1,092,704	1,092,704
Total business-type activities	40,483,174	43,486,546	-	514,264	-	3,517,636	3,517,636
Total primary government	\$ 58,908,653	\$ 44,853,555	\$ 1,097,893	\$ 3,552,965	(12,921,876)	3,517,636	(9,404,240)
General revenues:							
					7,631,072	-	7,631,072
					540,629	-	540,629
					4,945,337	-	4,945,337
					951,225	-	951,225
					194,534	-	194,534
					231,139	-	231,139
					66,495	-	66,495
					2,449,019	-	2,449,019
					218,662	-	218,662
					15,673	-	15,673
					75,668	46,000	121,668
					142,030	174,454	316,484
					720,031	(720,031)	-
					18,181,514	(499,577)	17,681,937
					5,259,638	3,018,059	8,277,697
					52,163,397	86,823,391	138,986,788
					\$ 57,423,035	\$ 89,841,450	\$ 147,264,485

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**June 30, 2020**

	General	Capital Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets and deferred outflows of resources</b>				
<b>Assets:</b>				
Cash	\$ 10,311,334	\$ 1,487,979	\$ 2,260,292	\$ 14,059,605
Taxes receivable - net	9,450,697	-	17,442	9,468,139
Accounts receivable	29,383	-	-	29,383
Intergovernmental receivable	484,725	170,350	100,991	756,066
Deposit	-	1,589,948	-	1,589,948
Inventory and other assets	34,847	-	-	34,847
Total assets	<u>20,310,986</u>	<u>3,248,277</u>	<u>2,378,725</u>	<u>25,937,988</u>
Deferred outflows of resources:	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 20,310,986</u>	<u>\$ 3,248,277</u>	<u>\$ 2,378,725</u>	<u>\$ 25,937,988</u>
<b>Liabilities, deferred inflows of resources, and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 140,743	\$ 36,986	\$ 34,525	\$ 212,254
Intergovernmental liability	100,000	-	27,285	127,285
Accrued wages	229,235	-	-	229,235
Deposits	69,943	-	-	69,943
Due to other funds	8,374	-	-	8,374
Funds held in trust	-	-	19,959	19,959
Total liabilities	<u>548,295</u>	<u>36,986</u>	<u>81,769</u>	<u>667,050</u>
Deferred inflows of resources:				
Unavailable revenue - state and local taxes	32,140	-	-	32,140
Unavailable revenue - property taxes	8,129,558	-	-	8,129,558
Total deferred inflows of resources	<u>8,161,698</u>	<u>-</u>	<u>-</u>	<u>8,161,698</u>
<b>Fund balances:</b>				
Nonspendable				
Inventory and other assets	34,847	1,589,948	-	1,624,795
Restricted				
Cable TV	30,000	-	-	30,000
Animal control	307	-	-	307
Public recreation	4,421	-	-	4,421
Police	-	-	48,689	48,689
State street aid	-	-	597,672	597,672
Committed				
Debt reduction	-	-	537,535	537,535
Assigned				
State road projects	-	-	1,005,854	1,005,854
Capital assets	-	1,621,343	81,937	1,703,280
Industrial development	-	-	25,269	25,269
Unassigned	11,531,418	-	-	11,531,418
Total fund balances	<u>11,600,993</u>	<u>3,211,291</u>	<u>2,296,956</u>	<u>17,109,240</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,310,986</u>	<u>\$ 3,248,277</u>	<u>\$ 2,378,725</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.				44,760,265
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				615,695
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				(5,062,165)
Net position of governmental activities				<u>\$ 57,423,035</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, 2020**

	General	Capital Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 14,224,582	\$ -	\$ 218,662	\$ 14,443,244
Payments in lieu of taxes	231,139	-	-	231,139
Penalties and interest	66,495	-	-	66,495
Licenses and permits	24,410	-	-	24,410
Intergovernmental	2,735,934	2,797,070	960,887	6,493,891
Charges for services	1,117,316	-	31,000	1,148,316
Fines	184,761	-	9,522	194,283
Miscellaneous	62,385	-	13,283	75,668
Investment earnings	118,958	14,328	8,744	142,030
Total revenues	<u>18,765,980</u>	<u>2,811,398</u>	<u>1,242,098</u>	<u>22,819,476</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	6,183,826	283,218	-	6,467,044
Parks and recreation	1,269,413	656,578	-	1,925,991
Public safety	5,532,570	325,551	6,114	5,864,235
Public works	1,962,471	386,142	879,808	3,228,421
Airport	582,213	2,966,626	-	3,548,839
Welfare	216,737	-	-	216,737
Industrial development	-	-	202,152	202,152
<b>Debt service:</b>				
Principal retirement	287,000	-	-	287,000
Interest payments on notes	60,361	-	-	60,361
Total expenditures	<u>16,094,591</u>	<u>4,618,115</u>	<u>1,088,074</u>	<u>21,800,780</u>
Excess of revenues over (under) expenditures	<u>2,671,389</u>	<u>(1,806,717)</u>	<u>154,024</u>	<u>1,018,696</u>
<b>Other financing sources (uses):</b>				
Transfers in	842,858	4,080,640	769,807	5,693,305
Transfers out	(4,850,447)	-	(122,827)	(4,973,274)
Sales of general capital assets	29,176	-	-	29,176
Insurance recoveries	89,222	-	-	89,222
Total other financing sources (uses)	<u>(3,889,191)</u>	<u>4,080,640</u>	<u>646,980</u>	<u>838,429</u>
Net change in fund balances	(1,217,802)	2,273,923	801,004	1,857,125
Fund balances - July 1, 2019	12,818,795	937,368	1,495,952	15,252,115
Fund balances - June 30, 2020	<u>\$ 11,600,993</u>	<u>\$ 3,211,291</u>	<u>\$ 2,296,956</u>	<u>\$ 17,109,240</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, 2020**

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

Net change in fund balances - total governmental funds	\$ 1,857,125
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	4,975,030
Depreciation expense	(1,703,705)
The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net position:	
Sales and abandonments of capital assets	(13,503)
Donations of capital assets received	2,500
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	38,215
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.	
Capital outlay note principal payments	287,000
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	(93,956)
Net pension liability	(978,899)
Net OPEB obligation	(77,455)
Change in deferred items	867,286
Change in net position of governmental activities	<u>\$ 5,259,638</u>

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

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

Year ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes:				
Property	\$ 7,046,972	\$ 7,046,972	\$ 7,592,857	\$ 545,885
Business	435,000	435,000	540,629	105,629
Local sales	4,400,000	4,400,000	4,945,337	545,337
Beverage	845,000	845,000	951,225	106,225
Franchise	180,000	180,000	194,534	14,534
Payments in lieu of taxes	150,825	150,825	231,139	80,314
Penalties and interest	55,000	55,000	66,495	11,495
Licenses and permits	30,500	30,500	24,410	(6,090)
Intergovernmental revenues				
State TVA in lieu	240,000	240,000	254,064	14,064
State sales tax allocation	1,760,000	1,760,000	1,905,832	145,832
State income tax allocation	35,000	35,000	23,131	(11,869)
State beer tax allocation	9,400	9,400	13,040	3,640
State mixed drink tax allocation	43,000	43,000	48,833	5,833
State gasoline and motor fuel tax	40,000	40,000	40,300	300
State excise tax allocation	50,000	50,000	163,819	113,819
State and federal grant funds	247,626	247,626	207,379	(40,247)
State supplements	80,098	80,098	79,536	(562)
Charges for services	1,248,681	1,249,181	1,117,316	(131,865)
Fines	319,883	319,883	184,761	(135,122)
Miscellaneous	10,700	22,808	62,385	39,577
Investment earnings	50,000	50,000	118,958	68,958
<b>TOTAL REVENUES</b>	<b>17,277,685</b>	<b>17,290,293</b>	<b>18,765,980</b>	<b>1,475,687</b>
<b>EXPENDITURES</b>				
General government:				
Administration				
Salaries	511,875	561,875	523,816	38,059
Professional services	250,000	300,000	211,710	88,290
Payroll taxes	655,000	655,000	621,359	33,641
Travel and business	21,570	21,570	10,033	11,537
Mayor and council salaries	57,600	57,600	57,600	-
Health and disability insurance	1,700,000	1,700,000	1,604,048	95,952
Retirement	1,250,000	1,270,000	1,224,012	45,988
Insurance	586,876	586,876	502,645	84,231
Electric tax equivalent	154,059	154,059	145,807	8,252
Employee recognition programs	183,450	183,450	176,668	6,782
Computer software	69,745	69,745	67,366	2,379
Advertising	27,208	27,208	23,160	4,048
Legal settlement	100,000	100,000	100,000	-
Other general government	218,316	378,316	250,602	127,714
	<b>5,785,699</b>	<b>6,065,699</b>	<b>5,518,826</b>	<b>546,873</b>

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

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>				
General government:				
Planning and zoning				
Salaries	223,019	223,019	206,794	16,225
Professional services	81,390	180,500	159,656	20,844
Employee education and training	4,650	3,500	1,411	2,089
Utilities	4,312	4,312	4,632	(320)
Gasoline and oil	3,280	3,280	1,634	1,646
Fees paid to state	40,000	40,000	27,555	12,445
Office supplies and materials	11,050	5,200	2,293	2,907
Other planning and zoning	117,540	25,430	5,854	19,576
	<u>485,241</u>	<u>485,241</u>	<u>409,829</u>	<u>75,412</u>
Cemetery				
Salaries	121,074	121,074	83,248	37,826
Utilities	4,000	4,000	4,814	(814)
Maintenance and repair	9,560	9,560	7,965	1,595
Gasoline and oil	2,982	2,982	3,044	(62)
Other cemetery	10,190	10,190	5,770	4,420
	<u>147,806</u>	<u>147,806</u>	<u>104,841</u>	<u>42,965</u>
Animal control				
Salaries	109,895	112,272	117,669	(5,397)
Professional services	5,520	5,520	4,269	1,251
Utilities	11,316	11,316	10,106	1,210
Maintenance and repair	2,240	2,240	2,237	3
Gasoline and oil	3,372	3,372	2,336	1,036
Materials and supplies	12,720	12,720	6,391	6,329
Other animal control	25,032	14,532	7,322	7,210
	<u>170,095</u>	<u>161,972</u>	<u>150,330</u>	<u>11,642</u>
Public recreation:				
Parks and recreation				
Salaries	359,665	359,665	296,118	63,547
Utilities	20,825	20,825	20,797	28
Maintenance and repair	85,295	90,306	73,418	16,888
Gasoline and oil	21,123	21,123	13,979	7,144
Chemical supplies	9,660	9,660	6,033	3,627
Special events	8,300	8,300	1,555	6,745
Expensable tools	11,925	11,925	11,327	598
Other parks and recreation	23,328	23,328	19,583	3,745
	<u>540,121</u>	<u>545,132</u>	<u>442,810</u>	<u>102,322</u>

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

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
Public recreation				
Recreational center				
Salaries	556,902	556,902	447,980	108,922
Professional services	10,375	10,375	6,866	3,509
Utilities	164,543	164,543	129,121	35,422
Maintenance and repair	106,375	110,920	77,008	33,912
Recreational programming	18,235	18,235	10,723	7,512
Expensable tools and materials	35,715	39,935	31,940	7,995
Chemical supplies	17,300	17,300	9,137	8,163
Employee education and training	6,352	6,352	3,004	3,348
Other recreational center	45,720	45,720	33,508	12,212
	<u>961,517</u>	<u>970,282</u>	<u>749,287</u>	<u>220,995</u>
Sports league				
Salaries	51,705	51,705	40,153	11,552
Professional services	25,650	25,650	21,628	4,022
Clothing and uniforms	8,700	8,700	6,814	1,886
Materials	5,450	5,450	2,749	2,701
Other sports league	8,893	9,393	5,972	3,421
	<u>100,398</u>	<u>100,898</u>	<u>77,316</u>	<u>23,582</u>
Public safety:				
Police				
Salaries	2,685,726	2,715,726	2,616,004	99,722
Salary supplement	44,098	44,098	35,802	8,296
Employee education and training	49,817	49,817	39,313	10,504
Utilities	48,422	48,422	48,182	240
Maintenance and repair	64,252	82,622	77,064	5,558
Gasoline and fuel	89,957	89,957	64,714	25,243
Fees paid to state	37,383	37,383	16,417	20,966
Computer software	22,667	22,667	19,933	2,734
Office supplies and materials	13,208	14,600	9,209	5,391
Clothing and uniforms	24,450	24,450	19,436	5,014
Expensable tools	37,752	37,752	29,452	8,300
Lease and rental of equipment	15,874	15,874	23,386	(7,512)
Other police	38,513	37,621	32,375	5,246
	<u>3,172,119</u>	<u>3,220,989</u>	<u>3,031,287</u>	<u>189,702</u>

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

**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>				
Public safety:				
Fire				
Salaries	2,098,500	2,098,500	2,094,769	3,731
Salary supplement	52,200	52,200	51,500	700
Employee education and training	16,510	42,510	50,575	(8,065)
Utilities	42,951	42,951	40,842	2,109
Maintenance and repair	69,805	69,805	47,853	21,952
Gasoline and fuel	17,151	17,151	11,882	5,269
Fire hydrant rental	107,712	107,712	101,744	5,968
Expendable tools	64,735	67,235	57,834	9,401
Clothing and uniforms	21,000	21,000	12,136	8,864
Other fire	45,310	45,310	32,148	13,162
	<u>2,535,874</u>	<u>2,564,374</u>	<u>2,501,283</u>	<u>63,091</u>
Public works:				
Streets				
Salaries	1,067,962	1,067,962	853,680	214,282
Utilities	23,463	23,463	21,421	2,042
Maintenance and repair	64,317	68,908	50,976	17,932
Gasoline and fuel	88,253	88,253	67,366	20,887
Expendable materials	35,100	35,100	31,631	3,469
Construction material	39,500	39,500	26,934	12,566
Clothing and uniforms	12,720	12,720	12,388	332
Chemical supplies	10,510	10,510	9,250	1,260
State road paving	88,222	88,222	88,708	(486)
Other streets	54,225	54,225	31,496	22,729
	<u>1,484,272</u>	<u>1,488,863</u>	<u>1,193,850</u>	<u>295,013</u>
Stormwater management				
Professional services	20,000	20,000	6,802	13,198
Gasoline and oil	2,239	2,239	1,284	955
Construction material	61,000	61,000	3,905	57,095
State maintenance fee	3,460	3,460	3,460	-
Other stormwater management	15,942	15,942	3,201	12,741
	<u>102,641</u>	<u>102,641</u>	<u>18,652</u>	<u>83,989</u>



**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**Year ended June 30, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
Sanitation				
Salaries	373,940	373,940	342,471	31,469
Utilities	5,735	5,735	4,940	795
Maintenance and repair	37,382	67,382	64,773	2,609
Landfill services	247,000	327,000	292,459	34,541
Gasoline and oil	35,983	35,983	22,148	13,835
Other sanitation	24,461	24,461	23,178	1,283
	<u>724,501</u>	<u>834,501</u>	<u>749,969</u>	<u>84,532</u>
Finance				
Debt principal	287,000	287,000	287,000	-
Interest on debt	60,369	60,369	60,361	8
	<u>347,369</u>	<u>347,369</u>	<u>347,361</u>	<u>8</u>
Airport				
Salaries	283,763	283,763	217,131	66,632
Utilities	43,278	43,278	43,023	255
Maintenance and repair	44,260	60,572	32,049	28,523
Fuel for resale	335,300	335,300	244,290	91,010
Gasoline and oil	9,434	9,434	5,493	3,941
Bank service charges	12,000	12,000	9,410	2,590
Other airport	45,390	45,390	30,817	14,573
	<u>773,425</u>	<u>789,737</u>	<u>582,213</u>	<u>207,524</u>
Welfare	212,373	216,737	216,737	-
TOTAL EXPENDITURES	<u>17,543,451</u>	<u>18,042,241</u>	<u>16,094,591</u>	<u>1,947,650</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(265,766)</u>	<u>(751,948)</u>	<u>2,671,389</u>	<u>3,423,337</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	801,952	810,952	842,858	31,906
Transfers out	(3,693,532)	(4,850,672)	(4,850,447)	225
Sales of general capital assets	2,500	2,500	29,176	26,676
Insurance recoveries	-	89,131	89,222	91
TOTAL OTHER FINANCING SOURCES	<u>(2,889,080)</u>	<u>(3,948,089)</u>	<u>(3,889,191)</u>	<u>58,898</u>
NET CHANGE IN FUND BALANCE	<u>\$ (3,154,846)</u>	<u>\$ (4,700,037)</u>	<u>(1,217,802)</u>	<u>\$ 3,482,235</u>
FUND BALANCE - BEGINNING			12,818,795	
FUND BALANCE - END			<u>\$ 11,600,993</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, 2020**

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 22,110,666	\$ 7,984,893	\$ 4,035,104	\$ 34,130,663
Accounts receivable, net of allowance	3,215,386	240,318	243,170	3,698,874
Unbilled revenue	1,008,912	-	-	1,008,912
Other receivables	112,988	4,139	576	117,703
Inventory	402,675	165,253	26,571	594,499
Other assets	38,851	-	-	38,851
Total current assets	<u>26,889,478</u>	<u>8,394,603</u>	<u>4,305,421</u>	<u>39,589,502</u>
Noncurrent assets:				
Restricted cash and cash equivalents-bonds	-	1,121,121	102,015	1,223,136
Restricted cash and cash equivalents-customer deposits	1,967,539	242,634	6,420	2,216,593
Energy conservation loans	68,796	-	-	68,796
Capital assets	18,180,415	17,434,070	39,742,160	75,356,645
Total noncurrent assets	<u>20,216,750</u>	<u>18,797,825</u>	<u>39,850,595</u>	<u>78,865,170</u>
TOTAL ASSETS	<u>47,106,228</u>	<u>27,192,428</u>	<u>44,156,016</u>	<u>118,454,672</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	830,787	323,084	384,623	1,538,494
OPEB	34,123	34,123	34,122	102,368
Deferred amounts from refunding of debt	-	140,508	-	140,508
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>47,971,138</u>	<u>27,690,143</u>	<u>44,574,761</u>	<u>120,236,042</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	2,325,810	47,451	132,818	2,506,079
Notes payable	-	-	1,177,236	1,177,236
Accrued expenses and other liabilities	8,149	-	-	8,149
Accrued interest	-	-	22,598	22,598
Total current liabilities	<u>2,333,959</u>	<u>47,451</u>	<u>1,332,652</u>	<u>3,714,062</u>
Current liabilities payable from restricted assets:				
Customer deposits	1,967,539	242,634	6,420	2,216,593
Bonds payable	-	260,000	85,000	345,000
Accrued interest	-	36,930	-	36,930
Total current liabilities payable from restricted assets	<u>1,967,539</u>	<u>539,564</u>	<u>91,420</u>	<u>2,598,523</u>
Noncurrent liabilities:				
Conservation - TVA program	68,796	-	-	68,796
Accrued vacation	163,393	112,358	70,972	346,723
Bonds payable	-	2,925,000	1,820,000	4,745,000
Notes payable	-	-	14,982,797	14,982,797
Net pension liability	1,805,532	702,151	835,895	3,343,578
Net OPEB liability	169,408	169,408	169,406	508,222
Total noncurrent liabilities	<u>2,207,129</u>	<u>3,908,917</u>	<u>17,879,070</u>	<u>23,995,116</u>
TOTAL LIABILITIES	<u>6,508,627</u>	<u>4,495,932</u>	<u>19,303,142</u>	<u>30,307,701</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	24,512	9,532	11,348	45,392
Deferred amounts from refunding of debt	-	13,721	27,778	41,499
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>24,512</u>	<u>23,253</u>	<u>39,126</u>	<u>86,891</u>
<b>NET POSITION</b>				
Net investment in capital assets	18,180,415	14,212,140	21,677,127	54,069,682
Restricted	-	824,191	17,015	841,206
Unrestricted	23,257,584	8,134,627	3,538,351	34,930,562
TOTAL NET POSITION	<u>\$ 41,437,999</u>	<u>\$ 23,170,958</u>	<u>\$ 25,232,493</u>	<u>\$ 89,841,450</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, 2020**

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
Operating revenues:				
Charges for services pledged as security for revenue bonds	\$ 32,387,172	\$ 5,125,939	\$ 5,150,553	\$ 42,663,664
Forfeited discounts and penalties	193,810	36,564	52,073	282,447
Rental income	373,304	-	-	373,304
Other operating revenue	130,761	36,370	-	167,131
<b>TOTAL OPERATING REVENUE</b>	<b>33,085,047</b>	<b>5,198,873</b>	<b>5,202,626</b>	<b>43,486,546</b>
Operating expenses:				
Purchased power	25,675,854	-	-	25,675,854
Operational expenses	3,264,555	2,503,799	2,214,460	7,982,814
Maintenance expense	704,746	1,487,872	518,305	2,710,923
Depreciation and amortization	1,112,105	1,137,846	1,397,885	3,647,836
<b>TOTAL OPERATING EXPENSES</b>	<b>30,757,260</b>	<b>5,129,517</b>	<b>4,130,650</b>	<b>40,017,427</b>
<b>OPERATING INCOME</b>	<b>2,327,787</b>	<b>69,356</b>	<b>1,071,976</b>	<b>3,469,119</b>
Nonoperating revenues (expenses):				
Interest income	66,798	88,421	19,235	174,454
Interest expense	(21,284)	(88,487)	(352,811)	(462,582)
Other income (expenses)	(3,165)	46,000	-	42,835
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>42,349</b>	<b>45,934</b>	<b>(333,576)</b>	<b>(245,293)</b>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>2,370,136</b>	<b>115,290</b>	<b>738,400</b>	<b>3,223,826</b>
Transfers out	(648,031)	(36,000)	(36,000)	(720,031)
Capital contributions	-	140,725	373,539	514,264
<b>CHANGE IN NET POSITION</b>	<b>1,722,105</b>	<b>220,015</b>	<b>1,075,939</b>	<b>3,018,059</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>39,715,894</b>	<b>22,950,943</b>	<b>24,156,554</b>	<b>86,823,391</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 41,437,999</b>	<b>\$ 23,170,958</b>	<b>\$ 25,232,493</b>	<b>\$ 89,841,450</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, 2020**

	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)	\$ 33,166,708	\$ 5,181,315	\$ 5,247,000	\$ 43,595,023
Payments to suppliers	(27,258,673)	(2,330,619)	(1,520,006)	(31,109,298)
Cash paid to employees	(2,401,056)	(1,630,640)	(1,126,378)	(5,158,074)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,506,979	1,220,056	2,600,616	7,327,651
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributed	-	140,725	373,539	514,264
Other income (expense)	(3,165)	46,000	-	42,835
Proceeds from issuance of long-term debt, net	-	-	-	-
Acquisition and construction of capital assets	(1,709,153)	(387,765)	(1,263,914)	(3,360,832)
Principal paid on long-term debt	-	(255,000)	(1,236,680)	(1,491,680)
Interest paid on long-term debt	-	(91,580)	(354,411)	(445,991)
Interest paid on customer deposits	(21,284)	-	-	(21,284)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	(1,733,602)	(547,620)	(2,481,466)	(4,762,688)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Increase in customer deposits	56,367	22,933	-	79,300
Issuance of energy conservation loans	(47,080)	-	-	(47,080)
Payments to DREMC for transfers of members	(1,622)	-	-	(1,622)
Transfers to other funds	(648,031)	(36,000)	(36,000)	(720,031)
Home weatherization loan advances	47,080	-	-	47,080
NET CASH PROVIDED(USED) BY NON-CAPITAL FINANCING ACTIVITIES	(593,286)	(13,067)	(36,000)	(642,353)
<b>CASH FLOWS FROM INVESTING ACTIVITIES - Interest and other income</b>				
	68,910	89,743	19,825	178,478
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,249,001	749,112	102,975	2,101,088
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,829,204	8,599,536	4,040,564	35,469,304
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 24,078,205	\$ 9,348,648	\$ 4,143,539	\$ 37,570,392
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>				
Unrestricted cash and cash equivalents	\$ 22,110,666	\$ 7,984,893	\$ 4,035,104	\$ 34,130,663
Restricted cash and cash equivalents	1,967,539	1,363,755	108,435	3,439,729
	\$ 24,078,205	\$ 9,348,648	\$ 4,143,539	\$ 37,570,392

**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**June 30, 2020**

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 2,327,787	\$ 69,356	\$ 1,071,976	\$ 3,469,119
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,112,105	1,137,846	1,397,885	3,647,836
Provision for bad debts	72,476	18,403	23,576	114,455
(Increase) decrease in:				
Accounts receivable	81,661	(17,558)	44,374	108,477
Inventory	(48,800)	30,397	(1,524)	(19,927)
Other assets	114,575	-	-	114,575
Increase (decrease) in:				
Accounts payable	(126,900)	(40,008)	43,327	(123,581)
Pension liability	(38,106)	(1,548)	(1,842)	(41,496)
OPEB liability	49,282	15,159	15,158	79,599
Accrued expenses	(37,101)	8,009	7,686	(21,406)
Total adjustments	1,179,192	1,150,700	1,528,640	3,858,532
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,506,979	\$ 1,220,056	\$ 2,600,616	\$ 7,327,651

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

**STATEMENT OF NET POSITION**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**FIDUCIARY FUND**  
**June 30, 2020**

		Pension Trust Fund
<hr/>		
ASSETS		
Investments		
Pooled separate accounts		\$ 12,519,448
	TOTAL ASSETS	<u>12,519,448</u>
NET POSITION		
Net position held in trust for pension benefits		12,519,448
	TOTAL NET POSITION	<u>\$ 12,519,448</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, 2020**

	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>97,866</u>
Total investment earnings	<u>97,866</u>
Total additions	<u>1,022,114</u>
<b>DEDUCTIONS</b>	
Benefits	990,541
Administrative expenses	<u>31,153</u>
Total deductions	<u>1,021,694</u>
Change in net position	420
Net position - beginning	<u>12,519,028</u>
Net position - ending	<u><u>\$ 12,519,448</u></u>

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

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

**June 30, 2020**

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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, 2020

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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, 2020

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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, 2020

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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.

(7) Statement of Cash Flows

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### CITY OF SHELBYVILLE, TENNESSEE

June 30, 2020

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

##### (8) Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has six 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 four 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. The government has one item that qualifies for reporting in this category resulting from its other post-employment benefit plan. This amount is reflected on the government-wide statement of net position. See note I for further information concerning deferred outflows related to the other post-employment benefit plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government reports unavailable revenue as deferred inflows of resources on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government reports deferred current property taxes as an inflow of resources on the government-wide statement of net position. These amounts are deferred and recognized as an inflow of resources in the period for which property taxes are levied. The government reports the deferred gain on bond refunding in the government-wide statement of net position. A deferred gain 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 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. The government has one item that qualifies for reporting in this category resulting from its other post-employment benefit plan. This amount is reflected on the government-wide statement of net position. See note I for further information concerning deferred outflows related to the other post-employment benefit plan.

##### (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, 2020**

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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 Systems' participation in the Governmental Plan of Central Services Association (CSA), and additions to/deductions from the Systems' 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, 2020

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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, 2020.

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, 2020, is \$30,066.

Customer utility accounts receivable of the government's enterprise funds are presented net of an allowance for uncollectible accounts of \$148,189. Bad debt expense for the current year is \$114,455. 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, 2020

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

The power system has recorded unbilled revenue of \$1,008,912 as of June 30, 2020. The water system and the sewerage system have followed the practice of not recording unbilled revenue. The effect on the financial statements is not material.

#### 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, 2020, 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, 2020, the carrying amount of the Systems' deposits was \$37,570,392 and the amount of the banks balances was \$39,352,939. Of the bank balances, \$2,256,797 was covered by Federal depository insurance, and \$14,097,291 was collateralized with securities pledged that comply with statutes as acceptable collateral, and \$22,998,851 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, 2020.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2020**

**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, 2020, 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	\$ 2,963,002	\$ -	\$ -	\$ 2,963,002
Construction in progress	5,181,468	3,695,842	7,222,038	1,655,272
Total capital assets, not being depreciated	<u>8,144,470</u>	<u>3,695,842</u>	<u>7,222,038</u>	<u>4,618,274</u>
Capital assets, being depreciated:				
Buildings	12,487,764	708,152	14,281	13,181,635
Equipment	4,907,129	445,714	29,449	5,323,394
Vehicles	7,097,829	311,876	231,671	7,178,034
Infrastructure	<u>23,739,144</u>	<u>7,037,985</u>	<u>-</u>	<u>30,777,129</u>
Total capital assets being depreciated	48,231,866	8,503,727	275,401	56,460,192
Less accumulated depreciation for:				
Buildings	4,550,083	285,618	777	4,834,924
Equipment	2,797,658	355,181	29,451	3,123,388
Vehicles	3,944,566	377,997	231,671	4,090,892
Infrastructure	<u>3,584,086</u>	<u>684,911</u>	<u>-</u>	<u>4,268,997</u>
Total accumulated depreciation	<u>14,876,393</u>	<u>1,703,707</u>	<u>261,899</u>	<u>16,318,201</u>
Total capital assets, being depreciated, net	<u>33,355,473</u>	<u>6,800,020</u>	<u>13,502</u>	<u>40,141,991</u>
Governmental activities capital assets, net	<u>\$ 41,499,943</u>	<u>\$ 10,495,862</u>	<u>\$ 7,235,540</u>	<u>\$ 44,760,265</u>



**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2020**

**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	\$ 858,049	\$ -	\$ 29,315	\$ 828,734
Construction in progress	8,347,704	2,436,345	3,648,560	7,135,489
Total capital assets, not being depreciated	<u>9,205,753</u>	<u>2,436,345</u>	<u>3,677,875</u>	<u>7,964,223</u>
Capital assets, being depreciated:				
Structures and improvements	42,327,523	82,603	-	42,410,126
Distribution plant	79,864,277	4,074,892	102,820	83,836,349
Furniture and fixtures	1,411,027	6,425	-	1,417,452
Transportation equipment	3,383,443	226,651	-	3,610,094
Equipment	<u>2,544,590</u>	<u>145,516</u>	<u>-</u>	<u>2,690,106</u>
Total capital assets, being depreciated	129,530,860	4,536,087	102,820	133,964,127
Less accumulated depreciation for:				
Structures and improvements	13,202,342	1,270,590	-	14,472,932
Distribution plant	43,521,776	2,107,278	(181,287)	45,447,767
Furniture and fixtures	1,106,770	25,135	-	1,131,905
Transportation equipment	3,129,744	153,618	-	3,283,362
Equipment	<u>2,146,752</u>	<u>88,987</u>	<u>-</u>	<u>2,235,739</u>
Total accumulated depreciation	<u>63,107,384</u>	<u>3,645,608</u>	<u>(181,287)</u>	<u>66,571,705</u>
Total capital assets, being depreciated, net	<u>66,423,476</u>	<u>890,479</u>	<u>(78,467)</u>	<u>67,392,422</u>
Business-type activities capital assets, net	<u>\$ 75,629,229</u>	<u>\$ 3,326,824</u>	<u>\$ 3,599,408</u>	<u>\$ 75,356,645</u>

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

Governmental activities:	
General government	\$ 106,843
Public recreation	380,030
Public safety	325,113
Public works	487,813
Airport	399,481
Welfare	<u>4,427</u>
Total depreciation expense - governmental activities	<u>\$ 1,703,707</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2020**

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

Business-type activities:	
Power system	\$ 1,124,298
Water system	1,121,792
Sewerage system	<u>1,399,518</u>
Total depreciation expense - business-type activities	<u>\$ 3,645,608</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	\$ 989,000
Governmental activities – storm flume repair	2.64	2025	632,000
Governmental activities – industrial development	2.50	2027	<u>385,000</u>
			<u>\$ 2,006,000</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>
2021	\$ 297,000	\$ 52,709
2022	307,000	44,784
2023	319,000	36,016
2024	331,000	26,930
2025	342,000	17,538
2026-2027	<u>410,000</u>	<u>9,753</u>
Total	<u>\$ 2,006,000</u>	<u>\$ 187,730</u>

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

Sewerage system – revolving loan	1.70%	6/30/2037	\$ 1,749,482
Sewerage system – revolving loan	1.78%	2/01/2034	<u>14,410,551</u>
			<u>\$ 16,160,033</u>

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2020**

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
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	1,263,240	190,776
2026-2030	5,844,530	628,901
2031-2035	4,216,203	142,190
2036-2038	-	-
Total	<u>\$ 16,160,033</u>	<u>\$ 1,941,871</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	\$ 1,905,000
Water and sewer – general obligation bonds	2.25 – 4.0%	8/01/2037	1,180,000
Water and sewer - revenue bonds	1.25 – 2.8%	8/01/2028	2,005,000
			<u>\$ 5,090,000</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
2021	\$ 345,000	\$ 138,855
2022	350,000	128,395
2023	365,000	117,310
2024	375,000	105,590
2025	380,000	95,025
2026-2030	1,815,000	324,693
2031-2035	920,000	147,550
2036-2038	540,000	24,150
Total	<u>\$ 5,090,000</u>	<u>\$ 1,081,568</u>

The amount of interest cost incurred and charged to expense during the year ended June 30, 2020, was \$60,361 for the governmental activities and \$462,582 for the business-type activities.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2020**

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

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Direct borrowings:					
Capital outlay notes	\$ 2,293,000	\$ -	\$ 287,000	\$ 2,006,000	\$ 297,000
Other long-term liabilities:					
Post-employment benefit obligation	952,366	185,399	107,944	1,029,821	81,126
Settlement	200,000	-	100,000	100,000	100,000
Net pension liability	1,916,360	2,857,194	1,878,295	2,895,259	-
Compensated absences	<u>583,802</u>	<u>536,731</u>	<u>442,775</u>	<u>677,758</u>	<u>47,000</u>
Long-term liabilities	<u>\$ 5,945,528</u>	<u>\$ 3,579,324</u>	<u>\$ 2,816,014</u>	<u>\$ 6,708,838</u>	<u>\$ 525,126</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	\$ 17,316,713	\$ -	\$ 1,156,680	\$ 16,160,033	\$ 1,177,236
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Other debt:

Revenue bonds	5,425,000	-	335,000	5,090,000	345,000
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Other long-term liabilities:

Conservation – TVA program	115,876	-	47,080	68,796	-
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Compensated absences	325,178	21,545	-	346,723	-
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Net pension liability	2,778,256	565,322	-	3,343,578	-
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Post-employment benefit obligation	<u>364,878</u>	<u>143,344</u>	<u>-</u>	<u>508,222</u>	<u>-</u>
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Long-term liabilities	<u>\$ 26,325,901</u>	<u>\$ 730,211</u>	<u>\$ 1,538,760</u>	<u>\$ 25,517,352</u>	<u>\$ 1,522,236</u>
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**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, 2020

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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, 2020, 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, 2020, 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	46
Active employees	<u>45</u>
Total	<u>182</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2020

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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, 2020, the City contributed \$924,248.

Net pension liability

The government's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020, rolled forward to June 30, 2020, using standard actuarial methodology and the actual assets of the trust as of June 30, 2020.

Actuarial assumptions

The total pension liability as of June 30, 2020, 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 – 7.25%  
Discount rate – 7.25%

*Demographic Actuarial Assumptions*

Mortality:

Society of Actuaries RP-2014 Blue Collar Mortality Table adjusted to 2006 with fully generational projection scale MP-2019.

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, 2020**

**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 7.25%. 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, 2019	\$(14,435,388)	\$ 12,519,028	\$ (1,916,360)
Changes for the year:			
Service cost	(87,805)	-	(87,805)
Interest cost	(1,073,834)	-	(1,073,834)
Difference between expected and actual experience	(21,626)	-	(21,626)
Change in actuarial assumptions	(786,595)	-	(786,595)
Employer contributions	-	924,248	924,248
Employee contributions	-	-	-
Net investment income	-	97,866	97,866
Benefit payments	990,541	(990,541)	-
Administrative expense	-	(31,153)	(31,153)
Other charges	-	-	-
Net changes	<u>(979,319)</u>	<u>420</u>	<u>(978,899)</u>
Balance at June 30, 2020	<u>\$(15,414,707)</u>	<u>\$ 12,519,448</u>	<u>\$ (2,895,259)</u>

The plan's fiduciary net position as a percentage of the total pension liability was 81.2% at June 30, 2020.

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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 4,627,697	\$ 2,895,259	\$ 1,436,336

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2020

NOTE H - PENSION PLAN (Continued)

Pension expense

For the year ended June 30, 2020, the general government recognized pension expense of \$1,072,818.

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, 2020, 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, 2020, the annual money-weighted rate of return on pension plan investments, net of investment expense was .74%.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2020, 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	\$ 94,994	\$ 214,612
Change in actuarial assumptions	844,183	-
Net difference between projected and actual earnings on pension plan investments	885,148	-
Total	<u>\$ 1,824,325</u>	<u>\$ 214,612</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:

2021	\$ 654,467
2022	303,929
2023	296,960
2024	217,015
2025	45,778
Thereafter	91,564



## NOTES TO FINANCIAL STATEMENTS (Continued)

### CITY OF SHELBYVILLE, TENNESSEE

June 30, 2020

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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 assets 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, 2020, 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.

Net pension liability was measured as of October 1, 2019, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date. 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, 2019:

Total pension liability	\$ 24,953,088
Plan fiduciary net position	<u>21,609,510</u>
Net pension liability	<u>\$ 3,343,578</u>
Net position as percentage of the total pension liability	86.60%

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2020**

**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%	\$ 6,414,625
Net pension liability at current discount rate: 7.00%	3,343,578
Net pension liability with a 1% increase in discount rate: 8.00%	745,526

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	\$ 340,218
Interest on the total pension liability	1,651,393
Recognized liability (gains)/losses	147,130
Change of assumptions	-
Employee contributions	(127,544)
Projected earnings on pension plan investments	(1,459,959)
Recognized assets (gains)/losses	175,598
Pension plan administrative expense	-
Other changes in fiduciary net pension	-
Total pension expense	<u>\$ 726,836</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, 2018	\$(23,732,641)	\$ 20,954,385	\$ (2,778,256)
Changes for the year:			
Service cost	(340,197)	-	(340,197)
Interest cost	(1,651,393)	-	(1,651,393)
Difference between expected and actual experience	(191,879)	-	(191,879)
Employer contributions	-	639,812	639,812
Employee contributions	-	127,544	127,544
Net investment income	-	850,791	850,791
Benefit payments	963,022	(963,022)	-
Administrative expense	-	-	-
Other charges	-	-	-
Net changes	<u>(1,220,447)</u>	<u>655,125</u>	<u>(565,322)</u>
Balance at October 1, 2019	<u>\$(24,953,088)</u>	<u>\$ 21,609,510</u>	<u>\$ (3,343,578)</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2020**

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	\$ 721,101	\$ 45,392
Net difference between projected and actual earnings in pension plan investments	264,940	-
Contributions subsequent to the measurement date of October 1, 2019	<u>552,453</u>	<u>-</u>
	<u>\$ 1,538,494</u>	<u>\$ 45,392</u>

The employer contributions of \$552,453 reported as pension related deferred outflows of resources subsequent to the measurement date of October 1, 2019 will be recognized as a reduction of net position liability in the year ended June 30, 2021.

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

2021	\$ 123,963
2022	171,977
2023	311,252
2024	205,519
2025	83,686
Thereafter	44,252

Target Asset Allocation

<u>Asset Class</u>	<u>Target</u>	<u>Expected Future Return</u>	<u>Building Blocks Range of Expected Return</u>
Fixed Income	50.00%	3.25%-4.25%	1.63%-2.13%
Large Cap	20.00%	12.56%-14.56%	2.51%-2.91%
Mid Cap	10.00%	11.70%-13.70%	1.17%-1.37%
Small Cap	8.00%	10.83%-12.83%	0.87%-1.03%
Real Estate	2.00%	7.37%-9.37%	0.15%-0.19%
International Equity	<u>10.00%</u>	<u>4.31%-6.31%</u>	<u>0.43%-0.63%</u>
	100.00%		6.75%-8.25%

Rate selected 7.00%

Plan membership as of October 1, 2019

Inactive plan members or beneficiaries currently receiving benefits	48
Inactive members entitled but not yet receiving benefits	13
Active plan members	<u>75</u>
Total	<u>136</u>

Contributions

Employees contributed 3% of salary. Employer contribution for the year ended June 30, 2020 were \$639,812 based on rate of 14.15% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### CITY OF SHELBYVILLE, TENNESSEE

June 30, 2020

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

##### Actuarial Assumptions

Measurement date	October 1, 2019
Discount rate	7.00%
Cost Method	Individual Entry Age Normal
Mortality	RP-2000 Fully Generational with Scale AA
Incidence of Disability	50% 1952 Disability Table, Period 5, Benefit 5, with 6 month waiting period.
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% per year
Assumed retirement age	50% at Plan Retirement 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, there are no assets accumulating in a trust that meets the criteria of Paragraph 4 of GASB Statement No. 75. For the year ended June 30, 2020, the City contributed 50,736 to fund premiums for retirees receiving benefits while the implicit subsidy was \$30,390. 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, 2020**

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

**Employees Covered by Benefit Terms**

At June 30, 2020, the following employees of the City's general government were covered by the benefit terms of the Plan:

Inactive employees currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>170</u>
	<u>176</u>

**Actuarial Assumptions**

For the City's general government, the Net OPEB liability in the June 30, 2020, 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, 2020
Actuarial valuation date	June 30, 2020
Inflation	2.5%
Discount rate	2.21%
Salary increases	3.5%
Healthcare cost trend rates	4.5% level
Retiree contributions costs	Varies for individual medical coverage based on years of service at retirement. Retiree pays 50% of the contribution for additional dependent coverage.
Mortality	RPH-2014 Total Table with Projection MP-2019

**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, 2019	\$ 952,366	\$ -	\$ 952,366
Changes for the year:			
Service cost	77,655	-	77,655
Interest cost	38,391	-	38,391
Difference between expected and actual experience	(26,818)	-	(26,818)
Change in assumptions	69,353	-	69,353
Employer contributions	-	(81,126)	(81,126)
Employee contributions	-	-	-
Net investment income	-	-	-
Benefit payments	(81,126)	81,126	-
Administrative expense	-	-	-
Other charges	-	-	-
Net changes	<u>77,455</u>	<u>-</u>	<u>77,455</u>
Balance at June 30, 2020	<u>\$ 1,029,821</u>	<u>\$ -</u>	<u>\$ 1,029,821</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2020**

**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 2.21 percent. Because the Plan is unfunded, the projected benefits are discounted using a municipal bond index rate as required under the standards. The Bond Buyer GO Bond 20 Index was used to approximate those yields as of June 30, 2020.

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 (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate.

	1% Decrease <u>(1.21%)</u>	Discount Rate <u>(2.21%)</u>	1% Increase <u>(3.21%)</u>
Net OPEB liability	\$ 1,109,543	\$ 1,029,821	\$ 954,464

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 (3.5%) or 1-percentage-point higher (5.5%) than the current healthcare cost trend rate.

	1% Decrease <u>(3.5%)</u>	Healthcare Cost Trend Rates <u>(4.5%)</u>	1% Increase <u>(5.5%)</u>
Net OPEB liability	\$ 914,854	\$ 1,029,821	\$ 1,166,272

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

*OPEB Expense* – For the fiscal year ended June 30, 2020, the general government recognized OPEB expense of \$121,621.

*Deferred outflows of resources and deferred inflows of resources* – For the fiscal year ended June 30, 2020, 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	\$ -	\$ 23,303
Changes in assumptions	60,263	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	<u>\$ 60,263</u>	<u>\$ 23,303</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

### CITY OF SHELBYVILLE, TENNESSEE

June 30, 2020

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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:

2021	\$	5,575
2022		5,575
2023		5,575
2024		5,575
2025		5,575
Thereafter		9,085

#### 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' pays 50% of individual coverage before age 65 under this plan. The Plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of Paragraph 4 of GASB Statement No. 75.

##### Employees Covered by Benefit Terms

At July 1, 2019, the following employees of the Systems were covered by the benefit terms of the Plan:

Active	85
Retired Members	4
Retired Spouses	-
Total	<u>89</u>

##### Discount Rate

For the City's enterprise funds, the discount rate used to measure the total liability was 2.21 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, 2020. The prior valuation used was 3.5%.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2020**

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

Actuarial Assumptions

For the City's enterprise funds, the Net OPEB liability in the June 30, 2020, 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, 2020
Actuarial valuation date	June 30, 2020
Mortality	Pub-2010 General Employees Headcount-weighted with MP 2019 fully generational improvement scale. The table represents the most recent mortality table, developed specifically for governmental employees by the Society of Actuaries which were released late 2010. Previous valuation used RP-2014 Adjusted to 2006 Total Dataset Headcount weighted Mortality with MP 2018.
Inflation	2.0%; Based on the actuary's best estimate of future experience based on a review of expected and target inflation rates including the Federal Reserve Bank of Cleveland published inflation expectations and implied CPI-U yields.
Salary increases	4.0%; Based on professional judgement of the actuary.
Healthcare cost trend rates	Per-capita claims costs are projected to increase at 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 2020 was \$679.66 for option 1, \$742.01 for option 2, and \$922.21 for option 3 per month.

Changes in Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2019	\$ 364,878	\$ -	\$ 364,878
Changes for the year:			
Service cost	23,701	-	23,701
Interest cost	12,658	-	12,658
Difference between expected and actual experience	1,415	-	1,415
Assumption changes	112,091	-	112,091
Employer contributions	-	6,521	(6,521)
Employee contributions	-	-	-
Net investment income	-	-	-
Benefit payments	(6,521)	(6,521)	-
Administrative expense	-	-	-
Other charges	-	-	-
Net changes	143,344	-	143,344
Balance at June 30, 2020	<u>\$ 508,222</u>	<u>\$ -</u>	<u>\$ 508,222</u>



**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2020**

**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 (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate.

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Net OPEB liability	\$ 527,311	\$ 508,222	\$ 488,813

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 (6.0% decreasing to 3.5%) or 1-percentage-point higher (8.0% decreasing to 5.5%) than the current healthcare cost trend rate.

	1% Decrease (6.0% decreasing to 3.5%)	Healthcare Cost Trend Rates (7.0% decreasing to 4.5%)	1% Increase (8.0% decreasing to 5.5%)
Net OPEB liability	\$ 469,379	\$ 508,222	\$ 553,790

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

*OPEB Expense* – For the fiscal year ended June 30, 2020, the Systems’ recognized OPEB expense of \$51,999.

*Deferred outflows of resources and deferred inflows of resources* – For the fiscal year ended June 30, 2020, 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	\$ 1,229	\$ -
Changes in assumptions	101,139	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer payments subsequent to the measurement date	-	-
Total	<u>\$ 102,368</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, 2020**

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

For the year ended June 30:

2021	\$	15,639
2022		15,639
2023		15,639
2024		15,639
2025		15,639
Thereafter		24,173

In the above table, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

**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, 2020, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2020, the government received \$163,819 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, 2020, 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 City contributed \$149,829 to the operations of the Library during the year ended June 30, 2020. 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, 2020

### 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, 2020, 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, has 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, 2020, of these organizations is shown below.

	Bedford Railroad	Shelbyville- Bedford County Public Library
Total assets and deferred outflows	\$ 4,034,907	\$ 2,809,714
Total liabilities and deferred inflows	<u>35,867</u>	<u>18,436</u>
Net position	<u>\$ 3,999,040</u>	<u>\$ 2,791,278</u>
Revenues	\$ 85,150	\$ 385,535
Expenditures	<u>64,915</u>	<u>425,760</u>
Increase (decrease) in net position	<u>\$ 20,235</u>	<u>\$ (40,225)</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 \$242,514. Employer contributions, as well as the expense recognized in the statement of activities, totaled \$265,443. 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, 2020**

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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 \$2,680 for the year ended June 30, 2020.

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, 2020.

**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, 2020, \$19,959, 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 \$597,672 in limited purpose state gasoline and motor fuel taxes, \$22,499 in fines and forfeitures from drug related offenses, and \$25,269 in hotel occupancy taxes for tourism and industrial development.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2020**

**NOTE Q - INTERFUND TRANSFERS**

The composition of interfund transfers for the year ended June 30, 2020, is as follows:

<u>Transfers in:</u>	<u>Transfers out:</u>				
	Power fund	Sewer fund	Water fund	General fund	Nonmajor governmental funds
General fund	\$648,031	\$ 36,000	\$ 36,000	\$ -	\$ 122,827
Capital projects fund	-	-	-	4,080,640	30,000
Nonmajor governmental funds	-	-	-	769,807	-

During the year the power fund remits in lieu taxes to the general fund on a monthly basis. Transfers from the general fund included one-time expected expenditures of approximately \$1,500,000 for fire equipment.

**NOTE R - INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2020, 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	8,374
Total		<u>\$ 8,374</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, 2020, the council had identified \$691,287 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, 2020**

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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	6/30/20
TOTAL PENSION LIABILITY						
Service cost	\$ 116,663	\$ 113,459	\$ 103,780	\$ 88,697	\$ 80,049	\$ 87,805
Interest	935,284	963,296	996,777	1,010,291	1,036,772	1,073,834
Changes in benefit terms	-	-	-	-	-	-
Differences between actual & expected experience	-	78,913	(168,263)	54,498	(138,263)	21,626
Change of assumptions	-	-	-	-	579,709	786,595
Benefit payments, including refunds of employee contributions	(667,050)	(707,532)	(720,433)	(765,228)	(841,071)	(990,541)
Net change in total pension liability	384,897	448,136	211,861	388,258	717,196	979,319
Total pension liability-beginning	12,285,040	12,669,937	13,118,073	13,329,934	13,718,192	14,435,388
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>	<u>\$ 15,414,707</u>
PLAN FIDUCIARY NET POSITION						
Contributions-employer	\$ 873,492	\$ 924,248	\$ 924,248	\$ 924,248	\$ 924,248	\$ 924,248
Contributions-employee	-	-	-	-	-	-
Net investment income	70,425	(137,687)	1,031,926	821,120	527,268	97,866
Benefit payments, including refunds of employee contributions	(667,050)	(707,532)	(720,433)	(765,228)	(841,071)	(990,541)
Administrative expense	(23,841)	(23,568)	(26,284)	(28,947)	(22,176)	(31,153)
Net change in plan fiduciary net position	253,026	55,461	1,209,457	951,193	588,269	420
Plan fiduciary net position-beginning	9,461,622	9,714,648	9,770,109	10,979,566	11,930,759	12,519,028
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>	<u>\$ 12,519,448</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>	<u>\$ 2,895,259</u>
Plan fiduciary net position as a percentage of total pension liability	76.67%	74.48%	82.37%	86.97%	86.72%	81.22%
Covered payroll	\$ 2,936,205	\$ 2,945,356	\$ 2,789,904	\$ 2,757,582	\$ 2,466,388	\$ 2,812,138
Net pension liability (asset) as a percentage of covered payroll	100.65%	113.67%	84.25%	64.82%	77.70%	102.96%

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	6/30/20
Actuarially determined contribution	\$ 733,133	\$ 737,049	\$ 843,286	\$ 805,480	\$ 741,623	\$ 867,215
Contributions in relation to the actuarially determined contribution	873,492	924,248	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>	<u>\$ (57,033)</u>
Covered payroll	\$ 2,936,205	\$ 2,945,356	\$ 2,789,904	\$ 2,757,580	\$ 2,466,388	\$ 2,812,138
Contributions as a percentage of covered payroll	29.75%	31.38%	33.13%	33.52%	37.47%	32.87%

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.

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**Notes to Schedule**

*Valuation date:*

Actuarially determined contribution rates for 2020 were calculated based on the January 1, 2020, 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 1 year 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
Salary increases	3.0 percent per year
Investment rate of return	7.25 percent
Retirement age	60 for fire and police, 62 for administrative
Mortality	Society of Actuaries RP-2014 Blue Collar Mortality adjusted to 2006 with fully generational projection scale MP-2019.
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>	<u>6/30/20</u>
Money-weighted rate of return	0.49%	-1.64%	10.19%	7.16%	4.22%	0.74%

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	6/30/20
<b>TOTAL OPEB LIABILITY</b>			
Service cost	\$ 74,755	\$ 77,655	\$ 77,655
Interest	35,599	34,194	38,391
Differences between actual and expected experience	-	-	(26,818)
Change of assumptions	-	-	69,353
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments	(62,022)	(81,569)	(81,126)
Other charges	(15,680)	-	-
Administrative expense	-	-	-
Net change in total OPEB liability	32,652	30,280	77,455
Total OPEB liability-beginning	889,434	922,086	952,366
Total OPEB liability-ending (a)	<u>\$ 922,086</u>	<u>\$ 952,366</u>	<u>\$ 1,029,821</u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions-employer	\$ -	\$ -	\$ -
Contributions-employee	62,022	81,569	81,126
Net investment income	-	-	-
Benefit payments	(62,022)	(81,569)	(81,126)
Administrative expense	-	-	-
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position-beginning	-	-	-
Plan fiduciary net position-ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability-ending (a) - (b)	<u>\$ 922,086</u>	<u>\$ 952,366</u>	<u>\$ 1,029,821</u>
Covered payroll	\$ 6,189,988	\$ 6,189,988	\$ 7,124,946
Net OPEB liability as a percentage of covered payroll	14.9%	15.4%	14.5%

**Notes to Schedule**

Methods and Assumptions:

Valuation date	June 30, 2020
Actuarial cost method	Entry Age Normal - Level Percentage of Projected Salary
Inflation	2.5%
Discount rate	2.21%
Salary increases	3.5%
Healthcare cost trend rate	4.5% level
Mortality	RPH-2014 Total Table with Projection MP-2019

There are no assets accumulating in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

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**

**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	6/30/2020
<b>Total pension liability</b>						
Service cost	\$ 296,322	\$ 302,964	\$ 312,365	\$ 316,215	\$ 314,982	\$ 340,197
Interest	1,268,528	1,334,919	1,428,966	1,481,577	1,563,647	1,651,393
Changes in benefit terms	-	-	-	-	-	-
Differences between actual & expected experience	81,928	486,833	(136,176)	215,386	251,209	191,879
Change of assumptions	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(704,730)	(705,221)	(875,976)	(838,861)	(840,111)	(963,022)
<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>1,220,447</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>23,732,641</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>\$ 24,953,088</b>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 880,296	\$ 953,654	\$ 814,504	\$ 682,920	\$ 654,028	\$ 639,812
Contributions - employee	112,301	126,871	123,430	123,168	125,352	127,544
Net investment income	1,069,308	136,558	1,395,313	1,836,833	1,281,280	850,791
Benefit payments, including refunds of employee contributions	(704,730)	(705,221)	(875,976)	(838,861)	(840,111)	(963,022)
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>655,125</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>20,954,385</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>\$ 21,609,510</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>\$ 3,343,578</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>86.60%</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>\$ 4,521,469</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>	<b>73.95%</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**

	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Actuarially determined contribution	\$ 646,112	\$ 543,280	\$ 561,286	\$ 620,834	\$ 578,943	\$ 656,932
Contributions in relation to the actuarially determined contribution	880,296	953,654	814,504	682,920	654,028	639,812
Contribution deficiency (excess)	<u>\$ (234,184)</u>	<u>\$ (410,374)</u>	<u>\$ (253,218)</u>	<u>\$ (62,086)</u>	<u>\$ (75,085)</u>	<u>\$ 17,120</u>
Covered payroll	3,913,791	4,155,447	4,172,790	4,199,098	4,236,415	4,521,469
Contribution as a percentage of covered payroll	22.49%	22.95%	19.52%	16.26%	15.44%	14.15%

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	6/30/20
TOTAL OPEB LIABILITY			
Service cost	\$ 20,460	\$ 21,484	\$ 23,701
Interest	11,771	12,725	12,658
Differences between actual and expected experience	-	-	1,415
Change of assumptions	-	5,205	112,091
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments	(8,500)	(6,629)	(6,521)
Administrative expense	-	-	-
Net change in total OPEB liability	23,731	32,785	143,344
Total OPEB liability-beginning	308,362	332,093	364,878
Total OPEB liability-ending (a)	<u>\$ 332,093</u>	<u>\$ 364,878</u>	<u>\$ 508,222</u>
PLAN FIDUCIARY NET POSITION			
Contributions-employer	\$ 8,500	\$ 6,629	\$ 6,521
Contributions-employee	-	-	-
Net investment income	-	-	-
Benefit payments	(8,500)	(6,629)	(6,521)
Administrative expense	-	-	-
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position-beginning	-	-	-
Plan fiduciary net position-ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability-ending (a) - (b)	<u>\$ 332,093</u>	<u>\$ 364,878</u>	<u>\$ 508,222</u>
Covered payroll	\$ 1,363,792	\$ 1,363,792	\$ 5,000,000
Net OPEB liability as a percentage of covered payroll	24.4%	26.8%	10.2%

Notes to schedule:

There are no assets accumulating in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

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.

## **SUPPLEMENTAL INFORMATION**

**NONMAJOR GOVERNMENTAL FUNDS  
CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2020**

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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.

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, 2020**

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	State Street Aid	Hotel/ Motel	Police Drug	Police Equipment	Industrial Development	State Road Projects	Debt Service Fund	
Assets:								
Cash in bank	\$ 529,531	\$ 14,273	\$ 42,532	\$ 26,190	\$ 109,592	\$ 1,000,639	\$ 537,535	\$ 2,260,292
Intergovernmental receivable	94,000	-	-	-	-	6,991	-	100,991
Taxes receivable	-	17,442	-	-	-	-	-	17,442
Total assets	<u>\$ 623,531</u>	<u>\$ 31,715</u>	<u>\$ 42,532</u>	<u>\$ 26,190</u>	<u>\$ 109,592</u>	<u>\$ 1,007,630</u>	<u>\$ 537,535</u>	<u>\$ 2,378,725</u>
Liabilities:								
Accounts payable	\$ 25,859	\$ 6,446	\$ 74	\$ -	\$ 370	\$ 1,776	\$ -	\$ 34,525
Funds held in trust	-	-	19,959	-	-	-	-	19,959
Intergovernmental payable	-	-	-	-	27,285	-	-	27,285
Total liabilities	<u>25,859</u>	<u>6,446</u>	<u>20,033</u>	<u>-</u>	<u>27,655</u>	<u>1,776</u>	<u>-</u>	<u>81,769</u>
Fund balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted								
Highways and streets	597,672	-	-	-	-	-	-	597,672
Public safety	-	-	22,499	26,190	-	-	-	48,689
Committed	-	-	-	-	-	-	537,535	537,535
Assigned								
Public recreation	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	1,005,854	-	1,005,854
Industrial development	-	25,269	-	-	-	-	-	25,269
Capital projects	-	-	-	-	81,937	-	-	81,937
Total fund balances	<u>597,672</u>	<u>25,269</u>	<u>22,499</u>	<u>26,190</u>	<u>81,937</u>	<u>1,005,854</u>	<u>537,535</u>	<u>2,296,956</u>
Total liabilities and fund balances	<u>\$ 623,531</u>	<u>\$ 31,715</u>	<u>\$ 42,532</u>	<u>\$ 26,190</u>	<u>\$ 109,592</u>	<u>\$ 1,007,630</u>	<u>\$ 537,535</u>	<u>\$ 2,378,725</u>



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

For the year ended June 30, 2020

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	State Street Aid	Hotel/ Motel	Police Drug	Police Equipment	Industrial Development	State Road Projects	Debt Service Fund	
Revenues:								
Intergovernmental	\$ 726,256	\$ -	\$ -	\$ -	\$ 3,500	\$ 231,131	\$ -	\$ 960,887
Taxes	-	218,662	-	-	-	-	-	218,662
Investment earnings	7,246	-	176	-	1,322	-	-	8,744
Charges for services	31,000	-	-	-	-	-	-	31,000
Fines and forfeitures	-	-	5,687	3,835	-	-	-	9,522
Miscellaneous	7,056	-	4,123	-	2,104	-	-	13,283
Total revenues	<u>771,558</u>	<u>218,662</u>	<u>9,986</u>	<u>3,835</u>	<u>6,926</u>	<u>231,131</u>	<u>-</u>	<u>1,242,098</u>
Expenditures:								
General government	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-
Public safety	-	-	4,614	1,500	-	-	-	6,114
Public works	574,021	-	-	-	-	305,787	-	879,808
Cemetery	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-
Industrial development	-	193,393	-	-	8,759	-	-	202,152
Total expenditures	<u>574,021</u>	<u>193,393</u>	<u>4,614</u>	<u>1,500</u>	<u>8,759</u>	<u>305,787</u>	<u>-</u>	<u>1,088,074</u>
Excess of revenues over (under) expenditures	<u>197,537</u>	<u>25,269</u>	<u>5,372</u>	<u>2,335</u>	<u>(1,833)</u>	<u>(74,656)</u>	<u>-</u>	<u>154,024</u>
Other financing sources (uses):								
Sales of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	3,775	-	-	300,000	466,032	769,807
Transfers out	-	-	-	(8,875)	-	-	(113,952)	(122,827)
Net change in fund balances	<u>197,537</u>	<u>25,269</u>	<u>9,147</u>	<u>(6,540)</u>	<u>(1,833)</u>	<u>225,344</u>	<u>352,080</u>	<u>801,004</u>
Fund balances - July 1, 2019	<u>400,135</u>	<u>-</u>	<u>13,352</u>	<u>32,730</u>	<u>83,770</u>	<u>780,510</u>	<u>185,455</u>	<u>1,495,952</u>
Fund balances - June 30, 2020	<u>\$ 597,672</u>	<u>\$ 25,269</u>	<u>\$ 22,499</u>	<u>\$ 26,190</u>	<u>\$ 81,937</u>	<u>\$ 1,005,854</u>	<u>\$ 537,535</u>	<u>\$ 2,296,956</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, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
<b>Revenues:</b>				
Apportionment of gasoline tax from State of Tennessee	\$ 690,000	\$ 690,000	\$ 726,256	\$ 36,256
Charges for services	-	-	31,000	31,000
Interest income	750	750	7,246	6,496
Other income	-	-	7,056	7,056
	<u>690,750</u>	<u>690,750</u>	<u>771,558</u>	<u>80,808</u>
<b>Expenditures:</b>				
Street lighting	312,000	312,000	309,913	2,087
Street road paving	-	-	-	-
Street maintenance - paving	220,000	220,000	214,474	5,526
Street marking and lining	15,000	15,000	6,044	8,956
Salt expense	12,000	12,000	-	12,000
Other equipment	38,500	44,000	43,590	410
Capital outlay	-	-	-	-
	<u>597,500</u>	<u>603,000</u>	<u>574,021</u>	<u>28,979</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 93,250</u>	<u>\$ 87,750</u>	197,537	<u>\$ 109,787</u>
Fund balance - July 1, 2019			400,135	
Fund balance - June 30, 2020			<u>\$ 597,672</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, 2020

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	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 235,000	\$ 235,000	\$ 218,662	\$ (16,338)
Interest income	-	-	-	-
	<u>235,000</u>	<u>235,000</u>	<u>218,662</u>	<u>(16,338)</u>
Expenditures:				
Payments to Chamber of Commerce	230,300	230,300	188,913	41,387
Accounting services	4,700	4,700	4,480	220
TOTAL EXPENDITURES	<u>235,000</u>	<u>235,000</u>	<u>193,393</u>	<u>41,607</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>25,269</u>	<u>\$ 25,269</u>
Fund balance - July 1, 2019			-	
Fund balance - June 30, 2020			<u>\$ 25,269</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, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
Revenues:				
Court fines	\$ -	\$ -	\$ 4,790	\$ 4,790
Forfeitures	-	-	897	897
Contribution	-	-	4,123	4,123
Interest income	-	-	176	176
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>9,986</u>	<u>9,986</u>
Expenditures:				
Drug dog expense	1,860	4,360	2,004	2,356
Employee education and training	100	100	110	(10)
Capital outlay	-	2,500	2,500	-
TOTAL EXPENDITURES	<u>1,960</u>	<u>6,960</u>	<u>4,614</u>	<u>2,346</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,960)	(6,960)	5,372	12,332
Other financing sources:				
Transfers in - general fund	-	4,000	3,775	(225)
NET CHANGE IN FUND BALANCE	<u>\$ (1,960)</u>	<u>\$ (2,960)</u>	<u>9,147</u>	<u>\$ 12,107</u>
Fund balance - July 1, 2019			13,352	
Fund balance - June 30, 2020			<u>\$ 22,499</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, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Court fines	\$ 3,000	\$ 3,000	\$ 3,835	\$ 835
Court ordered forfeits	-	-	-	-
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	<u>3,000</u>	<u>3,000</u>	<u>3,835</u>	<u>835</u>
Expenditures:				
Other equipment	-	-	-	-
Capital outlay	-	1,500	1,500	-
TOTAL EXPENDITURES	<u>-</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,000	1,500	2,335	835
Other financing sources (uses):				
Transfers out - general fund	-	(9,000)	(8,875)	125
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(9,000)</u>	<u>(8,875)</u>	<u>125</u>
NET CHANGE IN FUND BALANCE	<u>\$ 3,000</u>	<u>\$ (7,500)</u>	<u>(6,540)</u>	<u>\$ 960</u>
Fund balance - July 1, 2019			32,730	
Fund balance - June 30, 2020			<u>\$ 26,190</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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental	\$ 3,110,000	\$ 3,578,302	\$ 2,797,070	\$ (781,232)
Investment earnings	10,000	10,000	14,328	4,328
TOTAL REVENUES	<u>3,120,000</u>	<u>3,588,302</u>	<u>2,811,398</u>	<u>(776,904)</u>
<b>Expenditures:</b>				
Capital outlay - general government	217,798	325,634	313,103	12,531
Capital outlay - parks and recreation	1,409,180	1,425,660	656,578	769,082
Capital outlay - public safety	916,220	1,924,011	286,634	1,637,377
Capital outlay - public works	629,465	658,298	386,142	272,156
Capital outlay - cemetery	77,000	77,000	9,032	67,968
Capital outlay - airport	2,860,000	3,338,802	2,966,626	372,176
TOTAL EXPENDITURES	<u>6,109,663</u>	<u>7,749,405</u>	<u>4,618,115</u>	<u>3,131,290</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,989,663)	(4,161,103)	(1,806,717)	2,354,386
<b>Other financing sources (uses):</b>				
Transfers in - general fund	2,927,500	4,080,640	4,080,640	-
Insurance recoveries	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,927,500</u>	<u>4,080,640</u>	<u>4,080,640</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (62,163)</u>	<u>\$ (80,463)</u>	<u>2,273,923</u>	<u>\$ 2,354,386</u>
Fund balance - July 1, 2019			937,368	
Fund balance - June 30, 2020			<u>\$ 3,211,291</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, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental	\$ 133,000	\$ 133,000	\$ 3,500	\$ (129,500)
Investment earnings	-	-	1,322	1,322
Rent	-	1,000	2,104	1,104
<b>TOTAL REVENUES</b>	<u>133,000</u>	<u>134,000</u>	<u>6,926</u>	<u>(127,074)</u>
<b>Expenditures:</b>				
Utilities	419	419	199	220
Promotion	-	2,000	1,000	1,000
Other improvement	190,000	190,000	4,250	185,750
Professional services	1,500	7,000	3,310	3,690
<b>TOTAL EXPENDITURES</b>	<u>191,919</u>	<u>199,419</u>	<u>8,759</u>	<u>190,660</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(58,919)</b>	<b>(65,419)</b>	<b>(1,833)</b>	<b>63,586</b>
<b>Other financing sources (uses):</b>				
Transfers in - general fund	-	-	-	-
Transfers out - general fund	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ (58,919)</u></u>	<u><u>\$ (65,419)</u></u>	<u><u>(1,833)</u></u>	<u><u>\$ 63,586</u></u>
Fund balance - July 1, 2019			83,770	
Fund balance - June 30, 2020			<u><u>\$ 81,937</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, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 1,550,003	\$ 1,550,003	\$ 231,131	\$ (1,318,872)
TOTAL REVENUES	<u>1,550,003</u>	<u>1,550,003</u>	<u>231,131</u>	<u>(1,318,872)</u>
Expenditures:				
Road design	256,500	256,500	13,339	243,161
Capital outlay - road construction	1,723,640	1,723,640	271,842	1,451,798
Administration	202,000	202,000	20,606	181,394
TOTAL EXPENDITURES	<u>2,182,140</u>	<u>2,182,140</u>	<u>305,787</u>	<u>1,876,353</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(632,137)	(632,137)	(74,656)	557,481
Other financing sources (uses):				
Transfers in - general fund	300,000	300,000	300,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (332,137)</u>	<u>\$ (332,137)</u>	<u>225,344</u>	<u>\$ 557,481</u>
Fund balance - July 1, 2019			780,510	
Fund balance - June 30, 2020			<u>\$ 1,005,854</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, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
TOTAL REVENUES	\$ -	\$ -	\$ -	\$ -
Expenditures:				
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
Other financing sources (uses):				
Transfers in - general fund	466,032	466,032	466,032	-
Transfers out - general fund	(113,952)	(113,952)	(113,952)	-
TOTAL OTHER FINANCING SOURCES (USES)	352,080	352,080	352,080	-
NET CHANGE IN FUND BALANCE	<u>\$ 352,080</u>	<u>\$ 352,080</u>	<u>352,080</u>	<u>\$ -</u>
Fund balance - July 1, 2019			185,455	
Fund balance - June 30, 2020			<u>\$ 537,535</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, 2020**

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
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>\$ 989,000</u>	<u>\$ 83,112</u>	<u>\$ 632,000</u>	<u>\$ 51,268</u>	<u>\$ 385,000</u>	<u>\$ 53,350</u>	<u>\$ 2,006,000</u>	<u>\$ 187,730</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, 2020**

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
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	-	-	787,167	5,246	-	-	115,000	16,875	55,000	7,125	957,167	29,246
2035	-	-	-	-	-	-	120,000	13,350	55,000	5,475	175,000	18,825
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>\$ 1,749,482</u>	<u>\$ 107,429</u>	<u>\$ 14,410,551</u>	<u>\$ 1,834,442</u>	<u>\$ 2,005,000</u>	<u>\$ 268,592</u>	<u>\$ 1,905,000</u>	<u>\$ 523,338</u>	<u>\$ 1,180,000</u>	<u>\$ 289,638</u>	<u>\$ 21,250,033</u>	<u>\$ 3,023,439</u>

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

**June 30, 2020**

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 7/1/2019	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2020
<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	\$ 1,125,000	\$ -	\$ 136,000	\$ -	\$ 989,000
Series 2015 (Flume #2)	1,000,000	2.64	08/14/15	08/01/25	728,000	-	96,000	-	632,000
Series 2015 - Industrial Park	600,000	2.62	04/01/15	04/01/27	440,000	-	55,000	-	385,000
TOTAL NOTES PAYABLE					<u>\$ 2,293,000</u>	<u>\$ -</u>	<u>\$ 287,000</u>	<u>\$ -</u>	<u>\$ 2,006,000</u>
<u>Business-Type Activities</u>									
<u>GENERAL OBLIGATION BONDS PAYABLE</u>									
2011 Water & Sewer Revenue and Tax Refunding Bonds	\$ 3,210,000	1.25-2.8%	11/04/11	08/01/28	\$ 2,205,000	\$ -	\$ 200,000	\$ -	\$ 2,005,000
2017 Sewer System General Obligation Tax Refunding Bonds	2,600,000	2.25-4.0	07/26/17	08/01/37	1,985,000	-	80,000	-	1,905,000
2017 Flat Creek Water General Obligation Tax Refunding Bonds	1,290,000	2.25-4.0	07/26/17	8/01/37	1,235,000	-	55,000	-	1,180,000
TOTAL BONDS PAYABLE					<u>\$ 5,425,000</u>	<u>\$ -</u>	<u>\$ 335,000</u>	<u>\$ -</u>	<u>\$ 5,090,000</u>
<u>NOTES PAYABLE-DIRECT BORROWINGS</u>									
<u>Payable through the Sewerage System</u>									
State Revolving Loan - SRF 2003-172	\$ 4,496,263	1.70%	07/01/07	06/30/27	\$ 1,982,930	\$ -	\$ 233,448	\$ -	\$ 1,749,482
State Revolving Loan - SRF 07-206	19,988,683	1.78%	05/05/08	02/28/34	15,333,783	-	923,232	-	14,410,551
TOTAL NOTES PAYABLE					<u>\$ 17,316,713</u>	<u>\$ -</u>	<u>\$ 1,156,680</u>	<u>\$ -</u>	<u>\$ 16,160,033</u>

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

**CITY OF SHELBYVILLE, TENNESSEE**

**Year ended June 30, 2020**

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During the year ended June 30, 2020, the government turned over \$120,067 of 2018 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, 2020

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#### POWER SYSTEM:

##### RESIDENTIAL RATES

Customer charge	\$ 21.40
Energy charge	\$ 0.08545 per KWH
First 1,000 KWH per month	\$ 106.85

##### 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	\$ 27.00
Usage exceeds 500KWRHS	\$ 43.00
Energy charge	\$ 0.09434 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	\$180.00
Demand charge:	
First 50 kilowatt hours per month	\$ 5.00 per KW
Over 50 kilowatt hours per month	\$ 14.33 per KW
Energy charge:	
First 15,000 kilowatt hours per month	\$ 0.08856 per KWH
Over 15,000 kilowatt hours per month	\$ 0.05628 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	\$600.00
Demand charge:	
First 1,000 kilowatt hours per month	\$ 13.13 per KW
Over 1,000 kilowatt hours per month	\$ 13.24 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, 2020**

**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	\$600.00
Demand charge:	
First 1,000 kilowatt hours per month	\$ 11.75 per KW
Over 1,000 kilowatt hours per month	\$ 11.61 per KW
Energy charge – all KWH	\$ 0.05310 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)	\$ 0.07016 per KWH
First 425 KWH/KW Off-Peak (first 200 hours)	\$ 0.04516 per KWH
(example 425 * KW compared to measured KWH)	
Next 200 KWH/KW Off-Peak	\$ 0.01547
Additional KWH Off-Peak	\$ 0.01292
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	\$ 7.10
400 watt mercury vapor (Flood or Cobra head)	\$ 13.78
200 watt high pressure sodium	\$ 9.75
250 watt high pressure sodium	\$ 11.70
100 watt high pressure sodium	\$ 6.76

**WATER SYSTEM:**

**Residential, Commercial and Industrial**

	<u>Inside City</u>	<u>Outside City</u>
First 1,000 gallons	\$ 13.40 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, 2020

### 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:**

#### Residential

	<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

#### Small Commercial

	<u>Inside City</u>	<u>Outside City</u>
First 1,500 gallons	\$25.00 minimum charge	\$25.00 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

#### Large Commercial/Industrial

	<u>Inside City</u>	<u>Outside City</u>
First 1,500 gallons	\$50.00 minimum charge	\$25.00 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 2020:**

Power System	10,521
Water System	10,378
Sewerage System	8,576



## AWWA Free Water Audit Software:

### Reporting Worksheet

Water Audit Report for: **Shelbyville Power, Water & Sewerage Systems**  
Reporting Year: **2020** 7/2019 - 6/2020

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

#### WATER SUPPLIED

Master Meter and Supply Error Adjustments  
Pcnt: Value:

Volume from own sources:	9	1,462.760	MG/Yr	4	1.00%			MG/Yr
Water imported:	9	9.939	MG/Yr					MG/Yr
Water exported:	n/a		MG/Yr					MG/Yr

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

**WATER SUPPLIED:** **1,458.216** MG/Yr

#### AUTHORIZED CONSUMPTION

Billed metered:	9	1,207.496	MG/Yr
Billed unmetered:	n/a		MG/Yr
Unbilled metered:	7	37.121	MG/Yr
Unbilled unmetered:	7	23.546	MG/Yr

Pcnt: Value:  
1.25% 23.546 MG/Yr  
24061

Unbilled Unmetered volume entered is greater than the recommended default value

**AUTHORIZED CONSUMPTION:** **1,268.163** MG/Yr

**WATER LOSSES (Water Supplied - Authorized Consumption):** **190.053** MG/Yr

#### Apparent Losses

Unauthorized consumption:		3.646	MG/Yr	0.25%			MG/Yr
---------------------------	--	-------	-------	-------	--	--	-------

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

Customer metering inaccuracies:	8	12.572	MG/Yr	1.00%			MG/Yr
Systematic data handling errors:	5	3.019	MG/Yr	0.25%			MG/Yr

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

**Apparent Losses:** **19.236** MG/Yr

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

**Real Losses = Water Losses - Apparent Losses:** **170.817** MG/Yr

**WATER LOSSES:** **190.053** MG/Yr

#### NON-REVENUE WATER

**NON-REVENUE WATER:** **250.720** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

#### SYSTEM DATA

Length of mains:	10	291.6	miles
Number of <u>active AND inactive</u> service connections:	9	10,942	
Service connection density:		38	conn./mile main
Are customer meters typically located at the curbside or property line?			
		PL	
<u>Average</u> length of customer service line:	7	27.0	ft
Average operating pressure:	7	74.0	psi

#### COST DATA

Total annual cost of operating water system:	10	\$5,103,462	\$/Year
Customer retail unit cost (applied to Apparent Losses):	8	\$3.97	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	10	\$3,251.25	\$/Million gallons

#### 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:

Water Audit Report for: **Shelbyville Power, Water & Sewerage Systems**  
Reporting Year: **2020** **7/2019 - 6/2020**

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

**System Attributes:**

Apparent Losses: **19.236** MG/Yr  
+ Real Losses: **170.817** MG/Yr  
= **Water Losses:** **190.053** MG/Yr

Unavoidable Annual Real Losses (UARL): **98.28** MG/Yr

Annual cost of Apparent Losses: **\$76,368**

Annual cost of Real Losses: **\$555,369** Valued at **Variable Production Cost**  
Return to Reporting Worksheet to change this assumption

**Performance Indicators:**

Non-revenue water as percent by volume of Water Supplied: **17.2%**

Non-revenue water as percent by cost of operating system: **16.2%** Real Losses valued at Variable Production Cost

Apparent Losses per service connection per day: **4.82** gallons/connection/day

Real Losses per service connection per day: **42.77** gallons/connection/day

Real Losses per length of main per day\*: **N/A**

Real Losses per service connection per day per psi pressure: **0.58** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **170.82** million gallons/year

Infrastructure Leakage Index (ILI) [CARL/UARL]: **1.74**

\* 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, 2020

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Tax Year	Balance June 30, 2019	Taxes Levied	Collections	Discoveries and Adjustments	Balance June 30, 2020
2020	\$ -	\$ 7,546,003	\$ -	\$ -	\$ 7,546,003
2019	7,633,550	25,987	(7,316,935)	(16,107)	326,495
2018	273,968	-	(158,932)	(2,461)	112,575
2017	104,738	-	(81,093)	2,323	25,968
2016	99,464	-	(39,941)	242	59,765
2015	99,867	-	(46,806)	-	53,061
2014	75,833	-	(37,005)	-	38,828
2013	42,090	-	(25,953)	-	16,137
2012	39,250	-	(32,341)	-	6,909
2011	57,479	-	(32,341)	-	25,138
2010	4,034	-	(57)	-	3,977
Previous years	19,666	-	(26)	-	19,640
	<u>\$ 8,449,939</u>	<u>\$ 7,571,990</u>	<u>\$ (7,771,430)</u>	<u>\$ (16,003)</u>	8,234,496
Less estimated uncollectible accounts					<u>(30,066)</u>
Net receivable balance June 30, 2020					<u>\$ 8,204,430</u>

NOTE: All uncollected taxes for years prior to 2019 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, 2020**

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<u>Tax Year</u>	Total Assessed <u>Value</u>	<u>Tax Rate</u>	<u>Levy</u>
2020	\$ 408,667,782	\$ 1.77	\$ 7,233,525
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

**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, 2020**

Federal Grantor/ Pass-Through Agency	Program/ Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipient	Expenditures
<b><u>FEDERAL AWARDS</u></b>					
U.S. Department of Transportation pass-through Tennessee Department of Transportation	Highway Planning and Construction	20.205	TAP-9314(12)	\$ -	1,240
U.S. Department of Transportation pass-through Tennessee Department of Transportation	Highway Planning and Construction	20.205	STP-M-1043(11)	-	6,671
U.S. Department of Transportation pass-through Tennessee Department of Transportation	Highway Planning and Construction	20.205	TAP-9314(11)	-	1,343
U.S. Department of Transportation pass-through Tennessee Department of Transportation	Highway Planning and Construction	20.205	STP-M-10(66)	-	214,960
	<i>Total Program 20.205</i>			-	224,214
U.S. Department of Safety and Homeland Security pass-through Tennessee Department of Safety and Homeland Security	State and Community Highway Safety	20.600	Z19THS255	-	2,701
U.S. Department of Safety and Homeland Security pass-through Tennessee Department of Safety and Homeland Security	State and Community Highway Safety	20.600	Z20THS233	-	12,665
	<i>Total Program 20.600</i>			-	15,366
U.S. Department of Homeland Security pass-through Tennessee Department of Military, TEMA	Disaster Grants - Public Assistance	97.036	FEMA-4427-DR-TN	-	4,979
U.S. Department of Transportation pass-through Tennessee Department of Transportation	Airport Improvement Program	20.106	AERO-19-268-00	-	2,650,263
Direct funding through U.S. Department of Safety and Homeland Security, FEMA	Staffing for Adequate Fire and Emergency Response	97.083	EMW-2016-FH-00489	-	67,230
Direct funding through U.S. Department of Justice	Bulletproof Vest Partnership Program	16.607	n/a	-	1,470
Direct funding through U.S. Department of Justice	Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0248	-	1,477
	<b>TOTAL FEDERAL AWARDS</b>			-	2,964,999
<b><u>STATE FINANCIAL ASSISTANCE</u></b>					
TN Department of Transportation		N/A	AERM-20-158-00	-	15,000
TN Department of Transportation		N/A	CMA-2066	-	80,892
TN Department of Transportation		N/A	AERO-19-268-00	-	147,237
TN Department of Transportation		N/A	STP-M-10(66)	-	6,917
TN Department of Economic and Community Development		N/A	N/A	-	3,500
TN Department of Health		N/A	32505-02120	-	1,100
TN Department of Military		N/A	FEMA-4427-DR-TN	-	830
	<b>TOTAL STATE FINANCIAL ASSISTANCE</b>			-	255,476
	<b>TOTAL FEDERAL AND STATE AWARDS</b>			\$ -	\$ 3,220,475

**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, 2020. 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, 2020, 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 17, 2021. 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Shelbyville, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Shelbyville, Tennessee's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

## **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 financial statements. 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 management's 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 17, 2021



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

Honorable Mayor and City Councilmembers  
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, 2020. 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, 2020.

## 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 17, 2021

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## CITY OF SHELBYVILLE, TENNESSEE

June 30, 2020

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

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

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2020**

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SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2020-001

*Criteria:* Generally accepted accounting principles require a liability to be recognized for costs incurred but unpaid as of the reporting date.

*Cause and Condition:* We identified entries made to the general ledger accounts payable account, as well as amounts dating back to prior periods, that were for incorrectly recorded amounts. Internal controls designed to identify errors were not sufficient to timely identify the incorrect amounts.

*Effect:* Certain amounts reported as accounts payable were incorrect, and an audit adjustment was recorded.

*Recommendation:* We suggest the balance of accounts payable as recorded in the general ledger be reconciled to subsidiary listings of accounts payable on a regular basis.

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

Finding 2020-002:

*Criteria:* Generally accepted accounting principles require an asset be recorded in the City’s general fund for revenues collected within sixty days of the end of the current fiscal period.

*Cause and Condition:* The City must close its books in a timely manner. The amounts collected within sixty days of the end of the fiscal period are not always known before closing the period. In order to close the City’s books and records in a timely manner, the City has in the past estimated certain amounts receivable based on historical experience. However, the estimated amounts have remained unchanged since June 30, 2018.

*Effect:* Certain amounts reported as receivable were under accrued, and an audit adjustment was recorded.

*Recommendation:* Management of the City should review its procedures for reporting receivables and make changes as necessary.

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

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

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2020**

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SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

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

**MANAGEMENT'S CORRECTIVE ACTION PLAN**

**FINDING: 2020-001 Need to strengthen accounts payable internal controls.**

**Response and Corrective Action Plan Prepared by:** Kay Parker, City Treasurer

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

**Anticipated Completion Date of Corrective Action:** June 30, 2021

**Repeat Finding:** No

**Planned Corrective Action:**

An employee in the Finance Department has been assigned the task of reconciling the general ledger to subsidiary listings of accounts payable on a monthly basis. The treasurer will be consulted as needed.

**FINDING: 2020-002 Need to review procedures for estimating accounts receivable.**

**Response and Corrective Action Plan Prepared by:** Kay Parker, City Treasurer

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

**Anticipated Completion Date of Corrective Action:** June 30, 2021

**Repeat Finding:** No

**Planned Corrective Action:**

The City will review its procedures for estimating accounts receivable at year end on an ongoing basis and make adjustments as needed. Additionally, actual numbers will be used when available.

  
\_\_\_\_\_  
Kay Parker, City Treasurer

  
\_\_\_\_\_  
Date

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

**CITY OF SHELBYVILLE**

**For the Fiscal Year Ended June 30, 2020**

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Financial Statement Findings

Finding Number	Finding Title	Status
2019-001	Grant funding requests (original finding # 2019-001)	Corrected

Federal Award Findings and Questioned Costs

None

2019-002	Documenting grant procedures (original finding # 2019-002)	Corrected
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