AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2011

WINNETT
Associates, PLLC
Certified Public Accountants and Consultants

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INTRODUCTORY SECTION

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OFFICIALS

CITY OF SHELBYVILLE, TENNESSEE

JUNE 30, 2011

MAYOR	Wallace Cartwright
VICE-MAYOR	Thomas Landers
COUNCILMEMBERS	Ward 1 - Jo Ann Holland
	Ward 2 - Sam Meek
	Ward 3 - Kay Rose
	Ward 4 - Jamie Williams
	Ward 5 - Jean Pruitt
	Ward 6 - Thomas Landers
OTHER OFFICIALS	City Manager - Vacant
	City Recorder - Betty Lamb
	City Treasurer - Gary Cantrell
	City Judge - John T. Bobo
	City Attorney - Ginger Shofner

The following positions were assumed by the personnel noted below on the dates indicated:

City Manager	- Jay Johnson	July 12, 2011
City Recorder	- Vickie Haskins	July 18, 2011
City Treasurer	- Jamey Owen	November 7, 2011

FINANCIAL SECTION

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

514 Elm Street, P. O. Box 745
Shelbyville, Tennessee 37162

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Councilmembers
City of Shelbyville
Shelbyville, Tennessee

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 City of Shelbyville, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Shelbyville, Tennessee's management. 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 represent 100 percent of the assets, net assets, and revenues of the business-type activities. The Shelbyville Power, Water and Sewerage Systems are also major funds. Those financial statements were audited by other auditors whose report thereon 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our 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 City of Shelbyville, Tennessee, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2012, on our consideration of the City of Shelbyville, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in Notes A(4) and Y to the financial statements, the City of Shelbyville adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress on pages 9 through 14 and 52 through 53 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 the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Shelbyville, Tennessee's, financial statements as a whole. The introductory section and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and budgetary schedules and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 and the report of the other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and miscellaneous schedules have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Winnett Associates, PLC

February 28, 2012

CITY OF SHELBYVILLE, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2011

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, 2011. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

This report consists of management's presentations concerning the finances of the City of Shelbyville. Consequently, management assumes full responsibility for the completeness and reliability for all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Shelbyville has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Shelbyville's financial statements in conformity with GAAP. Because the cost of internal controls should outweigh their benefits, the City of Shelbyville's comprehensive frame work of internal controls has been designated to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief this financial report is complete and reliable in all material respects.

Using this Annual Report

This Annual Report (the "Report") consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (pages 15-16) 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 17, and tell how government activities were financed in the short term, as well as what remains for future spending. The Report deals with two types of funds, governmental and proprietary. The only proprietary funds are those maintained by the separately chartered Shelbyville Power, Water and Sewerage System. The governmental funds record the City's activities in providing basic municipal services.

Governmental Funds

The Report refers to the General Fund and Other Governmental Funds. The General Fund is the basic operating fund for all city departments. The Other Governmental Funds are Special Revenue Funds and Capital Projects Funds. The funds are maintained and reported using the modified accrual method of accounting. In its accounting system, the City maintains the following funds which are consolidated into the General Fund for purposes of the Report: Fixed Asset Group, Capital, and Budget Reserve. These funds have been established to enable the City to improve its financial position by developing and managing cash reserves for budget shortfalls, equipment, and capital expenditures.

The Shelbyville Power, Water & Sewerage Systems are composed of three separate divisions that are financially accounted for on a separate basis. All divisions are reportable to the General Manager. The General Manager reports to a five-member board that is appointed by the Mayor and the City Council of the City of Shelbyville, TN.

Financial Highlights

- The City's governmental activities' total liabilities increased by $647,210. This liability increase is due to the fact that property tax collections are down.

- The assets of the governmental activities of the City of Shelbyville exceeded its liabilities at the close of the fiscal year ended 2011 by $27,366,859 which is a increase of $1,934,397 from the prior year.

- Governmental activities total expenses decreased by $328,397 for 2011. The decreased spending is due to the economy. During FY 2011 management asked all department to only spend what was absolutely necessary.

- The assets of the Shelbyville Power, Water and Sewerage Systems exceeded their liabilities at the close of the most recent fiscal year by $65,412,629. Of this amount, $22,658,785 may be used to meet the Systems ongoing obligations to suppliers and creditors.

- The Shelbyville Power, Water and Sewerage Systems' total net assets increased by $3,495,075.

According to the Systems management, the statement of net assets of the Systems is very solid. 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 more than adequate. Cash reserves are more than adequate for all systems.

Power System

Total power system assets went from $29,702,557 fiscal year ending June 30, 2010 to $32,123,570 fiscal year ending June 30, 2011. Current assets went from $12,285,957 to $14,755,698. Plant, net of accumulated depreciation, decreased from $16,959,522 to $16,834,365. Other assets went from $254,937 to $346,955. Total power system liabilities went from $4,625,851 to $4,787,143. Current liabilities went from $3,867,389 to $4,123,695. Long-term liabilities went from $758,462 to $663,448.

Income before capital contributions for the power system increased from $2,323,798 in fiscal year 2010 to $2,799,151 in fiscal year 2011. Total operating revenue increased from $31,068,716 to $36,494,472. This is a function of weather, growth in our customer base, rate increases, and unbilled revenue. Operational and maintenance expenses decreased from $3,315,047 in 2010 to $3,251,829 in 2011. Interest expense decreased from $55,459 to $48,509.

Water System

Total water system assets went from $23,050,356 to $23,513,221. Current assets went from $6,342,428 to $7,178,334. Plant, net of accumulated depreciation, decreased from $15,741,615 to $15,376,330. Total liabilities increased from $3,818,869 to $3,837,469. Long-term liabilities decreased from $3,315,276 to $3,206,313.

Income before capital contributions increased from $276,973 to $394,615. Total operating revenue showed an increase from $3,966,928 to $4,026,890. Operational and maintenance expenses decreased from $2,836,737 to $2,738,916. Interest expense decreased from $142,626 to $140,260.

Sewerage System

Total sewerage system assets increased from $25,458,055 to $29,577,265. Current assets went from $4,275,922 to $5,583,243. Plant, net of accumulated depreciation, increased from $20,198,895 to $23,720,650. Total liabilities went from $7,848,697 to $11,176,815. Long-term liabilities increased from $6,159,749 to $9,973,227.

Income before capital contributions for the sewerage system went from $136,522 in fiscal year 2010 to $763,317 in fiscal year 2011. Sewer rates are based on water usage and bill at approximately 135% of the water rate. Sewer operational and maintenance expenses showed a decrease from $2,226,047 to $2,189,754. Interest expense decreased from $176,262 to $170,889.

Condensed Statement of Activities
June 30, 2011

	Governmental activities		Business-type activities		Total	
Revenues:	2011	2010	2011	2010	2011	2010
Program revenues:						
Charges for services	$ 1,481,975	$ 1,509,968	$ 44,305,439	$ 38,483,923	$ 45,787,414	$ 39,993,891
Operating grants	1,035,935	573,744	-	-	1,035,935	573,744
Capital grants	1,110,418	98,767	77,425	266,394	1,187,843	365,161
General revenues:						
Property taxes	5,033,430	5,132,928	-	-	5,033,430	5,132,928
Other taxes	4,647,545	4,537,529	-	-	4,647,545	4,537,529
Other	1,582,110	1,492,050	170,893	220,949	1,582,110	1,712,999
Total revenues	$ 14,891,413	$ 13,344,986	$ 44,553,757	$ 38,971,266	$ 59,445,170	$ 52,316,252
Expenses:						
General government	$ 1,638,600	$ 1,658,841	$ -	$ -	$ 1,638,600	$ 1,658,841
Public recreation	1,636,524	1,954,525	-	-	1,636,524	1,954,525
Public safety	6,093,477	6,131,485	-	-	6,093,477	6,131,485
Public works	3,235,184	3,085,892	-	-	3,235,184	3,085,892
Airport	873,390	967,486	-	-	873,390	967,486
Welfare	121,957	123,704	-	-	121,957	123,704
Industrial development	134,031	135,009	-	-	134,031	135,009
Interest on debt	17,783	22,401	-	-	17,783	22,401
Power	-	-	33,494,472	28,823,048	36,494,472	28,823,048
Water	-	-	4,026,890	3,800,622	4,026,890	3,800,622
Sewerage	-	-	3,784,077	3,343,909	3,784,077	3,343,909
Total expenses	$ 13,750,946	$ 14,079,343	$ 40,305,439	$ 35,967,579	$ 54,270,195	$ 50,046,922
Change in net assets before transfers	$ 1,140,467	$ (734,357)	$ 4,034,508	$ 3,003,687	$ 5,174,975	$ 2,269,330
Transfers	539,430	(510,806)	(539,430)	(510,806)	-	-
Change in net assets	$ 1,679,897	$ (223,551)	$ 3,495,078	$ 2,492,881	$ 5,174,975	$ 2,269,330
Net assets-beginning	25,432,462	25,656,013	61,917,551	59,426,395	87,350,013	85,082,408
Prior period adjustment	254,500	-	-	(1,725)	254,500	(1,725)
Net assets-ending	$ 27,366,859	$ 25,432,462	$ 65,412,629	$ 61,917,551	$ 92,779,488	$ 87,350,013

Condensed Statement of Net Assets
June 30, 2011

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 12,893,661	$ 11,304,487	$ 28,935,305	$ 24,968,523	$ 41,828,966	$ 36,273,010
Capital assets	22,059,654	21,067,221	55,931,345	52,900,032	77,990,999	73,967,253
Total assets	$ 34,953,315	$ 32,371,708	$ 84,866,650	$ 77,868,555	$ 119,819,965	$ 110,240,263
Long-term liabilities	$ 1,022,945	$ 1,070,734	$ 15,285,606	$ 11,782,589	$ 16,308,551	$ 12,853,323
Other liabilities	6,563,511	5,868,512	4,168,415	4,168,415	10,731,926	10,036,927
Total liabilities	$ 7,586,456	$ 6,939,246	$ 19,454,021	$ 15,951,004	$ 27,040,477	$ 22,890,250
Net assets:						
Invested in capital assets, net of related debt	$ 21,748,541	$ 20,659,866	$ 41,585,259	$ 41,610,084	$ 63,333,800	$ 62,269,950
Restricted	266,767	311,297	1,168,585	1,899,676	1,435,352	2,210,973
Unrestricted	5,351,551	4,461,299	22,658,785	18,407,791	28,010,336	22,869,090
Total net assets	$ 27,366,859	$ 25,432,462	$ 65,412,629	$ 61,917,551	$ 92,779,488	$ 87,350,013

The City as a Whole

The Statement of Net Assets and Statement of Activities report information about the City as a whole and about its activities. The statements of the City are reported on the accrual basis of accounting. This means the expenses are recognized when they are incurred and revenues are accounted for when they are earned and not when the money is received. The financial stability of the City remains about the same from the prior year. The net assets increased from the prior year which proves the stability of the City is increasing.

The Statement of Net Assets and the Statement of Activities are divided into two categories. These two categories are governmental activities and business activities. The governmental activities report the basic services of the City such as public general administration, public safety, public works, parks and recreation and airport. The business type activities cover the business of the Shelbyville Power, Water and Sewerage System, which is maintained under a separate Charter.

Overview of the Financial Statements

Total revenues for the governmental activities increased $1,546,427 from FY 2010 to FY 2011. This increase was due mainly to the City receiving more grants. There was a $746,200 grant for widening a road, $398,500 grant for a railroad spur, and $100,000 energy grant to change all lighting in the City to more efficient bulbs. All user fees and taxes have decreased in the past year. The City's major income is property taxes, which supplied the City with 37 percent of total general fund revenue. The second major source of revenue was the local sales tax that supplied 24 percent of the City's general fund revenue. Property taxes, franchise taxes, business licenses, and interest associated with the current fiscal period are all considered current and have been recognized as revenues of the current fiscal period. All other revenues are recognized when cash is received.

Total general fund revenues for FY 2011 were $13,225,236. This is an increase from FY 2010 of $395,821. This is due to the gradual positive turn of the economy. Most revenues increased in small amounts.

As stated earlier, the City of Shelbyville's assets of its governmental activities exceeded its liabilities by $27,366,859. The City's investments are in capital assets. These assets are used to provide services to the citizens of Shelbyville. Cash and cash equivalents of the City's governmental activities increased by $321,091 from FY 2010 to FY 2011.

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 Assets includes all of the Systems' assets and liabilities 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 Assets. 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

The Recreation Center purchased 2 Precor treadmills totalling $6,450 and a scoreboard and touchpads for the Swim Team for $15,025. The Airport purchased a layout plan for $57,300. Also, the City purchased land located at 113 East Depot Street for $98,570.

The Systems' investment in capital assets as of June 30, 2011, amounts to $55,931,345 (net of accumulated depreciation). Depreciation charges for the year totaled $2,512,719. The total decrease in the Systems' investment in capital assets for the current fiscal year was $3,031,313 (5.73%).

The Systems' Capital Assets
(as of June 30,)

	2011	2010
Land and land rights	$ 636,162	$ 636,162
Structures and improvements	18,741,520	18,656,667
Distribution plant	63,143,855	62,553,010
Furniture and fixtures	731,675	714,188
Transportation equipment	2,257,534	2,035,289
Equipment	1,837,274	1,821,693
Construction in process	8,016,687	3,774,889
Less: Accumulated depreciation	(39,433,362)	(37,291,866)
	$ 55,931,345	$ 52,900,032

Long – Term Debt

At the end of the current fiscal year the governmental activities of the City of Shelbyville included total outstanding long-term debt of $1,022,945. The long-term debt of the City is used to finance the assets acquired by the City. The City has not issued any new long-term debt during the year. Repayments of debt have been made on the airport t-hangar debt. The capital outlay notes for the t-hangars were reduced by $96,240.

At the end of the current fiscal year, the Systems had total outstanding debt for notes, bonds and other obligations of $14,549,420.

The Systems' Outstanding Debt
(as of June 30,)

	2011	2010
Bonds payable	$ 5,735,000	$ 5,910,000
Less: deferred loss	(81,218)	(86,288)
	$ 5,653,782	$ 5,823,712
Notes payable	$ 8,871,470	$ 5,648,973
Less: deferred loss	(4,165)	(7,737)
	$ 8,867,305	$ 5,641,236
Net OPEB obligation	$ 28,333	$ 13,739
Total outstanding debt	$ 14,549,420	$ 11,478,687

Power system notes, bonds and other obligation debt at fiscal year end 2011 was $390,279.

Water system notes, bonds and other obligation debt was $3,266,039.

Sewer system notes, bonds and other obligation debt totaled $10,893,102.

General Fund Budget Performance

For fiscal year 2011, the city budgeted $14,774,809 in total revenues for the original budget. This budget amount was amended at the end of the fiscal year to $12,545,127. The budget amendment was based on the year end amounts before audit adjustments. The City as a whole spent less than budgeted this year because of the economy and managements emphasis on controlling expenses. Capital asset replacements were postponed, as well as some major repairs to buildings, equipment, and roads.

Rates

Power system rates increased along with TVA rates quarterly during the fiscal year. Water system rates increased as of January 1, 2010, and sewer system rates increased as of January 1, 2011.

Looking to the Future

The City is continuting to focus efforts on revising and enhancing our financial reporting and policies. The City plans to increase our grant participation to better serve the City. In the past year, the City has started the process of making some needed repairs to the buildings and equipment as well as buying needed fixed assets that have been delayed in the past few years because of the economy. The housing industry continues to face difficulties and this is reflected in the decrease in the City's property tax collections; however, it is anticipated that we will see a slight growth in the reatail economy which will increase our sales tax collections.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City Treasurer, 201 North Spring Street, Shelbyville, Tennessee 37160.

STATEMENT OF NET ASSETS

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 4,876,237	$ 21,872,560	$ 26,748,797
Taxes receivable - net	7,266,242	-	7,266,242
Accounts receivable	40,003	4,620,693	4,660,696
Intergovernmental receivable	473,076	-	473,076
Other receivables	-	68,092	68,092
Inventory and other assets	73,983	608,524	682,507
Overfunded net pension obligation	164,120	-	164,120
Unamortized bond expense	-	19,074	19,074
Energy conservation loans	-	343,637	343,637
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	1,402,725	1,402,725
Capital assets:			
Land and construction in progress	3,592,268	8,652,849	12,245,117
Other capital assets, net of accumulated depreciation	18,467,386	47,278,496	65,745,882
TOTAL ASSETS	$ 34,953,315	$ 84,866,650	$ 119,819,965
LIABILITIES			
Accounts payable	$ 185,881	$ 2,894,848	$ 3,080,729
Accrued expenses and other liabilities	179,934	72,189	252,123
Deposits	115,535	1,373,294	1,488,829
Deferred revenue	5,977,985	-	5,977,985
Internal balances	74,472	(74,472)	-
Funds held in trust	29,704	-	29,704
Liabilities payable from restricted assets	-	234,140	234,140
Noncurrent liabilities:			
Due in one year	165,638	1,111,034	1,276,672
Due in more than one year	857,307	13,842,988	14,700,295
TOTAL LIABILITIES	$ 7,586,456	$ 19,454,021	$ 27,040,477
NET ASSETS			
Invested in capital assets, net of related debt	$ 21,748,541	$ 41,585,259	$ 63,333,800
Restricted for:			
Highways and streets	211,412	-	211,412
Drug education and enforcement	25,355	-	25,355
TV station	30,000	-	30,000
Debt service	-	1,168,585	1,168,585
Unrestricted	5,351,551	22,658,785	28,010,336
	$ 27,366,859	$ 65,412,629	$ 92,779,488

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

STATEMENT OF ACTIVITIES
CITY OF SHELBYVILLE, TENNESSEE
For the year ended June 30, 2011

Functions/ Programs	Expenses	Indirect Expenses	PROGRAM REVENUES: Charges for Services	PROGRAM REVENUES: Operating Grants and Contributions	PROGRAM REVENUES: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets, Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets, Primary Government: Business-type Activities	Total
Primary government:								
Governmental activities:								
General government	$ 4,670,249	$ (3,031,649)	$ 122,760	$ 2,960	$ 36,921	$ (1,475,959)	$ -	$ (1,475,959)
Public recreation	1,310,287	326,237	293,775	17,258	-	(1,325,491)	-	(1,325,491)
Public safety	4,136,751	1,956,726	312,789	53,760	28,476	(5,698,452)	-	(5,698,452)
Public works	2,534,375	700,809	11,267	533,714	1,045,021	(1,645,182)	-	(1,645,182)
Airport	825,513	47,877	741,384	7,500	-	(124,506)	-	(124,506)
Welfare	121,957	-	-	-	-	(121,957)	-	(121,957)
Industrial development	134,031	-	-	420,743	-	286,712	-	286,712
Interest on long-term debt	17,783	-	-	-	-	(17,783)	-	(17,783)
Total governmental activities	$ 13,750,946	$ -	$ 1,481,975	$ 1,035,935	$ 1,110,418	$ (10,122,618)	$ -	$ (10,122,618)
Business-type activities								
Power system	$ 33,758,939	$ -	$ 36,494,472	$ -	$ -	$ -	$ 2,735,533	$ 2,735,533
Water system	3,718,127	-	4,026,890	-	49,650	-	358,413	358,413
Sewerage system	3,042,183	-	3,784,077	-	27,775	-	769,669	769,669
Total business-type activities	$ 40,519,249	$ -	$ 44,305,439	$ -	$ 77,425	$ -	$ 3,863,615	$ 3,863,615
Total primary government	$ 54,270,195	$ -	$ 45,787,414	$ 1,035,935	$ 1,187,843	$ (10,122,618)	$ 3,863,615	$ (6,259,003)
			General revenues:					
			Property taxes			$ 5,033,430	$ -	$ 5,033,430
			Business taxes			336,941	-	336,941
			Local sales taxes			3,224,153	-	3,224,153
			Beverage taxes			709,473	-	709,473
			Franchise taxes			141,286	-	141,286
			Payments in lieu of taxes			105,824	-	105,824
			Penalties and interest			62,860	-	62,860
			State shared revenues			1,433,697	-	1,433,697
			Hotel/ Motel taxes			129,868	-	129,868
			Other			44,789	-	44,789
			Unrestricted investment earnings			40,764	170,893	211,657
			Transfers			539,430	(539,430)	-
			Total general revenues			$ 11,802,515	$ (368,537)	$ 11,433,978
			Change in net assets			$ 1,679,897	$ 3,495,078	$ 5,174,975
			Net assets - beginning			25,432,462	61,917,551	87,350,013
			Prior period adjustment			254,500	-	254,500
			Net assets - ending			$ 27,366,859	$ 65,412,629	$ 92,779,488

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

BALANCE SHEET
GOVERNMENTAL FUNDS

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	$ 4,589,252	$ 286,985	$ 4,876,237
Taxes receivable - net	7,249,805	16,437	7,266,242
Accounts receivable	40,003	-	40,003
Intergovernmental receivable	399,276	73,800	473,076
Inventory and other assets	68,483	5,500	73,983
Total assets	$ 12,346,819	$ 382,722	$ 12,729,541
Liabilities and fund balances			
Liabilities:			
Accounts payable	$ 169,361	$ 16,520	$ 185,881
Accrued wages	179,934	-	179,934
Deposits	115,535	-	115,535
Deferred revenue	6,540,301	-	6,540,301
Due to other funds	51,739	22,733	74,472
Funds held in trust	-	29,704	29,704
Total liabilities	$ 7,056,870	$ 68,957	$ 7,125,827
Fund balances:			
Nonspendable			
Inventory and other assets	$ 68,483	$ 5,500	$ 73,983
Restricted			
Cable TV	30,000	-	30,000
Police	-	72,353	72,353
State street aid	-	205,912	205,912
Committed	-	-	-
Assigned	-	30,000	30,000
Stormwater management	80,000	-	80,000
Major repairs	454,529	-	454,529
State road projects	92,675	-	92,675
Capital assets	1,093,000	-	1,093,000
Unassigned	3,471,262	-	3,471,262
Total fund balances	$ 5,289,949	$ 313,765	$ 5,603,714
Total liabilities and fund balances	$ 12,346,819	$ 382,722	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	22,059,654
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	726,436
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,022,945)
	$ 27,366,859

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, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 9,315,483	$ 129,868	$ 9,445,351
Payments in lieu of taxes	105,824	-	105,824
Penalties and interest	62,860	-	62,860
Licenses and permits	19,876	-	19,876
Intergovernmental	2,168,745	445,492	2,614,237
Charges for services	1,179,942	-	1,179,942
Fines	288,677	13,356	302,033
Miscellaneous	44,526	-	44,526
Investment earnings	39,303	1,461	40,764
Total revenues	$ 13,225,236	$ 590,177	$ 13,815,413
Expenditures:			
Current:			
General government	$ 2,092,916	$ -	$ 2,092,916
Parks and recreation	1,525,277	-	1,525,277
Public safety	6,129,896	1,094	6,130,990
Public works	2,560,480	492,803	3,053,283
Airport	841,240	-	841,240
Welfare	117,329	-	117,329
Industrial development	-	134,031	134,031
Debt service:			
Principal retirement	96,241	-	96,241
Interest payments on notes	17,783	-	17,783
Total expenditures	$ 13,381,162	$ 627,928	$ 14,009,090
Excess of revenues over (under) expenditures	$ (155,926)	$ (37,751)	$ (193,677)
Other financing sources (uses):			
Transfers in	$ 539,430	$ 26,769	$ 566,199
Transfers out	(26,769)	-	(26,769)
Total other financing sources (uses)	$ 512,661	$ 26,769	$ 539,430
Net change in fund balances	$ 356,735	$ (10,982)	$ 345,753
Fund balances - July 1, 2010 (as restated)	4,933,214	324,747	5,257,961
Fund balances - June 30, 2011	$ 5,289,949	$ 313,765	$ 5,603,714

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, 2011

Amounts reported by governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$ 345,753
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	689,352
Depreciation expense	(643,119)
The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net assets:	
Donations of capital assets	946,200
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	129,800
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 assets.	
Promissory note principal payments	96,241
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	14,020
Net pension obligation	164,120
Net OPEB obligation	(62,470)
Change in net assets of governmental activities	$ 1,679,897

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES				
Taxes:				
Property	$ 5,214,178	$ 5,214,178	$ 4,903,630	$ (310,548)
Business	246,525	246,525	336,941	90,416
Local sales	2,942,331	2,942,331	3,224,153	281,822
Beverage	710,218	710,218	709,473	(745)
Franchise	120,000	120,000	141,286	21,286
Payments in lieu of taxes	132,220	132,220	105,824	(26,396)
Penalties and interest	69,002	69,002	62,860	(6,142)
Licenses and permits	16,690	16,690	19,876	3,186
Intergovernmental revenues				
State sales tax allocation	944,191	944,191	1,081,410	137,219
State income tax allocation	35,000	35,000	78,838	43,838
State beer tax allocation	8,000	8,000	8,558	558
State mixed drink tax allocation	25,334	25,334	30,614	5,280
State gasoline and motor fuel tax allocatioı	34,367	34,367	34,799	432
State excise tax allocation	21,000	21,000	13,064	(7,936)
State TVA in lieu	182,307	182,307	186,414	4,107
State and federal grant funds	95,722	95,722	682,169	586,447
State supplements	54,015	54,015	52,879	(1,136)
Charges for services	1,292,573	1,292,573	1,179,381	(113,192)
Fines	335,051	335,051	288,677	(46,374)
Miscellaneous	5,000	5,000	44,526	39,526
Investment earnings	29,143	29,143	39,211	10,068
TOTAL REVENUES	$ 12,512,867	$ 12,512,867	$ 13,224,583	$ 711,716
EXPENDITURES				
General government:				
General government				
Salaries	$ 123,142	$ 117,491	$ 114,741	$ 2,750
Professional services	112,475	165,507	165,507	-
Payroll taxes and administration	66,593	69,163	69,247	(84)
Utilities	7,434	5,869	5,869	-
Mayor and council salaries	57,600	57,600	57,600	-
Maintenance and repair	23,370	24,456	24,456	-
Argie Cooper Library	130,500	130,500	130,500	-
Subscriptions and dues	13,258	13,224	13,224	-
Insurance	260,216	246,789	246,789	-
Electric tax equivalent	115,561	121,372	121,372	-
Business taxes-state share	-	12,428	12,428	-
Industrial development and promotion	16,270	15,022	15,022	-
Capital outlay	-	349,532	474,277	(124,745)
Other general government	66,103	39,646	39,646	-
	$ 992,522	$ 1,368,599	$ 1,490,678	$ (122,079)

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

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
General government:				
Planning and zoning				
Salaries	$ 137,915	$ 131,130	$ 130,690	$ 440
Professional services	36,200	36,740	36,740	-
Payroll taxes and administration	74,581	80,903	81,001	(98)
Utilities	6,744	5,824	5,824	-
Maintenance and repair	4,180	3,366	3,366	-
Fees paid to state	19,600	25,169	25,169	-
Condemnation/demolition	-	46,137	46,137	-
Other planning and zoning	14,817	9,938	9,938	-
	$ 294,037	$ 339,207	$ 338,865	$ 342
Cemetery				
Salaries	$ 84,277	$ 78,888	$ 79,787	$ (899)
Payroll taxes and administration	34,910	34,365	34,407	(42)
Utilities	6,084	6,215	6,215	-
Maintenance and repair	10,941	7,947	7,947	-
Chemical supplies	6,000	4,401	4,401	-
Gasoline and oil	4,624	2,077	2,077	-
Other cemetery	10,612	2,022	2,022	-
	$ 157,448	$ 135,915	$ 136,856	$ (941)
Animal control				
Salaries	$ 68,367	$ 68,123	$ 67,970	$ 153
Payroll taxes and administration	36,971	36,699	36,743	(44)
Utilities	7,662	6,920	6,920	-
Maintenance and repair	2,329	7,781	7,781	-
Gasoline and oil	4,682	3,875	3,875	-
Capital outlay	-	-	-	-
Other animal control	7,848	3,228	3,228	-
	$ 127,859	$ 126,626	$ 126,517	$ 109
Public recreation:				
Parks and recreation				
Salaries	$ 370,465	$ 278,705	$ 278,311	$ 394
Payroll taxes and administration	174,731	134,721	134,884	(163)
Utilities	27,594	30,481	30,481	-
Maintenance and repair	75,300	99,436	99,436	-
Gasoline and oil	19,720	18,369	18,369	-
Chemical supplies	7,664	5,173	5,173	-
Capital outlay	15,406	-	-	-
Other parks and recreation	90,474	15,678	15,678	-
	$ 781,354	$ 582,563	$ 582,332	$ 231

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

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
General government:				
Recreational center				
Salaries	$ 440,384	$ 421,299	$ 416,806	$ 4,493
Payroll taxes and administration	168,033	179,422	179,639	(217)
Utilities	167,024	157,243	157,243	-
Maintenance and repair	33,280	48,432	48,432	-
Recreational programming	9,500	5,773	5,773	-
Office supplies and materials	6,020	3,071	3,071	-
Chemical supplies	20,583	20,169	20,169	-
Products for resale	20,650	12,702	12,702	-
Capital outlay	11,050	21,475	21,475	-
Other recreational center	107,885	20,431	20,431	-
	$ 984,409	$ 890,017	$ 885,741	$ 4,276
Sports league				
Salaries	$ 40,265	$ 20,184	$ 21,110	$ (926)
Professional services	21,080	17,769	17,769	-
Payroll taxes and administration	18,818	10,203	10,214	(11)
Employee education and training	305	205	205	-
Insurance	4,050	-	-	-
Maintenance and repair	50	198	198	-
Clothing and uniforms	7,900	4,911	4,911	-
Other sports league	9,605	2,797	2,797	-
	$ 102,073	$ 56,267	$ 57,204	$ (937)
Public safety:				
Police				
Salaries	$ 2,157,235	$ 2,040,052	$ 2,011,602	$ 28,450
Professional services	5,408	2,506	2,506	-
Payroll taxes and administration	1,145,905	1,125,216	1,126,580	(1,364)
Employee education and training	35,047	19,755	19,755	-
Utilities	48,042	44,625	44,625	-
Maintenance and repair	79,859	105,812	75,937	29,875
Gasoline and fuel	107,510	98,643	98,643	-
Machinery and equipment rental	14,600	14,989	14,989	-
Expensable materials	24,840	12,140	12,140	-
Office supplies and materials	10,359	9,027	9,027	-
Clothing and uniforms	14,700	9,293	9,293	-
Capital outlay	210,000	129,109	158,984	(29,875)
Other police	130,726	21,158	21,158	-
	$ 3,984,231	$ 3,632,325	$ 3,605,239	$ 27,086

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

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
Public safety:				
Fire				
Salaries	$ 1,553,249	$ 1,446,144	$ 1,444,108	$ 2,036
Professional services	18,630	13,590	13,590	-
Payroll taxes and administration	827,958	820,160	821,155	(995)
Employee education and training	8,800	4,411	4,411	-
Utilities	40,939	37,362	37,362	-
Maintenance and repair	25,240	20,290	20,290	-
Gasoline and fuel	13,902	12,973	12,973	-
Fire hydrant rental	152,065	138,803	138,803	-
Expensable tools	8,760	7,765	7,765	-
Clothing and uniforms	14,300	8,295	8,295	-
Capital outlay	31,000	-	-	-
Other fire	104,400	15,905	15,905	-
	$ 2,799,243	$ 2,525,698	$ 2,524,657	$ 1,041
Public works:				
Streets				
Salaries	$ 911,062	$ 820,299	$ 814,535	$ 5,764
Professional services	-	62,937	62,937	-
Payroll taxes and administration	492,682	494,986	495,586	(600)
Utilities	27,956	24,646	24,646	-
Maintenance and repair	58,321	40,325	40,325	-
Gasoline and fuel	86,326	78,993	78,993	-
Expensable materials	37,562	28,229	28,229	-
Construction material	44,000	24,858	24,858	-
Clothing and uniforms	10,400	9,203	9,203	-
Chemical supplies	22,027	8,267	8,267	-
State road paving	87,000	77,406	77,406	-
Street marking and lining	-	11,888	11,888	-
Capital outlay	45,000	-	-	-
Capital outlay - sanitation	500,000	-	-	-
Other streets	192,890	16,341	16,341	-
	2,515,226	1,698,378	1,693,214	5,164
Stormwater management				
Professional services	$ 2,000	$ 14,886	$ 14,886	$ -
Gasoline and oil	2,201	1,733	1,733	-
Construction material	30,000	88,701	88,701	-
Equipment rental	-	5,625	5,625	-
Other stormwater management	8,878	5,608	5,608	-
	$ 43,079	$ 116,553	$ 116,553	$ -

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

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
Finance				
Retirement of capital outlay notes	$ 91,584	$ 96,241	$ 96,241	$ -
Interest on capital outlay notes	22,440	17,783	17,783	-
	$ 114,024	$ 114,024	$ 114,024	$ -
Airport				
Salaries	$ 122,407	$ 104,711	$ 104,267	$ 444
Professional services	55,000	55,000	55,000	-
Payroll taxes and administration	48,096	47,599	47,657	(58)
Utilities	36,452	38,355	38,355	-
Maintenance and repair	770,495	25,477	25,477	-
Fuel for resale	607,739	493,310	493,310	-
Products for resale	9,568	8,020	8,020	-
Bank service charges	15,000	13,493	13,493	-
Capital outlay	-	34,616	34,616	-
Other recreational center	97,218	21,045	21,045	-
	$ 1,761,975	$ 841,626	$ 841,240	$ 386
Welfare	$ 117,329	$ 117,329	$ 117,329	$ -
TOTAL EXPENDITURES	$ 14,774,809	$ 12,545,127	$ 12,630,449	$ (85,322)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (2,261,942)	$ (32,260)	$ 594,134	$ 626,394
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 568,909	$ 539,430	$ 539,430	$ -
Transfers out	(55,306)	(55,306)	(776,829)	(721,523)
TOTAL OTHER FINANCING USES	$ 513,603	$ 484,124	$ (237,399)	$ (721,523)
NET CHANGE IN FUND BALANCE	$ (1,748,339)	$ 451,864	$ 356,735	$ (95,129)
FUND BALANCE - BEGINNING OF YEAR			4,523,102	
PRIOR PERIOD ADJUSTMENT			410,112	
FUND BALANCE - END OF YEAR			$ 5,289,949	

Reconciliation to fund financial statements:	
Excess of revenues over expenditures - budgetary	$ 356,735
Revenues and expenditures not included in budgetary statements:	
Sanitation - charges for services	561
Sanitation - interest income	92
Sanitation - expenditures	(750,713)
General fund transfer to sanitation fund	750,060
Excess of revenues over expenditures - page 18	$ 356,735

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2011

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 9,994,636	$ 6,658,690	$ 5,219,234	$ 21,872,560
Accounts receivable, net of allowance	4,022,832	347,315	325,018	4,695,165
Other receivables	67,318	-	774	68,092
Inventory	395,448	166,731	37,817	599,996
Due from other funds	270,836	1,698	400	272,934
Other assets	4,628	3,900	-	8,528
Total current assets	$ 14,755,698	$ 7,178,334	$ 5,583,243	$ 27,517,275
Noncurrent assets:				
Restricted cash and cash equivalents	$ 186,552	$ 942,801	$ 273,372	$ 1,402,725
Energy conservation loans	343,637	-	-	343,637
Unamortized bond expense	3,318	15,756	-	19,074
Capital assets	16,834,365	15,376,330	23,720,650	55,931,345
Total noncurrent assets	$ 17,367,872	$ 16,334,887	$ 23,994,022	$ 57,696,781
TOTAL ASSETS	$ 32,123,570	$ 23,513,221	$ 29,577,265	$ 85,214,056
LIABILITIES				
Current liabilities:				
Accounts payable	$ 2,681,084	$ 147,904	$ 65,860	$ 2,894,848
Notes payable	195,000	-	916,034	1,111,034
Accrued expenses and other liabilities	18,202	-	-	18,202
Accrued interest	8,484	-	45,503	53,987
Due to other funds	-	153,163	119,771	272,934
Customer deposits	1,220,925	145,949	6,420	1,373,294
Total current liabilities	$ 4,123,695	$ 447,016	$ 1,153,588	$ 5,724,299
Current liabilities payable from restricted assets:				
Bonds payable	$ -	$ 125,000	$ 50,000	$ 175,000
Accrued interest	-	59,140	-	59,140
Total current liabilities payable from restricted assets	$ -	$ 184,140	$ 50,000	$ 234,140
Noncurrent liabilities:				
Conservation - TVA program	$ 343,637	$ -	$ -	$ 343,637
Accrued vacation	124,533	65,274	46,159	235,966
Bonds payable	-	3,131,594	5,858,275	8,989,869
Notes payable	185,834	-	4,059,349	4,245,183
Net OPEB liability	9,444	9,445	9,444	28,333
Total noncurrent liabilities	$ 663,448	$ 3,206,313	$ 9,973,227	$ 13,842,988
TOTAL LIABILITIES	$ 4,787,143	$ 3,837,469	$ 11,176,815	$ 19,801,427
NET ASSETS				
Invested in capital assets, net of related debt	$ 16,453,531	$ 12,244,736	$ 12,886,992	$ 41,585,259
Restricted	186,552	758,661	223,372	1,168,585
Unrestricted	10,696,344	6,672,355	5,290,086	22,658,785
TOTAL NET ASSETS	$ 27,336,427	$ 19,675,752	$ 18,400,450	$ 65,412,629

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2011

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
Operating revenues:				
Charges for services pledged as security for revenue bonds	$ 35,895,087	$ 3,970,105	$ 3,739,685	$ 43,604,877
Forfeited discounts and penalties	199,115	31,852	44,392	275,359
Rental income	261,872	-	-	261,872
Other operating revenue	138,398	24,933	-	163,331
TOTAL OPERATING REVENUE	$ 36,494,472	$ 4,026,890	$ 3,784,077	$ 44,305,439
Operating expenses:				
Purchased power	$ 29,630,031	$ -	$ -	$ 29,630,031
Operational expenses	2,518,699	2,015,990	1,843,136	6,377,825
Maintenance expense	733,130	722,926	346,618	1,802,674
Depreciation and amortization	824,243	838,951	681,540	2,344,734
TOTAL OPERATING EXPENSES	$ 33,706,103	$ 3,577,867	$ 2,871,294	$ 40,155,264
OPERATING INCOME	$ 2,788,369	$ 449,023	$ 912,783	$ 4,150,175
Nonoperating revenues (expenses):				
Interest income	$ 63,618	$ 85,852	$ 21,423	$ 170,893
Interest expense	(48,509)	(140,260)	(170,889)	(359,658)
Other income (expenses)	(4,327)	-	-	(4,327)
TOTAL NONOPERATING REVENUES (EXPENSES)	$ 10,782	$ (54,408)	$ (149,466)	$ (193,092)
INCOME BEFORE CONTRIBUTIONS	$ 2,799,151	$ 394,615	$ 763,317	$ 3,957,083
Transfers out	(539,430)	-	-	(539,430)
Capital contributions	-	49,650	27,775	77,425
CHANGE IN NET ASSETS	$ 2,259,721	$ 444,265	$ 791,092	$ 3,495,078
NET ASSETS, BEGINNING OF YEAR	25,076,706	19,231,487	17,609,358	61,917,551
NET ASSETS, END OF YEAR	$ 27,336,427	$ 19,675,752	$ 18,400,450	$ 65,412,629

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, 2011

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers (including other funds)	$ 35,112,713	$ 4,001,319	$ 3,724,432	$ 42,838,464
Payments to suppliers	(31,100,177)	(1,207,617)	(1,421,223)	(33,729,017)
Cash paid to employees	(1,472,134)	(1,396,851)	(795,713)	(3,664,698)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,540,402	$ 1,396,851	$ 1,507,496	$ 5,444,749
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital contributed	$ -	$ 49,650	$ 27,775	$ 77,425
Donated labor	(4,327)	-	-	(4,327)
Proceeds from issuance of long-term debt, net of issuance cost	-	-	3,834,253	3,834,253
Acquisition and construction of capital assets	(692,669)	(468,746)	(4,201,169)	(5,362,584)
Principal paid on long-term debt	(195,000)	(125,000)	(466,756)	(786,756)
Interest paid on long-term debt	(51,301)	(140,402)	(171,810)	(363,513)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	$ (943,297)	$ (684,498)	$ (977,707)	$ (2,605,502)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Increase in customer deposits	$ 44,163	$ 18,008	$ -	$ 62,171
Issuance of energy conservation loans	(94,863)	-	-	(94,863)
Payments to DREMC for transfers of members	(26)	-	-	(26)
Transfers to other funds	(539,430)	-	-	(539,430)
Home weatherization loan advances	94,863	-	-	94,863
NET CASH PROVIDED(USED) BY NON-CAPITAL FINANCING ACTIVITIES	$ (495,293)	$ 18,008	$ -	$ (477,285)
CASH FLOWS FROM INVESTING ACTIVITIES - Interest and other income	$ 65,176	$ 87,639	$ 21,722	$ 174,537
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 1,166,988	$ 818,000	$ 551,511	$ 2,536,499
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,014,200	6,783,491	4,941,095	20,738,786
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 10,181,188	$ 7,601,491	$ 5,492,606	$ 23,275,285
CASH AND CASH EQUIVALENTS CONSIST OF:				
Unrestricted cash and cash equivalents	$ 9,994,636	$ 6,658,690	$ 5,219,234	$ 21,872,560
Restricted cash and cash equivalents	186,552	942,801	273,372	1,402,725
	$ 10,181,188	$ 7,601,491	$ 5,492,606	$ 23,275,285

STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2011

	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	$ 2,788,369	$ 449,023	$ 912,783	$ 4,150,175
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	$ 824,243	$ 838,951	$ 681,540	$ 2,344,734
Provision for bad debts	97,597	22,591	30,296	150,484
(Increase) decrease in:				
Accounts receivable	(1,381,759)	(25,571)	(59,644)	(1,466,974)
Inventory	(18,316)	(10,092)	(17,233)	(45,641)
Other assets	36,335	-	-	36,335
Due from other funds	(22,581)	(843)	339	(23,085)
Increase (decrease) in:				
Accounts payable	213,663	101,400	(61,233)	253,830
Other liabilities	-	-	4,862	4,862
Due to other funds	(76)	8,298	14,865	23,087
Accrued expenses	2,927	13,094	921	16,942
Total adjustments	$ (247,967)	$ 947,828	$ 594,713	$ 1,294,574
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,540,402	$ 1,396,851	$ 1,507,496	$ 5,444,749

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

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

The enterprise funds of the City are the Shelbyville Power, Water and Sewerage Systems (Systems). These proprietary funds issue 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 City of Shelbyville, Tennessee, 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 assets 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 and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues. Certain administrative expenses are considered indirect expenses of all functions and are allocated, based on payroll, in the statement of activities.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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.

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.

Property taxes, sales taxes, franchise taxes, licenses, state and federal grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Property taxes receivable is reduced by an allowance for uncollectible accounts.

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/ expenses. Funds are organized into two major activities: governmental and proprietary.

The City 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.

The City reports the following major proprietary 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Sewerage System - This fund accounts for the activities of the government's sewerage distribution system.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes as well as utility charges provided to city departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all 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 enterprise funds are charges to customers for sales and services. The Shelbyville Power, Water and Sewerage Systems recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary 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.

(4) Net Assets and Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt is included in the same net assets component as the unspent proceeds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) Net Assets and Fund Equity (Continued)

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Also, when expenditures are incurred for purposes for which amounts in committed, assigned, and unassigned fund balance classifications could be used, the Shelbyville City Council will determine the best use of funds based on the specific facts and circumstances at that time.

In accordance with GASB 54, which was implemented during fiscal year 2011, the governmental funds report fund balances 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 only be used for specific purposes pursuant to constraints imposed by ordinance passed by the Shelbyville City Council, the City's highest level of decision-making authority.

Assigned fund balance – includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The Shelbyville City 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Energy Conservation Loans

The Shelbyville Power System is fiscal intermediary for the TVA energy conservation program whereby loans are made to the System's customers to be used in connection with TVA's Residential Energy Services Program. Pursuant to the terms of an agreement with TVA, the energy conservation loans made to the System's customers are funded and guaranteed by TVA. These loans to customers are recorded as other assets, with the corresponding liability to TVA recorded as long-term debt.

(6) Bond Discounts/ Issuance Costs

Bond discounts and issuance costs are deferred and amortized over the terms of the bonds using the straight-line method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

(7) Inventories

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 Proprietary funds' materials and supplies inventories are stated at lower of cost or market, with cost being determined on an average cost basis.

(8) Budgetary Information

Formal budgetary accounting is employed as a management control for all funds of the City. 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, and the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a U. S. generally accepted accounting principles basis. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The Shelbyville City Council approves all budget amendments.

Under *Tennessee Code Annotated* section 68-211-874, the City is required to account for its solid waste collection activities in a separate fund. The City accounts for these activities in a separate sanitation fund which does not qualify as a special revenue fund under generally accepted accounting principles. Accordingly, for fund reporting, the sanitation fund is included as a part of the general fund, but for budgetary reporting is not included as part of the general fund. Page 24 includes a reconciliation of the general fund budgetary reporting to the general fund reporting on page 18 under generally accepted accounting principles.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Compensated Absences

The City allows employees to accumulate up to 2,080 hours of sick leave; however, upon termination, no payment is made for such time. Unpaid sick leave may be granted at the discretion of the City Manager with approval by the Shelbyville City Council as a reasonable accommodation to persons with disabilities and unavoidable circumstances. The City allows employees to accumulate 500 hours of vacation time. If on any anniversary of the date an employee was last hired and has maintained continuous employment, the employee's accrued vacation credit exceeds 500 hours, the City will pay the employee for all hours in excess of 500. Upon termination, the vacation time not used will be paid. As of June 30, 2011, the liability for accrued vacation is $503,041 and is recorded in the statement of net assets.

The Systems' accumulated unpaid vacation and sick pay amounts are accrued when benefits vest to employees, and an unpaid liability is reflected as compensated absences payable.

(10) Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(11) Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, 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 assets.

Interest paid on long-term debt of the governmental funds totaled $17,783 for the year ended June 30, 2011.

(12) 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.

(13) Contributed Capital

The Systems have received federal and state grants to pay a portion of the costs of construction projects.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(14) 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. The capital assets of the governmental activities are defined by the government as assets with an initial, individual cost of more than $2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest cost incurred due to the issuance of long-term debt during the construction of facilities is capitalized as part of the cost of such activities. Interest capitalized by the Systems during the year ended June 30, 2011, totaled $46,537.

Capital assets of the business-type activities are depreciated using the straight-line method over estimated asset lives ranging from 3 to 50 years.

Capital assets of the governmental activities are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	15 - 75
Equipment	5 - 20
Vehicles	10 - 35
Infrastructure	75 - 100

(15) Receivables and Payables

Outstanding balances between funds are reported as "due to/ from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances."

Property taxes attach as an enforceable lien on property as of January 1. 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, which are recognized when measurable and available. 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, 2011, is $22,551.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15) Receivables and Payables (Continued)

The Systems use the reserve method, based upon a review of the current status of receivables and historical experience, in determining bad debt expense. The reserve at June 30, 2011, is $118,975. Bad debt expense for the current year is $150,484.

NOTE B - DEPOSITS AND INVESTMENTS

Deposits:

Cash of the Systems includes petty cash and amounts in demand deposits and money market accounts. The Systems 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 City (excluding the proprietary funds) invests funds in an interest bearing public funds checking account. These funds are stated at cost which approximates fair value.

The City 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 City's deposits may not be returned to it. However, the City follows state statutes. All deposits with financial institutions must 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 City.

At June 30, 2011, the entire carrying amount of the City's, excluding the proprietary funds, cash deposits were covered by F.D.I.C. insurance or were held with a financial institution participating in the bank collateral pool administered by the state treasurer.

At June 30, 2011, the carrying amount of the Systems' deposits was $23,275,285 and the amount of the banks balances was $25,525,098. Of the banks balances, $2,125,433 was covered by Federal depository insurance, and $6,440,977 was collateralized with securities pledged that comply with statutes as acceptable collateral, and $16,958,688 was collateralized by the banks' participation in the Tennessee State Collateral Pool.

Investments:

State statutes authorize the City 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

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. The City had no investments as of June 30, 2011.

NOTE C - INCOME TAXES

Being a municipality, all funds of the City, including its proprietary 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 City'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, 2011, was as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 2,563,584	$ 50,000	$ -	$ 2,613,584
Construction in progress	397,987	659,477	78,780	978,684
Total capital assets, not being depreciated	$ 2,961,571	$ 709,477	$ 78,780	$ 3,592,268
Capital assets, being depreciated:				
Buildings	$ 10,786,018	$ 57,304	$ -	$ 10,843,322
Equipment	1,809,330	51,350	8,070	1,852,610
Vehicles	5,152,282	-	-	5,152,282
Infrastructure	7,461,480	896,201	-	8,357,681
Total capital assets being depreciated	$ 25,209,110	$ 1,004,855	$ 8,070	$ 26,205,895
Less accumulated depreciation for:				
Buildings	$ 2,632,994	$ 180,835	$	$ 2,813,829
Equipment	926,748	109,227	8,070	1,027,905
Vehicles	2,601,969	253,110	-	2,855,079
Infrastructure	941,749	99,947	-	1,041,696
Total accumulated depreciation	$ 7,103,460	$ 643,119	$ 8,070	$ 7,738,509
Total capital assets, being depreciated, net	$ 18,105,650	$ (361,736)	$ -	$ 18,467,386
Governmental activities capital assets, net	$ 21,067,221	$1,071,213	$ 78,780	$ 22,059,654

NOTE E - CAPITAL ASSETS (Continued)

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 636,162	$ -	$ -	$ 636,162
Construction in progress	3,774,889	10,644,221	6,402,423	8,016,687
Total capital assets, not being depreciated	$ 4,411,051	$ 10,644,221	$ 6,402,423	$ 8,652,849
Capital assets, being depreciated:				
Structures and improvements	$ 18,656,667	$ 84,853	$ -	$ 18,741,520
Distribution plant	62,553,010	741,862	151,017	63,143,855
Furniture and fixtures	714,188	17,487	-	731,675
Transportation equipment	2,035,289	222,245	-	2,257,534
Equipment	1,821,693	15,581	-	1,837,274
Total capital assets, being depreciated	$ 85,780,847	$ 1,082,028	$ 151,017	$ 86,711,858
Less accumulated depreciation for:				
Structures and improvements	$ 4,572,925	$ 551,092	$ -	$ 5,083,930
Distribution plant	28,379,448	1,723,482	285,696	29,857,753
Furniture and fixtures	636,257	16,535	5,291	647,289
Transportation equipment	1,921,765	177,077	61,739	2,037,100
Equipment	1,781,471	44,533	18,497	1,807,290
Total accumulated depreciation	$ 37,291,866	$ 2,512,719	$ 371,223	$ 39,433,362
Total capital assets, being depreciated, net	$ 48,488,981	$ (1,430,691)	$ 220,206	$ 47,278,496
Business-type activities capital assets, net	$ 52,900,032	$ 9,213,530	$ 6,182,217	$ 55,931,345

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

Governmental activities:	
General government	$ 28,733
Public recreation	145,215
Public safety	189,673
Public works	206,131
Airport	68,738
Welfare	4,629
Total depreciation expense - governmental activities	$ 643,119

NOTE E - CAPITAL ASSETS (Continued)

Business-type activities:	
Power system	$ 979,132
Water system	835,664
Sewerage system	697,923
Total depreciation expense - business-type activities	$ 2,512,719

NOTE F - LONG-TERM DEBT

Capital outlay notes

The City has issued $900,000 of capital outlay notes to finance the cost of constructing t-hangers at the municipal airport. These capital outlay notes are direct obligations and are secured by the t-hangers and related leases and rents. Capital outlay notes currently outstanding are as follows:

Purpose	Interest rate	Amount
Governmental activities	4.9%	$ 311,113

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

Year Ending	Governmental Activities	
June 30	Principal	Interest
2012	$ 101,078	$ 12,946
2013	106,143	7,881
2014	103,892	2,522
Total	$ 311,113	$ 23,349

Revenue bonds and notes payable

Revenue bonds and notes payable of the business-type activities outstanding at year end are as follows:

Purpose	Interest rates	Maturity	Amount
Water and sewer - revenue bonds	4.0 – 4.500%	8/01/2037	$ 2,455,000
Water system – revenue bonds	2.0 – 4.625%	8/01/2028	3,280,000
Power system – revenue notes	3.0 – 4.750%	8/01/2012	385,000
Sewerage system – revolving loan	1.70%	6/30/2037	3,714,871
Sewerage system – construction note	*	*	4,771,599
			$ 14,606,470

* Terms of the loan will be finalized when construction is complete.

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.

NOTE F - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the Systems' bonds and notes are as follows:

Year Ending	Business-Type Activities		
June 30	Bonds	Notes	Total
2012	$ 175,000	$ 398,784	$ 573,784
2013	185,000	397,276	582,276
2014	190,000	210,828	400,828
2015	200,000	214,440	414,440
2016	205,000	218,112	423,112
2017-2021	1,170,000	1,147,920	2,317,920
2022-2026	1,445,000	1,249,692	2,694,692
2027-2031	1,245,000	262,819	1,507,819
2032-2036	625,000	-	625,000
2037-2038	295,000	-	295,000
Total	$ 5,735,000	$ 4,099,871	$ 9,834,871

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital outlay notes	$ 407,353	$ -	$ 96,240	$ 311,113	$ 101,078
Post-employment benefit obligation	146,321	91,785	29,315	208,791	-
Compensated absences	517,060	350,364	364,383	503,041	64,560
Long-term liabilities	$1,070,734	$ 442,149	$ 489,938	$ 1,022,945	$ 165,638
Business-type activities:					
Revenue bonds	$ 5,823,712	$ 5,070	$ 175,000	$ 5,653,782	$ 175,000
Notes payable	5,890,010	3,932,688	611,756	9,210,942	1,111,034
Compensated absences	230,128	5,838	-	235,966	-
Post-employment benefit obligation	13,740	14,593	-	28,333	-
Long-term liabilities	$ 11,957,590	$3,958,189	$ 786,756	$ 15,129,023	$1,286,034

NOTE G - COMMITMENTS AND CONTINGENCIES

The Shelbyville 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.

NOTE G - COMMITMENTS AND CONTINGENCIES (Continued)

The City is party to legal proceedings that normally occur in governmental operations. Any proceedings are unlikely to have a material adverse effect on its financial position.

Under its power contract, effective as of August 15, 1979, the Shelbyville Power System is committed to purchase its electric power from the Tennessee Valley Authority. 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 5 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 Wholesale Power Rate - Schedule WS.

At June 30, 2011, the Sytems had several construction projects in process. The Systems take bids for these projects and award construction contracts to various companies.

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

NOTE H - CLEAN WATER STATE REVOLVING FUNDS

Beginning in 2007, the Shelbyville Sewerage System received funding for Sanitary Sewer System Improvements through the Clean Water State Revolving Fund. The total amount of funding is projected to be $24,800,000. Funds drawn on the loan fund totaled $3,834,253 for the year ended June 30, 2011.

NOTE I - PENSION PLAN

GENERAL GOVERNMENT:

Plan Description

The Retirement Plan for Full-Time Employees of the City of Shelbyville, Tennessee, (Plan), is a single-employer defined benefit pension plan that 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. The Plan was amended effective July 1, 2005, to freeze the Plan to new participants. The Plan provides retirement, termination, disability and death benefits to plan members and beneficiaries. The City Council assigns the City Manager to administer the Plan who in turn delegates certain daily administrative duties to employees of the administrative staff. All the benefits and provisions of the Plan are at the discretion of the City Council and are consistent with the laws of Tennessee and the United States government. The Plan does not issue a publicly available financial report.

NOTE I - PENSION PLAN (Continued)

Funding Policy

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. 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, 2011, the City contributed $1,023,492.

The annual required contribution (ARC) for the fiscal year ended June 30, 2011, was determined as part of the actuarial valuation for the Plan Year beginning January 1, 2010, and is the December 31, 2010 recommended contribution using the traditional unit credit cost method. The actuarial assumptions included (a) funding rate of 7.75% per year compounded annually and (b) projected salary increase of 4.0% per year. The actuarial value of assets is equal to the market value of the assets held in the separate accounts at Aetna Life Insurance Company (AETNA) plus the book value of the insurance cost at Aetna. The unfunded actuarial liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2010, ranged from 2 to 20 years depending on the date the amortization base was established.

Three-Year Trend Information

Fiscal year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation (NPO)
June 30, 2009	$804,806	99.8%	$ 21,221
June 30, 2010	928,404	110.3	(74,243)
June 30, 2011	932,297	110.3	(164,120)

Annual pension cost of $932,297 for the valuation period ended December 31, 2010, was composed of funding method contributions of $939,183 and amortization on the NPO of ($6,886). The NPO decreased $89,877 for the year ended June 30, 2011. The Shelbyville City Council established the benefit provisions of this plan, and they have the authority to amend those provisions. They also authorize the contributions to the plan.

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE I - PENSION PLAN (Continued)

PROPRIETARY FUNDS:

Plan Description
The System's defined benefit plan, "Shelbyville Power, Water and Sewerage Systems" provides retirement and death benefits to plan members and beneficiaries. The Systems joined the Central Service Association Pension Plan (CSA), a cost sharing multiple employer defined benefit pension plan for utility systems in 1997. Benefits are determined by a formula using the member's average monthly earnings and years of service. A reduced retirement benefit is available to vested members who are age 55 and have 10 years of service. The CSA issues a publicly available financial report that includes the financial statements and required supplementary information for CSA. That report can be obtained by writing to CSA, P. O. Box 3480, Tupelo, Mississippi 38803-3480.

Funding Policy
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. Market value of assets as of October 1, 2010 totaled $11,077,162. Contributions totaled $1,094,356 for both employer and employee portions. The covered payroll totaled $3,445,010.

NOTE J - 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 (SPWS).

The following is a summary of each of these plans:

PLAN DESCRIPTION-SHELBYVILLE POWER, WATER AND SEWER SYSTEMS
The Systems sponsor a single-employer post retirement medical plan. The plan provides medical, prescription and death benefits to eligible retirees and their spouses. The Plan allows employees to continue health insurance between the ages of 62 and 65.

PLAN DESCRIPTION-GENERAL GOVERNMENT
The City administers a single-employer defined benefit healthcare plan which provides postemployment healthcare benefits for retirees. The City 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 City pays the full cost of the coverage. Employees with less than twenty years of service are reimbursed a ercentage of coverage based on years of service, but not less than fifty percent. The Shelbyville City Council may amend the benefit provisions. A separate report was not issued for the plan.

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

FUNDING POLICY-SHELBYVILLE POWER, WATER, AND SEWERAGE SYSTEMS
Employees pay the premium except for a small amount contributed by the Systems that is based on years of service. Payments in the amount of $2,548 were made during the year ended June 30, 2011. The Systems intend to continue their policy of funding OPEB liabilities on a pay-as-you-go basis and to not pre-fund any unfunded annual required contribution as determined under GASB statement 45.

FUNDING POLICY-GENERAL GOVERNMENT
Retirees are not required to make any contributions. The benefits of the postretirement benefit plans are unfunded, and no assets have been segregated and restricted to provide for postretirement medical benefits. For the year ended June 30, 2011, the City contributed $29,315 to fund premiums for retirees receiving benefits.

ANNUAL OPEB COST, NET OPEB OBLIGATION AND FUNDED STATUS
Both plans' annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of OPEB cost for the year, the amount actually contributed to the plans, and changes in the net OPEB obligation:

	SPWS	City
Annual required contribution	$ 19,843	$ 90,231
Interest on net OPEB obligation	617	(2,386)
Adjustment to annual required contribution	(970)	3,940
Annual OPEB cost (expense)	$ 19,490	$ 91,785
Contributions made	(4,896)	(29,315)
Increase in net OPEB obligation	$ 14,594	$ 62,470
Net OPEB obligation, beginning of year	13,739	146,321
Net OPEB obligation, end of year	$ 28,333	$ 208,791

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

General Government:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 95,509	16.7%	$ 79,534
June 30, 2010	91,785	27.2%	146,321
June 30, 2011	91,785	31.9%	208,791

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

Proprietary Funds:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 19,843	91.3%	$ 1,724
June 30, 2010	19,821	39.4%	13,739
June 30, 2011	19,491	25.1%	28,333

As of July 1, 2009, for the general government and July 1, 2010, for the proprietary funds, the most recent actuarial valuation dates, both plans were 0% funded.

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial accrued unfunded liability (UAAL) for benefits at June 30, 2011, as well as actuarial methods and assumptions for both plans, was as follows:

	SPWS	City
Actuarial valuation date	7/01/2010	7/01/2009
UAAL	$ 158,132	$ 827,525
Covered payroll	$ 3,397,441	$ 4,125,775
Ratio of UAAL to covered payroll	5.66%	20.1%
Actuarial valuation method	Projected unit credit	Projected unit credit
Amortization period	30 yrs	30 yrs
Actuarial assumptions:		
Discount rate	4.5%	3.0%
Projected salary increases	not available	not available

The actuarial assumptions include an annual medical cost trend rate. For the Systems the medical cost trend rate is 8% initially reduced by the decrements to an ultimate rate of 5% after three years. For the general government the medical cost trend rate is 8% initially (July 1, 2008) reduced each year by .25% until 3% is reached. The valuations did not include an investment rate of return on plan assets as there were no plan assets at the valuation date. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historic pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE L - RETIREMENT HEALTH SAVINGS PROGRAM

The City's general government sponsors a retiree health savings plan for all full-time employees who have completed one year of service. The City contributes 2% of each eligible employee's annual salary to the plan. Employees are vested 50% in employer contributions after 3 years of service, 60% after 4 years, 75% after 5 years, 90% after 6 years, and 100% after 7 years of service. Employees are eligible to receive benefits at retirement, age 60, or immediately upon separation from service. Eligible benefits consist of all medical expenses eligible under IRC Section 213 other than direct long-term care expenses. Effective February, 2008, employees may no longer contribute to the plan. Total employer contributions for the plan year were $36,242.

NOTE M - JOINT VENTURES

The City of Shelbyville and Bedford County jointly own the Argie Cooper Public Library, which operates under Tennessee state law and the rules and regulations of the Highland Rim Regional Library. The Library is governed by a voluntary, fourteen member Board of Directors, seven appointed by the County and seven by the City. The City has control over budgeting and financing of the joint venture only to the extent of representation by the seven board members appointed. The City contributed $130,500 to the operations of the Library during the year ended June 30, 2011. Complete financial statements of Argie Cooper Public Library can be obtained at 100 South Main Street, Shelbyville, Tennessee 37160.

Bedford Railroad Authority (the Authority) was created by Bedford County and the cities of Shelbyville and Wartrace, Tennessee, to provide for the continuation of rail service on a section of existing rail spur line located within Bedford County between the cities of Shelbyville and Wartrace. The Authority is governed by a board of directors including the County Mayor, the Mayor of each city, and members selected by the governing bodies of each county and city who are members of the Authority. For the year ended June 30, 2011, no funds had been contributed by the City of Shelbyville to this organization. Complete financial statements of Bedford Railroad Authority can be obtained at 366 Riverbend Road, Shelbyville, Tennessee 37160.

NOTE M - JOINT VENTURES (Continued)

Summary financial information as of June 30, 2011, of these organizations is shown below.

	Railroad	Public Library
Total assets	$ 3,665,920	$ 523,924
Total liabilities	29,537	27,116
Net assets	$ 3,636,383	$ 496,808
Revenues	$ 71,058	$ 296,059
Expenditures	79,535	305,140
Increase (decrease) in net assets	$ (8,477)	$ (9,081)

NOTE N - DEFINED CONTRIBUTION PLAN

The City, not including the Systems, 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 City 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 5% 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 $179,663. Employer contributions totaled $90,607. 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.

The Systems 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, 2011.

NOTE O - RESTRICTED NET ASSETS

Net assets of governmental funds restricted by enabling legislation to specific purposes include limited purpose state gasoline and motor fuel taxes and fines and forfeitures from drug related offenses together totaling $236,767.

NOTE P - NONEXCHANGE TRANSACTION

The City receives shared revenue from the State of Tennessee for a tax the state assesses on the earnings of certain financial institutions. The City 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, 2011, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2011, the City received $13,064 from the State of Tennessee for this shared revenue.

NOTE Q - SEIZED MONEY HELD FOR DISPOSITION

As mandated by the State, 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, 2011, $29,704 is included in the Police Drug fund as seized money held for disposition.

NOTE R - TRANSFERS

Transfers within the governmental activities are substantially for the purposes of subsidizing operating functions and funding capital acquisitions. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. The following schedule reports transfers within the governmental activities:

Transfers in:	Transfers out:		
	General fund	Power fund	Total
Greenway fund	$ 26,769	$ -	$ 26,769
General fund	-	539,430	539,430
Total	$ 26,769	$ 539,430	$ 566,199

NOTE S - INTERFUND RECEIVABLES AND PAYABLES

Generally, outstanding balances between funds reported as "due to/ from other funds" include outstanding charges by one fund to another for services or goods outstanding at year-end, and other miscellaneous receivables/ payables between funds. Activity between funds that is representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds."

NOTE S - INTERFUND RECEIVABLES AND PAYABLES (Continued)

Interfund receivable and payable balances at June 30, 2011, arising from these transactions follows:

	Due From	Due To
General Fund		
Power System		$ 51,739
Nonmajor Governmental Funds		
Power System		$ 22,733
Power System		
General Fund	$ 51,739	
Nonmajor Governmental Funds	22,733	
Water System	152,763	
Sewerage System	118,073	
	$ 345,308	
Water System		
Power System	$ -	$ 152,763
Sewerage System	400	1,698
	$ 400	$ 154,461
Sewerage System		
Power System	$ -	$ 118,073
Water System	1,698	400
	$ 1,698	$ 118,473
	$ 347,406	$ 347,406

NOTE T - CLAIMS AND JUDGMENTS

The City 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 City may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited, but the City 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 City.

NOTE U - EXCESS EXPENDITURES OVER APPROPRIATIONS

The City's general fund expenditures exceeded budgeted appropriations by $85,322.

NOTE V - BUDGET RESERVE

As of June 30, 2011, the Shelbyville City Council had identified $200,000 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 Shelbyville City Council may use the funds or add to the funds at their discretion.

NOTE W - PRIOR PERIOD ADJUSTMENT

Prior period adjustments have been made to the fund balance in the general fund and to the net assets of the governmental activities to include $254,500 in sales tax due the City as of June 30, 2010. Had this error not occurred the change in net assets of the governmental activities and the net change in fund balance of the general fund would have been reduced $1,076.

NOTE X - RISK MANAGEMENT

The City 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 City obtains insurance coverage covering these risks through a public risk entity pool (Pool) established by the Tennessee Municipal League. The Pool limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring certain levels of risks with various reinsurance companies. In general, such reinsurance contracts limit the Pool's retention on individual occurrences as follows: workers' compensation - $750,000; general liability, personal injury liability, errors and omissions liability and auto liability - $700,000; property and crime coverage - $300,000. Failure to perform on the part of the commercial insurance companies could result in additional assessments to the members of the Pool. No estimate of any possible future assessments has been made. Settled claims from losses in excess of insurance coverage during the past three years totaled $177,236.

The City continues to carry commercial insurance for all other risks of loss, including disability and employee health and accident.

The Systems are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Systems purchase commercial insurance for claims and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE Y - RESTATEMENT OF FUND BALANCES DUE TO ADOPTION OF NEW ACCOUNTING STANDARD

GASB 54 changes the terminology of fund balance descriptions and the definitions within governmental funds. GASB 54 also changes the criteria for the creation and financial reporting of individual special revenue funds. As a result, certain funds or portions of special revenue funds were reclassified to the general fund as of July 1, 2011. These restatements increased the general fund balance as of July 1, 2010 by $155,612.

NOTE Z - UNBILLED REVENUE

An adjustment to record unbilled revenue has been recorded in the activity of the Shelbyville Power System. In prior years, unbilled revenue had not been recorded; however, due to changes in the TVA billing to the Shelbyville Power System, the amount of unbilled revenue has become significant to the financial statements. Unbilled revenue and a corresponding increase in income of $982,771 was recorded for the year ended June 30, 2011. Unbilled revenue for the Shelbyville Sewerage and Water Funds is not significant and therefore not recorded.

REQUIRED SUPPLEMENTARY INFORMATION
POST-EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
CITY OF SHELBYVILLE, TENNESSEE
June 30, 2011

Shelbyville Power, Water and Sewerage Systems medical plan

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
July 1, 2008	$ -	$ 192,178	$ 192,178	0.0%	$3,285,018	5.85%
July 1, 2009	-	158,132	158,132	0.0%	3,397,441	5.66%
July 1, 2010	-	158,132	158,132	0.0%	3,397,441	5.66%

City of Shelbyville post-employment health benefits plan

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
July 1, 2008	$ -	$844,222	$ 844,222	0.0%	$4,150,784	20.34%
July 1, 2009	-	827,525	827,525	0.0%	4,125,775	20.06%

Note: One additional year will be reported as data becomes available.

REQUIRED SUPPLEMENTARY INFORMATION

PENSION BENEFITS

SCHEDULE OF FUNDING PROGRESS

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2011

Retirement Plan for Full-Time Employees of the City of Shelbyville, Tennessee
(*Dollar amounts in thousands*)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) – (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
July 1, 2009	3,570	8,901	5,331	40.0	4,257	125.23
July 1, 2010	4,603	9,437	4,834	49.0	4,346	111.24
July 1, 2011	5,678	9,954	4,277	57.0	3,820	111.96

SUPPLEMENTAL INFORMATION

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

State Street Aid Fund - This fund is used to account for the government's share of gasoline and motor vehicle fuel tax revenues that are legally restricted for street-related purposes.

Hotel/ Motel Fund - This fund is used to account for the privilege tax levied upon the privilege of occupancy in any hotel by each transient which is legally restricted for specific purposes.

Police Drug Fund - This fund is used to account for the government's use of fines from drug offenses and forfeited cash and the proceeds from the sale of property forfeited to the city.

Police Equipment Fund - This fund is used to account for court fines collected and used to purchase equipment for the police department.

Industrial Development Fund – This fund is used to account for funds designated or restricted for industrial development of the City of Shelbyville.

Capital Projects Funds

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

CITY OF SHELBYVILLE, TENNESSEE

For the year ended June 30, 2011

	Special Revenue Funds					Capital Projects Fund	
	State Street Aid	Hotel/ Motel	Police Drug	Police Equipment	Industrial Development	Greenway	Total Nonmajor Governmental Funds
Assets:							
Cash in bank	$ 154,886	$ -	$ 55,101	$ 46,998	$ -	$ 30,000	$ 286,985
Intergovernmental receivable	73,800	-	-	-	-	-	73,800
Prepaid project cost	5,500	-	-	-	-	-	5,500
Taxes receivable	-	16,437	-	-	-	-	16,437
Total assets	$ 234,186	$ 16,437	$ 55,101	$ 46,998	$ -	$ 30,000	$ 382,722
Liabilities:							
Accounts payable	$ 41	$ 16,437	$ 42	$ -	$ -	$ -	$ 16,520
Funds held in trust	-	-	29,704	-	-	-	29,704
Due to proprietary funds	22,733	-	-	-	-	-	22,733
Total liabilities	$ 22,774	$ 16,437	$ 29,746	$ -	$ -	$ -	$ 68,957
Fund balances:							
Nonspendable	$ 5,500	$ -	$ -	$ -	$ -	$ -	$ 5,500
Restricted	205,912	-	25,355	46,998	-	-	278,265
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	30,000	30,000
Total fund balances	$ 211,412	$ -	$ 25,355	$ 46,998	$ -	$ 30,000	$ 313,765
Total liabilities and fund balances	$ 234,186	$ 16,437	$ 55,101	$ 46,998	$ -	$ 30,000	$ 382,722

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

For the year ended June 30, 2011

	Special Revenue Funds					Capital Projects Fund	
	State Street Aid	Hotel/ Motel	Police Drug	Police Equipment	Industrial Development	Greenway	Total Nonmajor Governmenta Funds
Revenues:							
Intergovernmental	$ 445,492	$ -	$ -	$ -	$ -	$ -	$ 445,492
Taxes	-	129,868	-	-	-	-	129,868
Interest income	1,213	-	248	-	-	-	1,461
Fines and forfeitures	-	-	2,094	11,262	-	-	13,356
Total revenues	$ 446,705	$ 129,868	$ 2,342	$ 11,262	$ -	$ -	$ 590,177
Expenditures:							
Public works	$ 492,803	$ -	$ -	$ -	$ -	$ -	$ 492,803
Public safety	-	-	774	320	-	-	1,094
Industrial development	-	$ 129,868	-	-	4,163	-	134,031
Total expenditures	$ 492,803	$ 129,868	$ 774	$ 320	$ 4,163	$ -	$ 627,928
Excess of revenues over (under) expenditures	$ (46,098)	$ -	$ 1,568	$ 10,942	$ (4,163)	$ -	$ (37,751)
Other financing sources (uses):							
Transfers in - general fund	-	-	-	-	-	26,769	26,769
Transfers out - general fund	-	-	-	-	-	-	-
Net change in fund balances	$ (46,098)	$ -	$ 1,568	$ 10,942	$ (4,163)	$ 26,769	$ (10,982)
Fund balances - July 1, 2010 (as restated)	257,510	-	23,787	36,056	4,163	3,231	324,747
Fund balances - June 30, 2011	$ 211,412	$ -	$ 25,355	$ 46,998	$ -	$ 30,000	$ 313,765

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Apportionment of gasoline tax from State of Tennessee	$ 440,614	$ 440,614	$ 445,492	$ 4,878
Interest income	787	787	1,213	426
TOTAL REVENUES	$ 441,401	$ 441,401	$ 446,705	$ 5,304
Expenditures:				
Street lighting	$ 287,127	268,726	$ 268,726	$ -
Street maintenance	391,552	213,190	207,690	5,500
Salt expense	8,000	16,387	16,387	-
TOTAL EXPENDITURES	$ 686,679	$ 498,303	$ 492,803	$ 5,500
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (245,278)	$ (56,902)	$ (46,098)	$ 10,804
Fund balance - July 1, 2010			257,510	
Fund balance - June 30, 2011			$ 211,412	

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Taxes	$ 138,157	$ 138,157	$ 129,868	$ (8,289)
Interest income	-	-	-	-
TOTAL REVENUES	$ 138,157	$ 138,157	$ 129,868	$ (8,289)
Expenditures:				
Payments to Chamber of Commerce	$ 135,221	$ 127,128	$ 127,128	$ -
Administrative expense	2,936	2,740	2,740	-
TOTAL EXPENDITURES	$ 138,157	$ 129,868	$ 129,868	$ -
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ -	$ 8,289	$ -	$ (8,289)
Fund balance - July 1, 2010			-	
Fund balance - June 30, 2011			$ -	

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Court fines	$ -	$ -	$ 515	$ 515
Forfeitures	-	-	1,579	1,579
Interest income	358	358	248	(110)
TOTAL REVENUES	$ 358	$ 358	$ 2,342	$ 1,984
Expenditures:				
Drug dog expense	$ 800	$ 774	$ 774	$ -
TOTAL EXPENDITURES	$ 800	$ 774	$ 774	$ -
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (442)	$ (416)	$ 1,568	$ 1,984
Fund balance - July 1, 2010			23,787	
Fund balance - June 30, 2011			$ 25,355	

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Court fines	$ -	$ -	$ 3,587	$ 3,587
Forfeitures	-	-	7,675	7,675
Interest income	-	-	-	-
TOTAL REVENUES	$ -	$ -	$ 11,262	$ 11,262
Expenditures:				
Miscellaneous	$ -	$ 320	$ 320	$ -
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	$ -	$ 320	$ 320	$ -
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ -	$ (320)	$ 10,942	$ 11,262
Fund balance - July 1, 2010			36,056	
Fund balance - June 30, 2011			$ 46,998	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - INDUSTRIAL DEVELOPMENT SPECIAL REVENUE FUND

CITY OF SHELBYVILLE, TENNESSEE

For the year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Miscellaneous	$ -	$ -	$ -	$ -
Expenditures:				
Professional services	$ -	$ 4,163	$ 4,163	$ -
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ -	$ (4,163)	$ (4,163)	$ -
Other financing uses:				
Transfers out - general fund	-	-	-	-
NET CHANGE IN FUND BALANCE	$ -	$ (4,163)	$ (4,163)	$ -
Fund balance - July 1, 2010			4,163	
Fund balance - June 30, 2011			$ -	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GREENWAY CAPITAL PROJECTS FUND

CITY OF SHELBYVILLE, TENNESSEE

For the year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Federal grants	$ -	$ -	$ -	$ -
Allocated donations	-	-	-	-
TOTAL REVENUES	$ -	$ -	$ -	$ -
Expenditures:				
Phase II costs	$ -	-	$ -	$ -
Phase III costs	-	-	-	-
Phase V costs	-	-	-	-
Phase VI costs	-	-	-	-
Other costs	-	-	-	-
TOTAL EXPENDITURES	$ -	$ -	$ -	$ -
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ -	$ -	$ -	$ -
Other financing sources:				
Transfers in (out) - general fund	55,306	-	26,769	26,769
NET CHANGE IN FUND BALANCE	$ 55,306	$ -	$ 26,769	$ 26,769
Fund balance - July 1, 2010			3,231	
Fund balance - June 30, 2011			$ 30,000	

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2011

Grantor Agency	CFDA Number	Contract Number	Beginning Accrued	Cash Receipts	Expenditures	Adjustments	Ending Accrued
FEDERAL AWARDS							
Department of Justice (ARRA)	16.804	2009-SB-B9-2734	$ (28,476)	$ -	$ 28,476	$ -	$ -
Department of the Interior (1)	15.904	E-22252	-	1,486	1,486	-	-
Department of Economic & Community Dev. (2	81.128	GG-13-3441	-	32,829	98,821	-	65,992
Department of Housing & Urban Development	14.228	B-08-DN-47-0001	-	36,921	36,921	-	-
	TOTAL FEDERAL AWARDS		$ (28,476)	$ 71,236	$ 165,704	$ -	$ 65,992
STATE FINANCIAL ASSISTANCE							
TN Dept. of Transportation	N/A	CMA 1313	$ -	$ 88,222	$ 88,222	$ -	$ -
TN Dept. of Transportation	N/A	AERO-M11-158	-	-	7,478	-	7,478
TN Dept. of Transportation	N/A	Z-10-22-0238-00	8,926	8,926	-	-	-
TN Dept. of Transportation - Aeronautics	N/A	Z-09-21-3927-00	11,880	13,200	-	1,320	-
TN Dept. of Economic and Community Dev.	N/A	GG-10-31639	31,250	424,256	420,744	-	27,738
	TOTAL STATE FINANCIAL ASSISTANCE		$ 52,056	$ 534,604	$ 516,444	$ 1,320	$ 35,216
	TOTAL FEDERAL AND STATE AWARDS		$ 23,580	$ 605,840	$ 682,148	$ 1,320	$ 101,208

Note 1: This 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, 2011. The schedule is presented using the modified accrual basis of accounting.

(1) - Federal funds passed through the State of Tennessee, Tennessee Historical Commission
(2) - Federal funds passed through the State of Tennessee, Department of Economic and Community Development
(3) - Federal funds passed through Bedford County, Tennessee

SCHEDULE OF LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR - ALL FUNDS

CITY OF SHELBYVILLE, TENNESSEE

For the year ended June 30, 2011

Fiscal Year Ending	Capital Outlay Note Series 2002		Capital Outlay Note SRF 2003-172		Water Refunding Bonds Series 2003		Water Revenue Bonds Series 2007		Capital Outlay Note T-hangers		Totals	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 195,000	$ 13,636	$ 203,784	$ 61,572	$ 125,000	$ 136,340	$ 50,000	$ 104,808	$ 101,078	$ 12,946	$ 674,862	$ 329,302
2013	190,000	4,513	207,276	58,080	130,000	131,877	55,000	102,708	106,143	7,881	688,419	305,059
2014	-	-	210,828	54,528	135,000	127,172	55,000	100,507	103,892	2,522	504,720	284,729
2015	-	-	214,440	50,916	140,000	122,152	60,000	98,208	-	-	414,440	271,276
2016	-	-	218,112	47,244	145,000	116,807	60,000	95,807	-	-	423,112	259,858
2017	-	-	221,856	43,500	155,000	111,107	60,000	93,407	-	-	436,856	248,014
2018	-	-	225,648	39,708	160,000	104,962	65,000	90,826	-	-	450,648	235,496
2019	-	-	229,524	35,832	165,000	98,380	65,000	88,062	-	-	459,524	222,274
2020	-	-	233,448	31,908	175,000	91,410	70,000	85,194	-	-	478,448	208,512
2021	-	-	237,444	27,912	180,000	83,907	75,000	82,114	-	-	492,444	193,933
2022	-	-	241,524	23,832	190,000	75,860	75,000	78,926	-	-	506,524	178,618
2023	-	-	245,652	19,704	195,000	67,438	80,000	75,632	-	-	520,652	162,774
2024	-	-	249,864	15,492	205,000	58,587	85,000	72,126	-	-	539,864	146,205
2025	-	-	254,148	11,208	215,000	49,187	85,000	68,514	-	-	554,148	128,909
2026	-	-	258,504	6,852	225,000	39,287	90,000	64,794	-	-	573,504	110,933
2027	-	-	262,819	2,429	235,000	28,790	95,000	60,863	-	-	592,819	92,082
2028	-	-	-	-	245,000	17,690	95,000	56,827	-	-	340,000	74,517
2029	-	-	-	-	260,000	6,012	100,000	52,683	-	-	360,000	58,695
2030	-	-	-	-	-	-	105,000	48,248	-	-	105,000	48,248
2031	-	-	-	-	-	-	110,000	43,518	-	-	110,000	43,518
2032	-	-	-	-	-	-	115,000	38,568	-	-	115,000	38,568
2033	-	-	-	-	-	-	120,000	33,368	-	-	120,000	33,368
2034	-	-	-	-	-	-	125,000	27,917	-	-	125,000	27,917
2035	-	-	-	-	-	-	130,000	22,243	-	-	130,000	22,243
2036	-	-	-	-	-	-	135,000	16,313	-	-	135,000	16,313
2037	-	-	-	-	-	-	145,000	10,013	-	-	145,000	10,013
2038	-	-	-	-	-	-	150,000	3,375	-	-	150,000	3,375
	$ 385,000	$ 18,149	$ 3,714,871	$ 530,717	$ 3,280,000	$ 1,466,965	$ 2,455,000	$ 1,715,569	$ 311,113	$ 23,349	$ 10,145,984	$ 3,754,749

UNCOLLECTED DELINQUENT TAXES FILED IN ACCORDANCE WITH APPLICABLE LAWS

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2011

During the year ended June 30, 2011, the City turned over $139,912 of 2009 property taxes receivable to the clerk and master in accordance with applicable laws.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - SOLID WASTE FUND

CITY OF SHELBYVILLE, TENNESSEE

For the year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Collection fees - transfer station	$ 894,144	$ 894,144	$ 561	$ (893,583)
Interest income	-	-	92	92
TOTAL REVENUES	$ 894,144	$ 894,144	$ 653	$ (893,491)
Expenditures:				
Salaries	$ 337,060	$ 339,397	$ 334,047	$ 5,350
Payroll taxes and administration	182,275	201,758	202,001	(243)
Postage	12	-	-	-
Freight	600	263	263	-
Utilities	3,123	2,808	2,808	-
Repairs and maintenance	28,754	33,411	33,411	-
Landfill services	142,667	130,529	130,529	-
State maintenance fee	1,500	1,500	1,500	-
Office supplies and materials	500	115	115	-
Expendable materials	2,154	615	615	-
Chemicals	1,230	342	342	-
Uniforms	2,400	2,574	2,574	-
Gasoline and oil	40,011	40,980	40,980	-
Tools	250	-	-	-
Miscellaneous	-	1,528	1,528	-
Depreciation	29,408	-	-	-
TOTAL EXPENDITURES	$ 771,944	$ 755,820	$ 750,713	$ 5,107
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 122,200	$ 138,324	$ (750,060)	$ (888,384)
Other financing sources:				
Transfers in - general fund	-	-	750,060	750,060
NET CHANGE IN FUND BALANCE	$ 122,200	$ 138,324	$ -	$ (138,324)
Fund balance - July 1, 2010			-	
Fund balance - June 30, 2011			$ -	

The above schedule is presented to demonstrate compliance with TCA 68-211-874.

UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2011

POWER SYSTEM:

RESIDENTIAL

Customer charge	$ 10.61
Energy charge	$ 0.09051 per KWH
First 1,000 KWH per month	$ 101.12

COMMERCIAL

GSA (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	$ 15.77
Energy charge	$ 0.10065 per KWH

GSA (from 50 KW to 1000 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 1,000KW and the customer's monthly energy takings for any month during such period exceed 15,000 kilowatt hours:

Consumer charge	$ 46.20
Demand charge:	
First 50 kilowatt hours per month	NO CHARGE
Over 50 kilowatt hours per month	$ 12.33 per KW
Energy charge:	
First 15,000 kilowatt hours per month	$ 0.10213 per KWH
Over 15,000 kilowatt hours per month	$ 0.06117 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	$163.67
Demand charge:	
First 1,000 kilowatt hours per month	$ 11.13 per KW
Over 1,000 kilowatt hours per month	$ 11.24 per KW
Energy charge – all KWH	$ 0.06442 per KWHR

(must be eligible for small manufacturing credit)

Customer charge	$163.67
Demand charge:	
First 1,000 kilowatt hours per month	$ 9.75 per KW
Over 1,000 kilowatt hours per month	$ 9.61 per KW
Energy charge – all KWHR	$ 0.05902 per KWH

MSB (Greater than 5,000 KW contract or highest 12 month measured KW greater than 5,000 KW and SIC is 20-39 but measured KW for month is less than 5,000 KW)

Customer charge	$1,850.00
Demand charge:	
All KW On-Peak	$ 16.00 per KW
All KW Off-Peak	$ 3.92 per KW
Energy charge	
First 425 KWH/KW On-Peak (all KWHR)	$ 0.08011 per KWHR
First 425 KWH/KW Off-Peak	$ 0.04685 per KWHR
(example 620 * KW compared to measured KWHR)	
Next 195 KWH/KW Off-Peak	$ 0.02874
Additional KWH Off-Peak	$ 0.01337
Facilities Rental (Delivery Point less than 46 KV)	$ 0.93 per KW
Equipment Rental	1.5% of installed cost per month

SMSB (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	$ 18.22 per KW
Energy charge	
All KWHR	$ 0.04170 per KWHR
Facilities Rental (Delivery Point less than 46 KV)	$ 0.93 per KW
Equipment Rental	1.5% of installed cost per month

GSB (Greater than 5,000 KW contract or highest 12 month measured KW greater than 5,000 KW and SIC is not 20-39)

Customer charge	$1,850.00
Demand charge:	
All KW On-Peak	$ 16.00 per KW
All KW Off-Peak	$ 3.92 per KW
Energy charge	
First 425 KWHR/KW On-Peak (all KWHR)	$ 0.09483 per KWHR
First 425 KWHR/KW Off-Peak	$ 0.06119 per KWHR
(example 425 * KW compared to measured KWHR)	
Next 195 KWHR/KW Off-Peak	$ 0.04308
Additional KWH Off-Peak	$ 0.02771
Facilities Rental (Delivery Point less than 46 KV)	$ 0.93 per KW
Equipment Rental	1.5% of installed cost per month

UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2011

SECURITY LIGHTS

175 watt mercury vapor	$ 7.21
400 watt mercury vapor (Flood or Cobra head)	14.02
200 watt high pressure sodium	9.88
250 watt high pressure sodium	11.36
100 watt high pressure sodium	6.82

WATER SYSTEM:

Residential, Commercial and Industrial

	Inside City	Outside City
First 2,000 gallons	$ 11.40 minimum charge	$ 15.20 minimum charge
Next 8,000 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 Districts

Flat Creek Water Co-op -	
First 6,000,000 gallons	Inside Rate
Over 6,000,000 gallons	$2.75 per 1,000 gallons

An additional $.05 per 1,000 gallons for Duck River Agency charge is included in billing, but is not reflected in the above rates.

Sprinkler Connections

Valve heads or fire hydrants	$23.60 per month
City fire hydrants	10.30 per month

SEWERAGE SYSTEM:

	Inside City	Outside City
First 2,000 gallons	$16.70 minimum charge	$21.50 minimum charge
Next 8,000 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

Average number of customers for fiscal year 2011:

Power System	9,720
Water System	8,806
Sewerage System	8,001

SCHEDULE OF UNACCOUNTED FOR WATER

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2011

(All amounts in gallons)

A	**Water Treated and Purchased:**		
B	Water Pumped (potable)	1,408,380,000	
C	Water Purchased	-	
D	**Total Water Treated and Purchased**		1,408,380,000
E	**Accounted for Water:**		
F	Water sold:	1,090,858,800	
G	Metered for consumption	37,266,920	
H	Fire department usage	303,795	
I	Flushing	34,217,509	
J	Tank Cleaning/ Filling	757,350	
K	Street cleaning	27,200	
L	Bulk Sales	-	
M	Water bill adjustments	377,600	
N	**Total Accounted for Water**		1,163,809,174
O	**Unaccounted for Water**		244,570,826
P	**Percent unaccounted for water**		17.3654 %
Q	**Other (explain)**		

Not applicable

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if the line item is not applicable, a "-" is shown.

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE-BY LEVY YEAR

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2011

Tax Year	Balance June 30, 2010	Taxes Levied	Collections	Discoveries and Adjustments	Balance June 30, 2011
2011	$ -	$5,977,985	$ -	$ -	$5,977,985
2010	5,163,273		(4,619,625)	(111,405)	432,243
2009	313,596		(180,791)	(735)	132,070
2008	123,495		(98,552)	-	24,943
2007	21,835		(6,943)	(5,768)	9,124
2006	6,667		(1,941)	-	4,726
2005	5,716				5,716
2004	1,643			-	1,643
2003	803			-	803
2002	590		(316)	-	274
2001	950			-	950
2000	1,818			-	1,818
1999	1,570			(1,570)	-
1998	265			(265)	-
1997	88			(88)	-
	$5,642,309	$5,977,985	$(4,908,168)	$ (119,831)	$6,592,295
Less estimated uncollectible accounts					(22,551)
Net receivable balance June 30, 2011					$6,569,744

NOTES: All uncollected taxes for years prior to 2010 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, 2011

Tax Year	Total Assessed Value	Tax Rate	Levy
2011	$ 346,455,651	$ 1.41	$ 5,716,613
2010	340,979,371	1.41	4,807,791
2009	353,220,696	1.41	4,980,363
2008	346,666,837	1.41	4,887,976
2007	348,923,684	1.41	4,919,810
2006	340,454,422	1.41	4,800,354
2005	275,559,867	1.47	4,050,746
2004	278,210,070	1.47	4,089,758
2003	255,914,025	1.47	3,937,016
2002	263,356,555	1.47	4,042,848

INTERNAL CONTROL AND COMPLIANCE SECTION

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

Honorable Mayor and City Councilmembers
City of Shelbyville
Shelbyville, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Shelbyville, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise the City of Shelbyville, Tennessee's basic financial statements and have issued our report thereon dated February 28, 2012. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the Shelbyville Power, Water, and Sewerage System, as described in our report on 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

Management of City of Shelbyville, Tennessee is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Shelbyville, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Shelbyville, Tennessee's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses. (2010-1, 2010-2, 2010-4, 2010-5)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Shelbyville, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2011-3.

We noted a certain matter that we reported to management of City of Shelbyville, Tennessee in a separate letter dated February 28, 2012.

City of Shelbyville, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit City of Shelbyville, Tennessee's response and, accordingly, we express no opinion on it.

This report is intended for the information of management, the State Comptroller's office, the City Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Winnett Associates, PLC

February 28, 2012

Finding 2011-1: The State of Tennessee requires municipalities to comply with the *Internal Control and Compliance Manual for Tennessee Municipalities*. Title 4, Chapter 2, Section 1, requires the accounting records of the City to use fund accounting in accordance with generally accepted accounting principles (GAAP). The following is a listing of accounting practices noted during the audit that do not meet this requirement:

1) Depreciation was recorded in the general fund and the solid waste fund. GAAP do not allow depreciation to be recorded in either the general fund or special revenue funds.

2) The balances of long-term debt including accrued vacation, note payable, and postretirement medical benefits were recorded in the general fund. GAAP does not allow for the balances of long-term debt to be recorded in any governmental funds.

3) The City's records include a self-balancing set of accounts used to record the balances of capital assets and related depreciation expense and accumulated depreciation. These accounts included current year capital outlays. GAAP require capital outlays be recorded in the general fund, capital projects funds or special revenue funds. Fund accounting does not allow the recording of capital asset balances in any fund.

4) Activity in accrued vacation was recorded in the general fund. Accrued vacation is part of long-term debt and should be only included in the government-wide presentation.

5) Postretirement medical plan expenses meant to record the net OPEB obligation were included in the general fund. These expenses should only be included in the government-wide presentation.

Recommendation: Recent changes to the *Internal Control and Compliance Manual for Tennessee Municipalities* have clarified that the use of fund accounting in accordance with GAAP applies to activity "posted throughout the year." Accordingly, we recommend ceasing the use of the above practices as soon as practicable.

Management Response: As the new financial and management staff, we have great concerns over this repeated finding. We agree the use of the practices cited above should end and are making every effort to revise and implement new practices in accordance with governmental standards. Part of the above findings may be repeated in FY 2012; our goal is that for our FY 2013 period to be in compliance.

Finding 2011-2: Accounting principles address the recording of amounts related to grants. Additionally, the State of Tennessee Department of Audit, *Audit Manual* requires that a Schedule of Expenditures of Federal Awards and State Financial Assistance be included in annual audited financial statements. No one individual has been assigned the responsibility for assuring that all grant activity is properly recorded. Additionally, although not required based on materiality, adjustments were identified during the audit, and management requested they be recorded. Applicable grants included the railroad spur and airport maintenance grants.

Recommendation: We recommend assigning an employee the responsibility for accounting for all grant money, including preparing a schedule of grant activity sufficient to prepare the Schedule of Federal Awards and State Financial Assistance required by the State of Tennessee Department of Audit, *Audit Manual*.

Management Response: Since January 1, 2012, the City has revised it's grant reporting and administrations procedures. The City Recorder's office has been designated the administration co-ordinator for grants, and the City Treasurer will be the financial manager co-ordinatior. This change has been reviewed with the City Management staff and is currently being followed.

Finding 2011–3: *Tennessee Code Annotated* section 6-56-203 requires the City to adopt and operate under an annual budget. Budget ordinance 885 adopted the budget for the fiscal year 2010-2011. The ordinance includes a summary of expenditures by fund. Included in the line item details were expenditures entitled "depreciation." It is our understanding from conversations with representatives of the State of Tennessee, Department of Municipal Audit, that it is not appropriate to budget depreciation. The City also amended the budget to reflect actual expenditures. However, audit adjustments resulted in expenditures exceeding the amount appropriated in the general government department.

Recommendation: Depreciation should be removed from future budgets, and all expenditures should be authorized either in the original budget or an amendment to that budget.

Management Response: We agree. Beginning with the FY 2013 budget, depreciation will no longer be an expenditure line in the budget. We also agree that all expenditures should be budgeted for or that the budget be amended to reflect these expenses. This is effective for FY 2012 budget period.

Finding 2011–4: Accounting standards require a net pension obligation, if present, to be recorded in the government-wide statement of net assets. As of January 1, 2011, the City's net pension obligation is $(164,120) and is not included in the City's accounting records. It appears the City does not have a procedure in place to determine and record its net pension obligation liability.

Recommendation: We recommend adding a step to your monthly, or year end, checklist as appropriate to determine and record the net pension obligation.

Management Response: We agree. We record quarterly entries for our pension obligations but starting with FY 2012 we will be adding a step in our year end process to identify any adjustments needed and to record these prior to the audit for that year.

Finding 2011–5: While auditing the general fund, we noted that the fund balance account balances did not agree to the prior year audited financial statements. City personnel were unable to identify the differences and several audit adjustments were necessary to correct the fund balances.

Recommendation: We suggest a procedure be added to balance the general fund's equity account prior to the audit.

Management Response: We agree. We will be adding a step in our year end process to balance the general funds equity account and adjust as needed prior to the audit process. With the implantation of the changes to the budgeting process for FY 2013 this issue should be eliminated going forward.