AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2015

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

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OFFICIALS

CITY OF SHELBYVILLE, TENNESSEE

JUNE 30, 2015

MAYOR	Wallace Cartwright	
VICE-MAYOR	Thomas Landers	
COUNCILMEMBERS	Ward 1 - Henry Feldhaus III	
	Ward 2 - Sam Meek	
	Ward 3 - Kay Rose	
	Ward 4 - William Christie	
	Ward 5 - Jean Pruitt	
	Ward 6 - Thomas Landers	
OTHER OFFICIALS	City Manager	- Jay Johnson
	City Recorder	- Shanna Boyette
	City Treasurer	- Jamey Owen
	City Judge	- John T. Bobo
	City Attorney	- Ginger Shofner

FINANCIAL SECTION

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Councilmembers
City of Shelbyville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shelbyville, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Shelbyville, Tennessee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shelbyville, Tennessee, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note X to the financial statements, the City of Shelbyville, Tennessee adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 15, the schedules of funding progress on page 60, and the pension information on pages 61 and 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, and other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Shelbyville, Tennessee's, basic financial statements. The introductory section and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City of Shelbyville, Tennessee's internal control over financial reporting and compliance.

Winnett Associates, PLLC

February 16, 2016

CITY OF SHELBYVILLE, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2015

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, 2015. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

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

Using this Annual Report

This Annual Report (the "Report") consists of a series of financial statements. The Statement of Net Position and Statement of Activities (pages 16-17) provide information about the City as a whole and provide a long-term view of the City's finances. Fund financial statements begin on page 18, and tell how government activities were financed in the short term, as well as what remains for future spending. The Report deals with three types of funds, governmental, proprietary and fiduciary. The only proprietary funds are those maintained by the separately chartered Shelbyville Power, Water and Sewerage System. The governmental funds record the City's activities in providing basic municipal services.

Governmental Funds

The Report refers to the General Fund and Other Governmental Funds. The General Fund is the basic operating fund for all city departments. The Other Governmental Funds are Special Revenue Funds and Capital Projects Funds. The funds are maintained and reported using the modified accrual method of accounting. In its accounting system, the City maintains the following funds which are consolidated into the General Fund for purposes of the Report: Fixed Asset Group, Capital, Budget Reserve, and Recoveries. 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' deferred inflows of resources increased by $1,150,626 which was driven by the property tax increase that was put into place in FY2015 and included in the deferred inflows.

- The assets and deferred outflows of resources of the governmental activities of the City of Shelbyville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended 2015 by $31,762,518 which is a decrease of $1,643,857 from the prior year.

- Governmental activities total expenses decreased by $1,978,173 for 2015. The decrease in spending is mainly the result of the decrease of the payment from the previous year of the $2,000,000 due to the Wright Paving settlement.

- The assets and deferred ouflows of resources of the Shelbyville Power, Water and Sewerage Systems exceeded their liabilities and deferred inflows of resources at the close of the most recent fiscal year by $75,500,941. Of this amount, $24,143,773 may be used to meet the Systems' ongoing obligations to suppliers and creditors.

- The Shelbyville Power, Water and Sewerage Systems' total net position increased by $2,423,101.

According to the Shelbyville Power, Water and Sewerage Systems' management, the statement of net position of the Systems is very solid. The plant is being well maintained and improved based on needs forecast well into the future. Debt is being conservatively managed with debt service coverage leverage ratios that are more than adequate. Cash reserves are more than adequate for all systems.

Power System

Total power system assets went from $38,974,726 fiscal year ending June 30, 2014 to $40,654,301 fiscal year ending June 30, 2015. Current assets increased from $20,655,002 to $22,053,856. Plant, net of accumulated depreciation, increased from $17,941,851 to $18,187,013. Other assets increased from $377,873 to $413,432. Total power system liabilities decreased from $6,661,616 to $6,644,355. Current liabilities increased from $4,194,081 to $4,356,356. Long-term liabilities increased from $2,467,535 to $2,287,999. Deferred outflows of resources increased from $356,520 to $396,739 while deferred inflows of resources increased from $0 to $15,958.

Income before capital contributions for the power system decreased from $2,897,371 in fiscal year ending 2014 to $2,383,763 in fiscal year ending 2015. Total operating revenue decreased from $35,626,403 to $34,535,639. This is a function of weather and unbilled revenue. Operational and maintenance expenses decreased from $3,938,652 in 2014 to $3,508,543 in 2015. Other expense decreased from $3,510 to $2,582. Interest expense on customer deposits increased from $34,467 to $36,280.

Water System

Total water system assets increased from $23,094,312 to $23,206,645. Current assets increased from $7,141,909 to $7,335,978. Plant, net of accumulated depreciation, decreased from $14,963,054 to $14,878,130. Deferred outflow of resources decreased from $380,321 to $379,100. Total liabilities decreased from $4,205,831 to $3,977,313. Long-term liabilities decreased from $3,723,350 to $3,463,705 while deferred inflows increased from $0 to $6,206.

Income (loss) before capital contributions increased from $(83,980) to $272,326. Total operating revenue showed an increase from $3,942,178 to $4,162,467. Operational and maintenance expenses decreased from $3,071,542 to $2,904,021. Interest expense decreased from $74,280 to $70,895.

Sewerage System

Total sewerage system assets decreased from $47,130,988 to $46,288,518. Current assets decreased from $6,732,118 to $6,705,094. Plant, net of accumulated depreciation, increased from $40,302,339 to $39,487,855. Deferred outflows of resources increased from $165,055 to $183,676 while deferred inflows of resources increased from $0 to $7,389. Total liabilities decreased from $26,156,635 to $24,956,817. Long-term liabilities decreased from $24,948,336 to $23,716,671.

Income before capital contributions for the sewerage system went from $843,303 in fiscal year ending 2014 to $321,829 in fiscal year ending 2015. Sewer rates are based on water usage and bill at approximately 135% of the water rate. Operational and maintenance expenses showed an increase from $2,222,780 to $2,256,022. Interest expense increased from $271,645 to $490,490.

Condensed Statement of Activities
June 30, 2015

	Governmental activities		Business-type activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	$ 1,516,694	$ 1,359,154	$ 42,982,926	$ 43,563,881	$ 44,499,620	$ 44,923,035
Operating grants	695,685	696,854	-	-	695,685	696,854
Capital grants	959,535	2,848,068	107,849	191,219	1,067,384	3,039,287
General revenues:						
Property taxes	6,189,809	6,136,566	-	-	6,189,809	6,136,566
Other taxes	5,523,827	5,077,913	-	-	5,523,827	5,077,913
Other	2,098,282	2,362,937	51,138	52,732	2,149,420	2,415,669
Total revenues	16,983,832	18,481,492	43,141,913	43,807,832	60,125,745	62,289,324
Expenses:						
General government	4,319,119	7,595,529	-	-	4,319,119	8,095,529
Public recreation	1,527,867	1,346,505	-	-	1,527,867	1,346,505
Public safety	5,048,936	4,679,860	-	-	5,048,936	4,679,860
Public works	3,489,510	2,904,730	-	-	3,489,510	2,904,730
Airport	931,853	829,398	-	-	931,853	829,398
Welfare	263,795	262,420	-	-	263,795	262,420
Industrial development	181,755	145,116	-	-	181,755	145,116
Interest on debt	50,896	28,346	-	-	50,896	28,346
Power	-	-	32,170,970	32,747,652	32,170,970	32,747,652
Water	-	-	3,914,351	4,052,685	3,914,351	4,052,685
Sewerage	-	-	3,971,158	3,159,510	3,971,158	3,159,510
Total expenses	15,813,731	17,791,904	40,056,479	39,959,847	55,870,210	57,751,751
Excess (deficiency) in net position before transfers	1,170,101	689,588	3,085,434	3,847,985	4,255,535	4,537,573
Transfers	662,333	641,158	(662,333)	(641,158)	-	-
Change in net position	1,832,434	1,330,746	2,423,101	3,206,827	4,255,535	4,537,573
Net position-beginning	29,930,084	32,075,629	73,077,840	72,783,879	103,007,924	104,859,508
Net position-ending	$ 31,762,518	$ 33,406,375	$ 75,500,941	$ 75,990,706	$ 107,263,459	$ 109,397,081

Condensed Statement of Net Position
June 30, 2015

	Governmental activities		Business-type activities		Total Primary Government	
	2015	2014 (Restated)	2015	2014 (Restated)	2015	2014 (Restated)
Current and other assets	$ 17,668,233	$ 16,633,848	$ 37,522,132	$ 35,992,782	$ 55,190,365	$ 52,626,630
Capital assets	29,519,274	28,540,203	72,552,998	73,207,244	102,072,272	101,747,447
Total assets	47,187,507	45,174,051	110,075,130	109,200,026	157,262,637	154,374,077
Total deferred outflows of resources	535,941	-	959,515	901,896	1,495,456	901,896
Long-term liabilities	6,867,586	6,535,001	29,468,375	31,139,221	36,335,961	37,674,222
Other liabilities	2,105,166	2,871,414	6,035,776	5,884,861	8,140,942	8,756,275
Total liabilities	8,972,752	9,406,415	35,504,151	37,024,082	44,476,903	46,430,497
Total deferred inflows of resources	6,988,178	5,837,552	29,553	-	7,017,731	5,837,552
Net position:						
Net investment in capital assets	26,782,660	26,565,774	50,538,371	45,465,179	77,321,031	72,030,953
Restricted	265,020	228,661	818,797	815,211	1,083,817	1,043,872
Unrestricted	4,714,838	3,135,649	24,143,773	26,797,450	28,858,611	29,933,099
Total net position	$ 31,762,518	$ 29,930,084	$ 75,500,941	$ 73,077,840	$ 107,263,459	$ 103,007,924

The City as a Whole

The Statement of Net Position and Statement of Activities report information about the City as a whole and about its activities. The statements of the City are reported on the accrual basis of accounting. This means the expenses are recognized when they are incurred and revenues are accounted for when they are earned and not when the money is received. The financial stability of the City remains about the same from the prior year however we have experience some challenges that have decreased our fund balance in 2015. The net position increased from the prior year which proves the stability of the City is increasing. In 2014 the City incurred a liability of $3,000,000 due to a lawsuit settlement related to the Wright Paving case. This had a break out of $2,000,000 to be paid in 2015, $500,000 to be paid in 2016 and the balance of $500,000 to be paid within five years. This had an impact on the City's reserves in 2015 as well as a reduction in budget for 2015. Two significant, unanticipated events occurred during FY 2015 related to the City's central storm water drainage flume. The flume is a series of three drainage structures providing storm water collection for the central area of the City and carrying this storm water run-off to the Duck River. The system was originally installed in 1963.During a routine inspection in January 2015, a damaged section of the flume was discovered, and subsequently unearthed. A $500,000 Capital Outlay Note was issued for repair of the section of damaged tube. A second, more massive failure occurred in late May 2015, requiring even more extensive repair and replacement work. As a subsequent event, in July 2015 a $1,000,000 Capital Outlay Note was issued for this repair and replacement. In July 2015 the City Council raised property taxes to repay this debt. A third failure occurred in August 2015, and again a Capital Outlay Note in the amount of $2,000,000 was issued for this flume repair cost. It is anticipated that some cost recovery may be available to assist with debt repayment.

The Statement of Net Position 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 general government were $16,983,832 which is a decrease of $1,497,660 from FY 2014. Although the City still continued to participate in many grants in 2015 the large Airport grant was completed in 2014 which is one major reason for the reduction in revenues for 2015. Some grants that the City participated in included STP projects totaling $252,070, Airport grants totaling $55,098 and state street aid funding of $90,695. The Airport grants for this year only included design portions for larger projects and some small projects. Our larger Airport projects will begin in FY2016 and in years further out. The City's major income is property taxes, which supplied the City with 40 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, grants, sales taxes, franchise taxes, business licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are recognized when cash is received.

As stated earlier, the City of Shelbyville's assets and deferred outflows of resources of its governmental activities exceeded its liabilities and deferred inflows of resources by $31,762,518. 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 $459,051 from FY 2014 to FY 2015.

The financial statements of the Systems report information about the Systems using accounting methods similar to those used by private sector companies. These statements offer short-term (current) and long-term (noncurrent) financial information about its activities. The Statement of Net Position includes all of the Systems' assets 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 Position. This statement measures the success of the Systems' operations over the past year, and can be used to

determine whether the Systems have successfully recovered its costs through user fees and other charges, and to assess its profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Systems' cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities. It also provides information regarding resources of cash, uses of cash, and the change in the cash balance during the reporting period.

Capital Assets

Some capital purchased items for this year include the following: the purchase of the Horse Mountain Road Park property, knuckle boom loader, street sweeper, transfer trailer, Police phone systems and replay systems, Recreation Center roof top stairs and Airport HVAC unit.

The Systems' investment in capital assets as of June 30, 2015, amounts to $72,552,998 (net of accumulated depreciation). Depreciation charges for the year totaled $3,048,020. The total decrease in the Systems' investment in capital assets for the current fiscal year was $654,246 (.89%).

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

	2015	2014
Land and land rights	$ 634,862	$ 634,862
Structures and improvements	41,011,387	41,005,077
Distribution plant	70,152,926	68,975,519
Furniture and fixtures	1,003,021	938,400
Transportation equipment	2,598,619	2,524,121
Equipment	2,069,271	2,030,925
Construction in process	2,869,398	2,246,865
Less: Accumulated depreciation	(47,786,486)	(45,148,525)
	$ 72,552,998	$ 73,207,244

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 $2,528,000. The long-term debt of the City is used to finance the assets acquired by the City. The City has issued new long-term debt during the year in the amount of $860,000 which was used to purchase the carts for $360,000 and to issue the first flume note for $500,000. Both new note issues will be retired in 2020. The fire pumper loan has been paid off in full as of September 2015.

At the end of the current fiscal year, the Systems had total outstanding debt for notes, bonds, and other obligations of $30,174,900.

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

	2015	2014 (Restated)
Bonds payable	$ 5,185,000	$ 5,425,000
Less: deferred loss	(5,444)	(5,687)
	5,179,556	5,419,313
Notes payable	21,745,318	22,804,426
Net pension liability	3,159,210	3,573,088
Net OPEB obligation	90,816	69,007
Total outstanding debt	$ 30,174,900	$ 31,865,834

Power system notes, bonds and other obligation debt at fiscal year-end 2015 was $1,736,246.

Water system notes, bonds and other obligation debt was $3,643,705.

Sewer system notes, bonds and other obligation debt totaled $24,794,949.

General Fund Budget Performance

For fiscal year 2015, the City budgeted $16,182,118 in total expenses for the original budget. This budget amount was amended at the end of the fiscal year to $17,218,919. The budget amendment was based on the year-end amounts before audit adjustments. Although the final numbers show that the City spent more in expenses than originally budgeted for some departments most departments held expenses, continued to control spending and were under their departmental budgets.

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 continuing to focus efforts on revising and enhancing our financial reporting and policies. The City plans to continue with grant participation to help fund some of the capital needs to better serve the City. In the past couple of years, 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 but we are beginning to see a slight change which is reflected in the very slight increase in the City's overall tax collections; it is anticipated that we will continue to see a slow growth in the retail 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 POSITION

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 8,152,725	$ 30,617,485	$ 38,770,210
Taxes receivable - net	8,512,106	-	8,512,106
Accounts receivable	7,587	4,818,979	4,826,566
Intergovernmental receivable	964,607	-	964,607
Other receivables	-	79,234	79,234
Inventory and other assets	31,208	504,896	536,104
Energy conservation loans	-	413,432	413,432
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	1,088,106	1,088,106
Capital assets:			
Land and construction in progress	3,903,166	3,504,260	7,407,426
Other capital assets, net of accumulated depreciation	25,616,108	69,048,738	94,664,846
TOTAL ASSETS	47,187,507	110,075,130	157,262,637
DEFERRED OUTFLOWS OF RESOURCES			
Pension	535,941	734,702	1,270,643
Deferred amounts from refunding of debt	-	224,813	224,813
TOTAL DEFERRED OUTFLOWS OF RESOURCES	535,941	959,515	1,495,456
LIABILITIES			
Accounts payable	882,549	2,938,832	3,821,381
Accrued expenses and other liabilities	163,721	138,022	301,743
Deposits	48,069	1,686,011	1,734,080
Internal balances	74,334	(74,334)	-
Funds held in trust	5,775	-	5,775
Liabilities payable from restricted assets	-	269,309	269,309
Noncurrent liabilities:			
Due in one year	930,718	1,077,936	2,008,654
Due in more than one year	6,867,586	29,468,375	36,335,961
TOTAL LIABILITIES	8,972,752	35,504,151	44,476,903
DEFERRED INFLOWS OF RESOURCES			
Pension	-	29,553	29,553
Deferred current property taxes	6,988,178	-	6,988,178
TOTAL DEFERRED INFLOWS OF RESOURCES	6,988,178	29,553	7,017,731
NET POSITION			
Net investment in capital assets	26,782,660	50,538,371	77,321,031
Restricted for:			
Highways and streets	199,437	-	199,437
Drug education and enforcement	35,583	-	35,583
TV station	30,000	-	30,000
Debt service	-	818,797	818,797
Unrestricted	4,714,838	24,143,773	28,858,611
TOTAL NET POSITION	$ 31,762,518	$ 75,500,941	$ 107,263,459

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

STATEMENT OF ACTIVITIES

CITY OF SHELBYVILLE, TENNESSEE

For the year ended June 30, 2015

Functions/ Programs	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 Position – Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position – Primary Government: Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	$ 4,319,119	$ 208,269	$ 5,622	$ -	$ (4,105,228)	$ -	$ (4,105,228)
Public recreation	1,527,867	335,934	2,703	-	(1,189,230)	-	(1,189,230)
Public safety	5,048,936	298,812	57,813	35,311	(4,657,000)	-	(4,657,000)
Public works	3,489,510	39,023	625,947	872,070	(1,952,470)	-	(1,952,470)
Airport	931,853	634,656	3,600	52,154	(241,443)	-	(241,443)
Welfare	263,795	-	-	-	(263,795)	-	(263,795)
Industrial development	181,755	-	-	-	(181,755)	-	(181,755)
Interest on long-term debt	50,896	-	-	-	(50,896)	-	(50,896)
Total governmental activities	15,813,731	1,516,694	695,685	959,535	(12,641,817)	-	(12,641,817)
Business-type activities							
Power system	32,170,637	34,535,639	-	-	-	2,365,002	2,365,002
Water system	3,914,351	4,162,467	-	61,099	-	309,215	309,215
Sewerage system	3,971,158	4,284,820	-	46,750	-	360,412	360,412
Total business-type activities	40,056,146	42,982,926	-	107,849	-	3,034,629	3,034,629
Total primary government	$ 55,869,877	$ 44,499,620	$ 695,685	$ 1,067,384	$ (12,641,817)	$ 3,034,629	$ (9,607,188)
General revenues:							
Property taxes					$ 6,189,809	$ -	$ 6,189,809
Business taxes					402,455	-	402,455
Local sales taxes					3,713,710	-	3,713,710
Beverage taxes					857,949	-	857,949
Franchise taxes					164,916	-	164,916
Payments in lieu of taxes					203,042	-	203,042
Penalties and interest					89,893	-	89,893
State shared revenues					1,942,016	-	1,942,016
Hotel/Motel taxes					181,755	-	181,755
Gain on sale of capital assets					38,037	-	38,037
Other					18,442	-	18,442
Unrestricted investment earnings					9,894	50,805	60,699
Transfers					662,333	(662,333)	-
Total general revenues					14,474,251	(611,528)	13,862,723
Change in net position					1,832,434	2,423,101	4,255,535
Net position - beginning of period, as restated					29,930,084	73,077,840	103,007,924
Net position - end of period					$ 31,762,518	$ 75,500,941	$ 107,263,459

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

BALANCE SHEET
GOVERNMENTAL FUNDS

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets and deferred outflows of resources			
Assets:			
Cash	$ 7,579,554	$ 573,171	$ 8,152,725
Taxes receivable - net	8,490,460	21,646	8,512,106
Accounts receivable	7,587	-	7,587
Intergovernmental receivable	703,630	260,977	964,607
Inventory and other assets	31,208	-	31,208
Total assets	16,812,439	855,794	17,668,233
Deferred outflows of resources:	-	-	-
Total assets and deferred outflows of resources	$ 16,812,439	$ 855,794	$ 17,668,233
Liabilities, deferred inflows of resources, and fund balances			
Liabilities:			
Accounts payable	$ 815,811	$ 66,738	$ 882,549
Accrued wages	163,721	-	163,721
Deposits	48,069	-	48,069
Due to other funds	50,391	23,943	74,334
Funds held in trust	-	5,775	5,775
Total liabilities	1,077,992	96,456	1,174,448
Deferred inflows of resources:			
Unavailable revenue - state and local taxes	32,140	-	32,140
Unavailable revenue - property taxes	7,632,031	-	7,632,031
Total deferred inflows of resources	7,664,171	-	7,664,171
Fund balances:			
Nonspendable			
Inventory and other assets	31,208	-	31,208
Restricted			
Cable TV	30,000	-	30,000
Police	-	52,777	52,777
State street aid	-	199,437	199,437
Assigned			
Public recreation	-	30,000	30,000
Stormwater management	91,842	-	91,842
State road projects	722,972	-	722,972
Community development	100	-	100
Capital assets	56,933	477,124	534,057
Unassigned	7,137,221	-	7,137,221
Total fund balances	8,070,276	759,338	8,829,614
Total liabilities, deferred inflows of resources, and fund balances	$ 16,812,439	$ 855,794	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			29,519,274
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			675,993
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			(7,262,363)
Net position of governmental activities			$ 31,762,518

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, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 11,336,794	$ 181,755	$ 11,518,549
Payments in lieu of taxes	203,042	-	203,042
Penalties and interest	89,893	-	89,893
Licenses and permits	46,913	-	46,913
Intergovernmental	2,365,039	607,550	2,972,589
Charges for services	1,190,676	-	1,190,676
Fines	268,025	11,080	279,105
Miscellaneous	23,089	-	23,089
Investment earnings	9,123	771	9,894
Total revenues	15,532,594	801,156	16,333,750
Expenditures:			
Current:			
General government	6,631,404	207,248	6,838,652
Parks and recreation	1,164,282	21,899	1,186,181
Public safety	4,475,775	58,692	4,534,467
Public works	2,867,011	1,276,793	4,143,804
Airport	707,222	61,140	768,362
Welfare	259,379	-	259,379
Industrial development	-	181,755	181,755
Debt service:			
Principal retirement	261,000	-	261,000
Interest payments on notes	50,896	-	50,896
Total expenditures	16,416,969	1,807,527	18,224,496
Excess of revenues over (under) expenditures	(884,375)	(1,006,371)	(1,890,746)
Other financing sources (uses):			
Transfers in	1,262,333	1,582,249	2,844,582
Transfers out	(1,582,249)	(600,000)	(2,182,249)
Sales of general capital assets	3,460	-	3,460
Capital lease	-	171,975	171,975
Capital outlay notes issued	500,392	360,000	860,392
Insurance recoveries	35,190	-	35,190
Total other financing sources (uses)	219,126	1,514,224	1,733,350
Net change in fund balances	(665,249)	507,853	(157,396)
Fund balances - July 1, 2014	8,735,525	251,485	8,987,010
Fund balances - June 30, 2015	$ 8,070,276	$ 759,338	$ 8,829,614

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, 2015

Amounts reported by governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$ (157,396)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the useful lives of the assets:	
Capital asset purchases capitalized	1,564,501
Depreciation expense	(1,155,453)
The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net position:	
Donations of capital assets received	620,000
Sales and abandonments of capital assets	(49,977)
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	(7,955)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Promissory note principal payments	1,761,000
Capital outlay note issued	(860,000)
Capital lease	(171,975)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	(3,805)
Net pension liability	(131,871)
Net OPEB obligation	(110,576)
Change in deferred assets	535,941
Change in net position of governmental activities	$ 1,832,434

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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES				
Taxes:				
Property	$ 5,723,251	$ 5,922,914	$ 6,197,764	$ 274,850
Business	365,206	341,562	402,455	60,893
Local sales	3,576,403	3,658,616	3,713,710	55,094
Beverage	801,818	833,780	857,949	24,169
Franchise	148,784	155,760	164,916	9,156
Payments in lieu of taxes	195,603	197,911	203,042	5,131
Penalties and interest	86,925	88,990	89,893	903
Licenses and permits	46,430	48,015	46,913	(1,102)
Intergovernmental revenues				
State sales tax allocation	1,474,143	1,542,577	1,537,993	(4,584)
State income tax allocation	87,257	122,834	31,346	(91,488)
State beer tax allocation	9,636	9,749	9,746	(3)
State mixed drink tax allocation	42,147	35,512	33,581	(1,931)
State gasoline and motor fuel tax	41,687	41,553	41,504	(49)
State excise tax allocation	95,398	48,206	48,206	-
State TVA in lieu	224,905	232,273	239,641	7,368
State and federal grant funds	827,517	330,595	367,212	36,617
State supplements	56,855	44,266	55,810	11,544
Charges for services	1,336,874	1,215,818	1,190,676	(25,142)
Fines	276,538	274,923	268,025	(6,898)
Miscellaneous	6,192	24,870	23,089	(1,781)
Investment earnings	10,000	8,448	9,123	675
TOTAL REVENUES	15,433,569	15,179,172	15,532,594	353,422
EXPENDITURES				
General government:				
General government				
Salaries	420,450	374,488	370,670	3,818
Professional services	249,829	248,935	251,676	(2,741)
Payroll taxes	528,686	520,972	512,815	8,157
Travel and business	23,974	17,155	25,087	(7,932)
Mayor and council salaries	57,600	57,600	57,600	-
Health and disability insurance	1,364,351	1,407,765	1,296,149	111,616
Retirement	1,225,461	1,097,700	1,111,509	(13,809)
Insurance	441,994	451,579	451,869	(290)
Electric tax equivalent	148,538	148,859	149,100	(241)
Advertising	19,400	21,580	25,058	(3,478)
Employee recognition programs	72,920	66,644	67,059	(415)
Capital outlay	-	150,000	150,000	-
Legal settlements	-	1,520,603	1,520,603	-
Other general government	215,007	183,213	173,376	9,837
	4,768,210	6,267,093	6,162,571	104,522

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

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
General government:				
Planning and zoning				
Salaries	$ 182,050	$ 179,762	$ 195,960	$ (16,198)
Professional services	20,200	14,288	13,218	1,070
Employee education and training	6,900	3,224	2,892	332
Utilities	3,072	3,349	3,275	74
Gasoline and oil	2,715	2,312	2,146	166
Fees paid to state	18,480	24,852	25,846	(994)
Subscriptions and dues	6,310	5,644	5,671	(27)
Other planning and zoning	48,543	20,452	13,349	7,103
	288,270	253,883	262,357	(8,474)
Cemetery				
Salaries	90,013	83,879	85,658	(1,779)
Utilities	6,108	5,883	5,968	(85)
Maintenance and repair	4,336	4,066	3,719	347
Gasoline and oil	6,800	5,200	4,817	383
Other cemetery	6,996	4,785	4,362	423
	114,253	103,813	104,524	(711)
Animal control				
Salaries	80,669	78,149	81,680	(3,531)
Professional services	900	1,299	1,573	(274)
Utilities	7,417	7,664	9,234	(1,570)
Maintenance and repair	1,812	2,173	1,146	1,027
Gasoline and oil	5,529	4,205	3,755	450
Other animal control	5,846	4,081	4,564	(483)
	102,173	97,571	101,952	(4,381)
Public recreation:				
Parks and recreation				
Salaries	311,841	285,206	270,040	15,166
Utilities	32,835	25,255	18,344	6,911
Maintenance and repair	62,485	35,355	32,284	3,071
Gasoline and oil	26,074	22,805	16,331	6,474
Chemical supplies	7,785	7,901	3,465	4,436
Special events	9,000	7,146	7,146	-
Other parks and recreation	29,198	18,538	20,813	(2,275)
	479,218	402,206	368,423	33,783

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

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
General government:				
Recreational center				
Salaries	$ 451,314	$ 435,003	$ 438,122	$ (3,119)
Professional services	5,550	5,907	7,148	(1,241)
Utilities	151,374	171,638	172,428	(790)
Maintenance and repair	54,891	36,870	45,143	(8,273)
Recreational programming	16,750	15,327	14,289	1,038
Office supplies and materials	4,300	4,662	4,939	(277)
Chemical supplies	20,082	13,734	13,048	686
Employee education and training	5,878	3,432	3,502	(70)
Other recreational center	40,156	32,471	32,184	287
	750,295	719,044	730,803	(11,759)
Sports league				
Salaries	41,087	37,439	33,382	4,057
Professional services	26,300	23,558	20,058	3,500
Clothing and uniforms	6,800	3,366	3,248	118
Materials	4,080	3,076	2,884	192
Other sports league	9,336	5,480	5,484	(4)
	87,603	72,919	65,056	7,863
Public safety:				
Police				
Salaries	2,323,750	2,155,136	2,198,209	(43,073)
Salary supplement	35,255	25,989	33,843	(7,854)
Employee education and training	37,929	36,254	25,689	10,565
Utilities	53,166	44,238	44,178	60
Maintenance and repair	67,254	59,310	64,363	(5,053)
Gasoline and fuel	127,087	88,528	79,468	9,060
Fees paid to state	25,660	23,217	23,160	57
Computer software	11,945	10,543	10,199	344
Office supplies and materials	10,760	15,520	16,523	(1,003)
Clothing and uniforms	26,368	15,863	15,999	(136)
Lease and rental of equipment	15,354	18,920	18,912	8
Other police	42,299	41,293	27,379	13,914
	2,776,827	2,534,811	2,557,922	(23,111)

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

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
Public safety:				
Fire				
Salaries	$ 1,639,199	$ 1,563,992	$ 1,579,739	$ (15,747)
Professional services	-	9,893	9,893	-
Salary supplement	21,600	21,600	21,000	600
Volunteer firemen	7,200	6,450	5,850	600
Employee education and training	17,455	8,383	9,852	(1,469)
Utilities	37,961	31,328	32,195	(867)
Maintenance and repair	38,426	43,476	38,326	5,150
Gasoline and fuel	28,126	18,837	15,746	3,091
Fire hydrant rental	139,969	140,888	140,045	843
Expendable tools	24,050	10,304	14,722	(4,418)
Clothing and uniforms	15,100	16,788	15,224	1,564
Capital outlay	154,065	105,065	-	105,065
Other fire	41,400	31,018	35,261	(4,243)
	2,164,551	2,008,022	1,917,853	90,169
Public works:				
Streets				
Salaries	917,500	889,255	890,000	(745)
Utilities	21,695	19,827	19,963	(136)
Maintenance and repair	55,252	70,569	61,478	9,091
Gasoline and fuel	98,916	80,755	77,938	2,817
Expendable materials	36,554	38,496	39,541	(1,045)
Construction material	42,000	27,857	20,214	7,643
Clothing and uniforms	12,546	8,563	8,207	356
Chemical supplies	10,865	6,044	5,975	69
State road paving	88,222	88,222	77,785	10,437
State road projects	953,210	456,074	463,090	(7,016)
Other streets	39,482	23,350	14,720	8,630
	2,276,242	1,709,012	1,678,911	30,101
Stormwater management				
Professional services	20,000	12,850	11,300	1,550
Gasoline and oil	2,250	1,663	1,532	131
Construction material	90,000	70,148	39,585	30,563
Infrastructure	-	500,000	539,527	(39,527)
Other stormwater management	16,456	6,575	4,054	2,521
	128,706	591,236	595,998	(4,762)

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

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
Sanitation				
Salaries	$ 332,039	$ 308,630	$ 310,671	$ (2,041)
Maintenance and repair	31,244	23,316	25,288	(1,972)
Landfill services	152,700	193,931	212,388	(18,457)
Gasoline and oil	51,044	38,922	31,700	7,222
Capital outlay	-	467,666	-	467,666
Other sanitation	10,199	11,067	12,055	(988)
	577,226	1,043,532	592,102	451,430
Finance				
Debt principal	263,311	289,311	261,000	28,311
Interest on debt	46,882	46,882	50,896	(4,014)
	310,193	336,193	311,896	24,297
Airport				
Salaries	138,391	120,294	125,634	(5,340)
Professional services	56,004	56,391	58,020	(1,629)
Utilities	39,848	44,497	46,658	(2,161)
Maintenance and repair	48,433	22,968	11,963	11,005
Fuel for resale	745,704	527,700	426,768	100,932
Insurance	7,010	6,460	6,460	-
Bank service charges	18,750	13,718	10,955	2,763
Other recreational center	44,832	24,313	20,764	3,549
	1,098,972	816,341	707,222	109,119
Welfare	259,379	263,243	259,379	3,864
TOTAL EXPENDITURES	16,182,118	17,218,919	16,416,969	801,950
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(748,549)	(2,039,747)	(884,375)	1,155,372
OTHER FINANCING SOURCES (USES)				
Transfers in	660,168	1,261,597	1,262,333	736
Transfers out	(300,000)	(670,061)	(1,582,249)	(912,188)
Sales of general capital assets	6,000	2,160	3,460	1,300
Capital outlay notes issued	-	860,000	500,392	(359,608)
Insurance recoveries	-	36,300	35,190	(1,110)
TOTAL OTHER FINANCING USES	366,168	1,489,996	219,126	(1,270,870)
NET CHANGE IN FUND BALANCE	$ (382,381)	$ (549,751)	(665,249)	$ (115,498)
FUND BALANCE - BEGINNING			8,735,525	
FUND BALANCE - END			$ 8,070,276	

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2015

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 17,222,891	$ 6,997,344	$ 6,397,250	$ 30,617,485
Accounts receivable, net of allowance	4,407,624	216,635	269,054	4,893,313
Other receivables	77,245	1,538	451	79,234
Inventory	336,165	120,461	28,754	485,380
Other assets	9,931	-	9,585	19,516
Total current assets	22,053,856	7,335,978	6,705,094	36,094,928
Noncurrent assets:				
Restricted cash and cash equivalents	-	992,537	95,569	1,088,106
Energy conservation loans	413,432	-	-	413,432
Capital assets	18,187,013	14,878,130	39,487,855	72,552,998
Total noncurrent assets	18,600,445	15,870,667	39,583,424	74,054,536
TOTAL ASSETS	40,654,301	23,206,645	46,288,518	110,149,464
DEFERRED OUTFLOWS OF RESOURCES				
Pension	396,739	154,287	183,676	734,702
Deferred amounts from refunding of debt	-	224,813	-	224,813
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	41,051,040	23,585,745	46,472,194	111,108,979
LIABILITIES				
Current liabilities:				
Accounts payable	2,829,086	54,164	55,582	2,938,832
Notes payable	-	-	1,077,936	1,077,936
Accrued expenses and other liabilities	20,410	77,404	-	97,814
Accrued interest	-	-	40,208	40,208
Customer deposits	1,506,860	172,731	6,420	1,686,011
Total current liabilities	4,356,356	304,299	1,180,146	5,840,801
Current liabilities payable from restricted assets:				
Bonds payable	-	180,000	60,000	240,000
Accrued interest	-	29,309	-	29,309
Total current liabilities payable from restricted assets	-	209,309	60,000	269,309
Noncurrent liabilities:				
Conservation - TVA program	413,432	-	-	413,432
Accrued vacation	138,321	-	59,658	197,979
Bonds payable	-	2,770,000	2,169,556	4,939,556
Notes payable	-	-	20,667,382	20,667,382
Net pension liability	1,705,974	663,433	789,803	3,159,210
Net OPEB liability	30,272	30,272	30,272	90,816
Total noncurrent liabilities	2,287,999	3,463,705	23,716,671	29,468,375
TOTAL LIABILITIES	6,644,355	3,977,313	24,956,817	35,578,485
DEFERRED INFLOWS OF RESOURCES				
Pension	15,958	6,206	7,389	29,553
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	6,660,313	3,983,519	24,964,206	35,608,038
NET POSITION				
Net investment in capital assets	18,187,013	14,668,821	17,682,537	50,538,371
Restricted	-	783,228	35,569	818,797
Unrestricted	16,203,714	4,150,177	3,789,882	24,143,773
TOTAL NET POSITION	$ 34,390,727	$ 19,602,226	$ 21,507,988	$ 75,500,941

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

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

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2015

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
Operating revenues:				
Charges for services pledged as security for revenue bonds	$ 33,895,038	$ 4,098,774	$ 4,231,790	$ 42,225,602
Forfeited discounts and penalties	235,237	35,027	53,030	323,294
Rental income	278,343	-	-	278,343
Other operating revenue	127,021	28,666	-	155,687
TOTAL OPERATING REVENUE	34,535,639	4,162,467	4,284,820	42,982,926
Operating expenses:				
Purchased power	27,790,852	-	-	27,790,852
Operational expenses	2,546,692	2,130,406	1,829,055	6,506,153
Maintenance expense	961,851	773,615	426,967	2,162,433
Depreciation and amortization	832,380	939,435	1,224,646	2,996,461
TOTAL OPERATING EXPENSES	32,131,775	3,843,456	3,480,668	39,455,899
OPERATING INCOME	2,403,864	319,011	804,152	3,527,027
Nonoperating revenues (expenses):				
Interest income	18,761	24,210	8,167	51,138
Interest expense	(36,280)	(70,895)	(490,490)	(597,665)
Other income (expenses)	(2,915)	-	-	(2,915)
TOTAL NONOPERATING REVENUES (EXPENSES)	(20,434)	(46,685)	(482,323)	(549,442)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	2,383,430	272,326	321,829	2,977,585
\				
Transfers out	(662,333)	-	-	(662,333)
Capital contributions	-	61,099	46,750	107,849
CHANGE IN NET POSITION	1,721,097	333,425	368,579	2,423,101
NET POSITION, BEGINNING OF YEAR, AS RESTATED	32,669,630	19,268,801	21,139,409	73,077,840
NET POSITION, END OF YEAR	$ 34,390,727	$ 19,602,226	$ 21,507,988	$ 75,500,941

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, 2015

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers (including other funds)	$ 34,485,549	$ 4,102,011	$ 4,151,276	$ 42,738,836
Payments to suppliers	(29,342,565)	(1,574,850)	(1,322,842)	(32,240,257)
Cash paid to employees	(1,972,768)	(1,371,353)	(983,454)	(4,327,575)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,170,216	1,155,808	1,844,980	6,171,004
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributed	-	61,099	46,750	107,849
Other income (expense)	(2,582)	-	-	(2,582)
Acquisition and construction of capital assets	(1,077,541)	(837,651)	(409,494)	(2,324,686)
Principal paid on long-term debt	-	(180,000)	(1,119,108)	(1,299,108)
Interest paid on long-term debt	-	(72,255)	(493,116)	(565,371)
Interest paid on customer deposits	(36,280)	-	-	(36,280)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	(1,116,403)	(1,028,807)	(1,974,968)	(4,120,178)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase in customer deposits	55,919	6,218	-	62,137
Issuance of energy conservation loans	(35,559)	-	-	(35,559)
Payments to DREMC for transfers of members	(2,410)	-	-	(2,410)
Transfers to other funds	(662,666)	-	-	(662,666)
Home weatherization loan advances	35,559	-	-	35,559
NET CASH PROVIDED(USED) BY NON-CAPITAL FINANCING ACTIVITIES	(609,157)	6,218	-	(602,939)
CASH FLOWS FROM INVESTING ACTIVITIES - Interest and other income	18,564	24,091	8,037	50,692
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,463,220	157,310	(121,951)	1,498,579
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,759,671	7,832,571	6,614,770	30,207,012
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 17,222,891	$ 7,989,881	$ 6,492,819	$ 31,705,591
CASH AND CASH EQUIVALENTS CONSIST OF:				
Unrestricted cash and cash equivalents	$ 17,222,891	$ 6,997,344	$ 6,397,250	$ 30,617,485
Restricted cash and cash equivalents	-	992,537	95,569	1,088,106
	$ 17,222,891	$ 7,989,881	$ 6,492,819	$ 31,705,591

STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2015

	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	$ 2,403,864	$ 319,011	$ 804,152	$ 3,527,027
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	832,380	939,435	1,224,646	2,996,461
Provision for bad debts	100,248	20,629	42,003	162,880
(Increase) decrease in:				
Accounts receivable	(50,090)	(75,173)	(133,544)	(258,807)
Inventory	13,243	-	(2,720)	10,523
Other assets	1,163	-	-	1,163
Due from other funds	-	14,717	-	14,717
Increase (decrease) in:				
Accounts payable	142,901	27,516	15,646	186,063
Other liabilities	-	-	-	-
Pension liability	(247,757)	(96,349)	(114,701)	(458,807)
Accrued expenses	(25,736)	6,022	9,498	(10,216)
Total adjustments	766,352	836,797	1,040,828	2,643,977
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,170,216	$ 1,155,808	$ 1,844,980	$ 6,171,004

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

STATEMENT OF NET POSITION

CITY OF SHELBYVILLE, TENNESSEE

FIDUCIARY FUND

June 30, 2015

	Pension Trust Fund
ASSETS	
Investments	
Pooled separate accounts	$ 9,714,648
TOTAL ASSETS	9,714,648
NET POSITION	
Net position held in trust for pension benefits	9,714,648
TOTAL NET POSITION	$ 9,714,648

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

STATEMENT OF CHANGES IN NET POSITION

CITY OF SHELBYVILLE, TENNESSEE

FIDUCIARY FUND

For the Year Ended June 30, 2015

	Pension Trust Fund
ADDITIONS	
Contributions:	
Employer	$ 873,492
Plan members	-
Total contributions	873,492
Investment earnings:	
Net increase in the fair value of investments	70,425
Total investment earnings	70,425
Total additions	943,917
DEDUCTIONS	
Benefits	667,050
Administrative expenses	23,841
Total deductions	690,891
Change in net position	253,026
Net position - beginning (restated)	9,461,622
Net position - ending	$ 9,714,648

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-member governing council (council) by wards. As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Shelbyville (the government) and its component units. There are no legally separate component units of the City of Shelbyville, which meet the criteria for being reported as part of the government.

The Shelbyville Power, Water and Sewerage Systems (Systems) are comprised of three enterprise funds, the Shelbyville Power System, the Shelbyville Water System, and the Shelbyville Sewerage System. These funds issue combined separately audited general purpose financial statements, copies of which may be obtained from their administrative office, 308 South Main Street, Shelbyville, Tennessee.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

(2) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's power, water, and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government reports the following major governmental fund:

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

The government reports the following major enterprise funds:

Power system - This fund accounts for the activities of the government's power distributions operations.

Water system -This fund accounts for the activities of the government's water distribution system.

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

Additionally, the government reports the following fund types:

Pension trust fund - This fund accounts for the activities of The Retirement Plan for Full-Time Employees of the City of Shelbyville, Tennessee, which accumulates resources for pension benefits to qualified general government employees.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/ from other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similar, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

(3) Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. For expenditure-driven grants, in a departure from the 60 day period defined above, the consideration to defer recognition of revenue is considered in situations where reimbursement is not expected within a reasonable period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary and pension trust funds are reported using the economic measurement focus and the accrual basis of accounting.

(4) Revenues and expenditures/expenses

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes attach as an enforceable lien on real property as of January 1st. Taxes are levied on October 1 and are due and payable on or before February 28 of the following year. All unpaid taxes become delinquent March 1. The City bills and collects its own property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The enterprise funds recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Fund balance policies

Governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable fund balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council has not authorized anyone to make assignments.

Unassigned fund balance – the residual classification of the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When this occurs the government will determine the best use of funds based on the specific facts and circumstances at that time.

(6) Net position flow assumption

The City will on occasion fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When this occurs for the City's general government, the government will determine the best use of funds based on the specific facts and circumstances at that time. When this occurs for the Shelbyville Power, Water and Sewerage Systems, it is the System's policy to use restricted resources first, then unrestricted as they are needed.

(7) Statement of Cash Flows

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(8) Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has three items that qualify for reporting in this category. One is the deferred charge on bond refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A second is a deferred outflow of resources for contributions made to the Systems' defined benefit pension plans between the measurement date of the net pension liabilities from those plans and the end of the Systems' fiscal year. The government also reports the difference between projected and actual earnings on pension plan investments on the government-wide statement of net position. These amounts are deferred and amortized over five years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government reports unavailable revenue as deferred inflows of resources on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government reports deferred current property taxes as an inflow of resources on the government-wide statement of net position. These amounts are deferred and recognized as an inflow of resources in the period for which property taxes are levied. The government also reports the difference between projected and actual earnings on pension plan investments on the proprietary funds statement of net position the and government-wide statement of net position. These amounts are deferred and amortized over five years.

(9) Long-term liabilities and debt issuance

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt is recorded net of the applicable premium or discount. Debt issuance costs, other than insurance, are charged to expense in the period incurred. Debt premiums and discounts are deferred and amortized over the life of the debt using a method that approximates the interest method. In the fund financial statements, governmental fund types recognize premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(10) Energy Conservation Loans

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Inventories and prepaid items

Governmental funds' fuel and merchandise inventory is valued using the first-in/ first-out method and is recorded as an expenditure when consumed rather than when purchased. The enterprise funds' materials and supplies inventories are stated at lower of cost or market, with cost being determined on an average cost basis.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/ expenses when consumed rather than when purchased.

(12) Budgetary Information

Formal budgetary accounting is employed as a management control for all governmental funds of the government. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund, special revenue funds, and capital projects funds; the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a basis consistent with generally accepted accounting principles. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council approves all budget amendments.

For the year ended June 30, 2015, expenditures exceeded appropriations in the planning and zoning, cemetery, and animal control departments (the legal level of budgetary control) within the general government function of the general fund by $13,566 as well as the recreational center department within the public recreation function of the general fund by $11,759, police department within the public safety function of the general fund by $23,111, and the stormwater management department with the public works function of the general fund by $4,762. Expenditures exceeded appropritions in the hotel/ motel special revenue fund by $31,803.

(13) Compensated Absences

The government's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. Accumulated sick leave lapses when employees leave the employ of the government and, upon separation from service, no monetary obligation exists.

(14) Pension

For purposes of measuring the enterprise funds' net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System's participation in the Governmental Plan of Central Services Association (CSA), and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the CSA. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms of the CSA. Investments are reported at fair value.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(15) Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, except for land and infrastructure assets, are defined by the government as assets with an initial, individual cost of more than $5,000 and useful life in excess of one year. Land need only cost $1 to be reported as a capital asset, and only infrastructure projects that cost more than $20,000 are reported as capital assets.

As the government constructs or acquires additional capital assets each period they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the acquistion period of capital assets is included as part of the capitalized value of the assets constructed, if considered significant. There was no interest capitalized during the year ended June 30, 2015. The amount of interest cost incurred and charged to expense during the year ended June 30, 2015, was $50,896 for the governmental activities and $597,665 for the business-type activities.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the government are depreciated using the straight-line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings and improvements	15 - 75
Equipment	3 - 20
Vehicles	10 - 35
Infrastructure	75 - 100

(16) Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles. An allowance is established for delinquent taxes to the extent that their collectability is improbable. The allowance for uncollectible property taxes at June 30, 2015, is $17,478.

Customer utility accounts receivable of the enterprise funds are presented net of an allowance for uncollectible accounts of $147,348. Bad debt expense for the current year is $162,881. Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The enterprise funds use the reserve method, based upon a review of the current status of receivables and historical experience, in determining bad debt expense.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The power system has unbilled revenue of $1,031,685 as of June 30, 2015. The water system and the sewerage system have followed the practice of not recording unbilled revenue unless considered significant.

NOTE B - DEPOSITS AND INVESTMENTS

Deposits:

Cash of the enterprise funds includes petty cash and amounts in demand deposits and money market accounts. The enterprise funds invest cash in excess of current requirements in various interest-bearing accounts such as certificates of deposit with financial institutions which are carried at cost. The governmental funds invest funds in an interest bearing public funds checking account. These funds are stated at cost which approximates fair value.

The government does not have a formal policy that limits custodial credit risk for deposits. Custodial credit risk is the risk that in the event of a bank failure the government's deposits may not be returned to it. However, the government follows state statutes which require all deposits with financial institutions to be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure. For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that deposits be collateralized with collateral whose market value is equal to 105% of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the government.

At June 30, 2015, the entire carrying amount of the general government's cash deposits were covered by F.D.I.C. insurance, collateralized with securities pledged that comply with statutes as acceptable collateral, or were held with a financial institution participating in the bank collateral pool administered by the state treasurer.

At June 30, 2015, the carrying amount of the Systems' deposits was $31,705,591 and the amount of the banks balances was $33,890,426. Of the bank balances, $1,500,000 was covered by Federal depository insurance, and $12,871,031 was collateralized with securities pledged that comply with statutes as acceptable collateral, and $19,519,396 was collateralized by the banks' participation in the Tennessee State Collateral Pool.

Investments:

State statutes authorize the government to invest in bonds, notes, or treasury bills of the U.S. government or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the U.S. government or its agencies as the underlying securities, and the Local Government Investment Pool established by Title 9, Chapter 4, Part 7, *Tennessee Code Annotated*. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. The government had no investments as of June 30, 2015.

NOTE C - INCOME TAXES

Being a municipality, all funds of the government, including its enterprise funds, are exempt from Federal and State income taxes.

NOTE D - RELATED ORGANIZATIONS

The mayor and councilmembers are responsible for appointing board members of the Shelbyville Housing Authority and the Industrial Development Board, but the government's accountability for these organizations does not extend beyond making the appointments.

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 2,795,571	$ 192,500	$ -	$ 2,988,071
Construction in progress	3,498,857	886,180	3,469,942	915,095
Total capital assets, not being depreciated	6,294,428	1,078,680	3,469,942	3,903,166
Capital assets, being depreciated:				
Buildings	11,465,187	17,690	-	11,482,877
Equipment	4,013,659	161,123	40,101	4,134,681
Vehicles	6,353,314	307,008	76,533	6,583,789
Infrastructure	9,866,510	4,040,578	-	13,907,088
Total capital assets being depreciated	31,698,670	4,526,399	116,634	36,108,435
Less accumulated depreciation for:				
Buildings	3,390,863	226,495	430	3,616,928
Equipment	1,357,056	291,854	39,059	1,609,851
Vehicles	3,279,841	325,924	76,531	3,529,234
Infrastructure	1,425,135	311,179	-	1,736,314
Total accumulated depreciation	9,452,895	1,155,452	116,020	10,492,327
Total capital assets, being depreciated, net	22,245,775	3,370,947	614	25,616,108
Governmental activities capital assets, net	$ 28,540,203	$ 4,449,627	$ 3,470,556	$ 29,519,274

NOTE E - CAPITAL ASSETS (Continued)

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 634,862	$ -	$ -	$ 634,862
Construction in progress	2,246,865	1,652,830	1,030,297	2,869,398
Total capital assets, not being depreciated	2,881,727	1,652,830	1,030,297	3,504,260
Capital assets, being depreciated:				
Structures and improvements	41,005,077	6,310	-	41,011,387
Distribution plant	68,975,519	1,283,590	106,183	70,152,926
Furniture and fixtures	938,400	64,621	-	1,003,021
Transportation equipment	2,524,121	313,280	238,782	2,598,619
Equipment	2,030,925	58,679	20,333	2,069,271
Total capital assets, being depreciated	115,474,042	1,726,480	365,298	116,835,224
Less accumulated depreciation for:				
Structures and improvements	6,614,112	1,221,636	-	7,835,748
Distribution plant	33,648,893	1,619,504	150,944	35,117,453
Furniture and fixtures	823,054	51,163	-	874,217
Transportation equipment	2,213,272	116,029	238,782	2,090,519
Equipment	1,849,194	39,688	20,333	1,868,549
Total accumulated depreciation	45,148,525	3,048,020	410,059	47,786,486
Total capital assets, being depreciated, net	70,325,517	(1,321,540)	44,761	69,048,738
Business-type activities capital assets, net	$ 73,207,244	$ 331,290	$ 985,536	$ 72,552,998

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

Governmental activities:	
General government	$ 45,466
Public recreation	310,460
Public safety	280,625
Public works	298,968
Airport	215,518
Welfare	4,415
Total depreciation expense - governmental activities	$ 1,155,452

NOTE E - CAPITAL ASSETS (Continued)

Business-type activities:	
Power system	$ 832,380
Water system	922,574
Sewerage system	1,223,977
Total depreciation expense - business-type activities	$ 2,978,931

NOTE F - LONG-TERM DEBT

Capital outlay notes

The government has issued general obligation capital outlay notes under the Tennessee Municipal Bond Funds Alternative Loan Program. These capital outlay notes are direct obligations and are secured by the full faith and credit of the government. Capital outlay notes currently outstanding are as follows:

Purpose	Interest rate	Maturity	Outstanding Amount
Governmental activities – energy efficiency improvements	2.66%	2025	$ 1,596,000
Governmental activities – fire truck	1.99	2015	103,000
Governmental activities – storm flume repair	2.04	2020	500,000
Governmental activities – sanitation	2.08	2020	329,000
			$ 2,528,000

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

Year Ending June 30	Governmental Activities Principal	Interest
2016	$ 370,000	$ 59,596
2017	276,000	51,839
2018	287,000	45,382
2019	297,000	38,659
2020	309,000	31,674
2021-2025	801,000	80,612
2026	188,000	2,500
Total	$ 2,528,000	$ 310,262

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 – 4.50%	8/01/2037	$ 2,235,000
Water and sewer - revenue bonds	1.25 – 2.8%	8/01/2028	2,950,000
Sewerage system – revolving loan	1.70%	6/30/2037	2,878,543
Sewerage system – revolving loan	1.78%	2/01/2034	18,866,775
			$ 26,930,318

NOTE F - LONG-TERM DEBT (Continued)

The bonds are, among other things, secured by the revenues of the Systems. In addition, the Systems have complied with the bond resolution requirements as adopted by the Systems.

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

	Business-Type Activities			
Year Ending	Bonds		Notes	
June 30	Principal	Interest	Principal	Interest
2016	$ 240,000	$ 165,362	$ 1,077,936	$ 376,080
2017	245,000	160,224	1,097,112	356,904
2018	255,000	154,594	1,116,612	337,404
2019	255,000	148,267	1,136,472	317,544
2020	270,000	141,499	1,156,680	297,336
2021-2025	1,450,000	587,337	6,099,300	1,170,780
2026-2030	1,440,000	341,982	5,845,003	628,901
2031-2035	600,000	165,614	4,216,203	142,190
2036-2038	430,000	29,701	-	-
Total	$ 5,185,000	$ 1,894,580	$ 21,745,318	$ 3,627,139

Capital lease

This year the government entered into a lease agreement as lessee for financing the acquisition of a street sweeper valued at $171,975. The street sweeper has a twenty-year estimated useful life. This year, $4,732 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

Year Ending June 30	
2016	$ 26,724
2017	26,724
2018	26,724
2019	26,724
2020	26,724
2021	26,724
Total minimum lease payments	160,344
Less: amount representing interest	(14,369)
Present value of minimum lease payments	$ 145,975

NOTE F - LONG-TERM DEBT (Continued)

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2015, was as follows:

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital outlay notes	$ 1,903,000	$ 860,000	$ 235,000	$ 2,528,000	$ 370,000
Capital lease	-	171,975	26,000	145,975	22,709
Post-employment benefit obligation	526,748	129,879	19,302	637,325	23,000
Settlement	3,000,000	-	2,000,000	1,000,000	500,000
Net pension liability	2,823,418	131,871	-	2,955,289	-
Compensated absences	527,910	433,988	430,183	531,715	15,009
Long-term liabilities	$ 8,781,076	$ 1,727,713	$ 2,710,485	$ 7,798,304	$ 930,718
Business-type activities:					
Revenue bonds	$ 5,419,313	$ -	$ 239,757	$ 5,179,556	$ 240,000
Notes payable	23,182,299	35,559	1,059,108	22,158,750	1,077,936
Compensated absences	194,622	3,357	-	197,979	-
Net pension liability	3,573,088	-	413,878	3,159,210	-
Post-employment benefit obligation	69,007	21,809	-	90,816	-
Long-term liabilities	$ 32,438,329	$ 60,725	$ 1,712,743	$ 30,786,311	$ 1,317,936

NOTE G - COMMITMENTS AND CONTINGENCIES

The Water system and four other water systems in the Upper Duck River area entered into an agreement with the Tennessee Valley Authority (TVA) whereby, commencing February 25, 1972, each water system began paying monthly to TVA five cents ($.05) for each 1,000 gallons of water sold by it during the preceding month. The funds will go to return the Agencies' portion of the debt incurred to build the Normandy and Columbia reservoirs. Such payments shall be made regardless of the source of water sold and shall continue until a total of $16,200,000 has been paid to TVA by the group. There has been no division of the total liability between the parties to the contract.

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

Under its power contract, effective as of August 15, 1979, the power system is committed to purchase its electric power from TVA. This contract expired in 1999, and an amendment was signed to extend the contract. The amendment continues the contract for a term not less than five years, subject to termination by either party, with not less than five years written notice. The rates paid for the power and energy supplied by TVA shall be in accordance with the provisions of the Wholesale Power Rate - Schedule WS.

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

NOTE G - COMMITMENTS AND CONTINGENCIES (Continued)

At June 30, 2015, the Systems had several construction projects in process. The Systems take bids for these projects and award construction contracts to various companies.

NOTE H - PENSION PLAN

GENERAL GOVERNMENT:

Plan Description

Employees of the general government are provided a defined benefit pension plan, The Retirement Plan for Full-Time Employees of the City of Shelbyville, Tennessee, (Plan), a single-employer pension plan. The council assigns the City Manager to administer the Plan who in turn delegates certain daily administrative duties to employees of the administrative staff. The Plan does not issue a publicly available financial report.

Benefits Provided

All the benefits and provisions of the Plan are at the discretion of the council and are consistent with the laws of Tennessee and the United States government. The Plan provides retirement, termination, disability and death benefits to plan members and beneficiaries and covers full time employees who have completed one (1) year of continuous service and have reached age 21 and who were not hired after age 59. A full-time employee is an employee who works at least 30 hours per week. The Plan was amended effective July 1, 2005, to freeze the Plan to new participants.

The normal retirement date is the first day of the month coincident with or next following the month during which the participant attains age 65. Reduced benefits are available once a participant attains the age of 55. The monthly accrued benefit varies based on plan entry date and whether or not member contributions were made, among other factors. Please consult the plan document concerning the calculation of the monthly accrued benefit.

Employees covered by benefit terms

At the measurement date of January 1, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	72
Inactive employees entitled to but not yet receiving benefits	55
Active employees	64
Total	191

Contributions

Effective for Plan years after December 31, 1984, Plan members may not contribute to the Plan. Prior to January 1, 1985, Plan members were required to contribute. Prior contributions continue to accrue interest at 4% annually. The City has no regulatory amount to contribute, but has established an informal policy to annually contribute, on a quarterly basis, an actuarially determined amount based on the previous January 1 actuarial valuation. For the year ended June 30, 2015, the City contributed $873,492.

NOTE H - PENSION PLAN (Continued)

Net pension liability

The government's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015, rolled forward to June 30, 2015, using standard actuarial methodology and the actual assets of the trust as of June 30, 2015.

Actuarial assumptions

The total pension liability as of June 30, 2015, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Economic Actuarial Assumptions

Salary increases – 3.0% per year
Long-term rate of return – 7.75%
Discount rate – 7.75%

Demographic Actuarial Assumptions

Mortality:
Male – 1983 Group Annuity Table for males
Female – 1983 Group Annuity Table for males set back six years

Termination or Withdrawal from service:
Sarason T-3 table

Age at Retirement:
Active employees are assumed to retire at the age when retirement benefits are not reduced for early retirement, age 60 for fire and police and age 62 for administrative employees.

Assumed Age of Commencement for Deferred Vested Benefits:
Age 65

Discount Rate

The assets of the Plan are invested at One America. At their recommendation the funds are 65% allocated to equities and 35% allocated to fixed income. In order to, over the long-term, meet or exceed the actuarial assumption for discount rate and long-term rate of return of 7.75%. The projection of benefit payments and those contributions from the government will be made at the actuarial determined contribution amount pursuant to an actuarial valuation in accordance with funding policy adopted by the government and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current and inactive participants. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE H - PENSION PLAN (Continued)

Mortality Table

The mortality table is chosen based on the past 15 years of experience for retirees.

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2014	$(12,285,040)	$ 9,461,622	$ (2,823,418)
Changes for the year:			
Service cost	(116,663)	-	(116,663)
Interest cost	(935,284)	-	(935,284)
Difference between expected and actual experience	-	-	-
Employer contributions	-	873,492	873,492
Employee contributions	-	-	-
Net investment income	-	70,425	70,425
Benefit payments	667,050	(667,050)	-
Administrative expense	-	(23,841)	(23,841)
Other charges	-	-	-
Net changes	(384,897)	253,026	(131,871)
Balance at June 30, 2015	$(12,669,937)	$ 9,714,648	$ (2,955,289)

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

The following presents the net pension liability of the general government calculated using the discount rate of 7.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease	Current Rate	1% Increase
Net pension liability	$ 4,341,901	$ 2,955,289	$ 1,764,024

Pension expense

For the year ended June 30, 2015, the general government recognized pension expense of $469,422.

NOTE H - PENSION PLAN (Continued)

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, the general government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on pension plan investments	535,941	-
Total	$ 535,941	$ -

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

Year ended June 30:	
2016	$ 133,985
2017	133,985
2018	133,985
2019	133,986

ENTERPRISE FUNDS:

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

The Systems are required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by CSA. If a participant becomes totally disabled before termination of employment, he is 100% vested. After completing five years of service, an employee is entitled to 100% of his accrued benefit. The plan is available to employees after attaining age 24 ½ and completing 6 months of service.

The term "total pension liability" is the actuarial accrued liability calculated according to the individual entry age normal cost method. This cost attributes the actuarial present value of projected benefit payments to each employee based on a level percentage of compensation basis.

NOTE H - PENSION PLAN (Continued)

Components of the Net Pension Liability as of October 1, 2014:

Total pension liability	$ 19,119,923
Plan fiduciary net position	15,960,713
Net pension liability	$ 3,159,210
Net position as percentage of the total pension liability	83.48%

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

Net pension liability with a 1% decrease in discount rate: 6.00%	$ 5,606,558
Net pension liability at current discount rate: 7.00%	3,159,210
Net pension liability with a 1% increase in discount rate: 8.00%	990,162

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

Pension Expense:

Service cost	$ 296,322
Interest on the total pension liability	1,268,528
Differences between expected and actual experience	7,448
Change of assumptions	-
Employee contributions	(112,301)
Projected earnings on pension plan investments	(1,032,367)
Differences between projected and actual earnings on plan investments	(7,388)
Pension plan administrative expense	1,249
Other changes in fiduciary net pension	-
Total pension expense	$ 421,491

NOTE H - PENSION PLAN (Continued)

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at October 1, 2013	$(18,177,875)	$ 14,604,787	$ (3,573,088)
Changes for the year:			
Service cost	(296,322)	-	(296,322)
Interest cost	(1,268,528)	-	(1,268,528)
Difference between expected and actual experience	(81,928)	-	(81,928)
Employer contributions	-	880,296	880,296
Employee contributions	-	112,301	112,301
Net investment income	-	1,069,308	1,069,308
Benefit payments	704,730	(704,730)	-
Administrative expense	-	(1,249)	(1,249)
Other charges	-	-	-
Net changes	(942,048)	1,355,926	(413,878)
Balance at October 1, 2014	$(19,119,923)	$ 15,960,713	$ (3,159,210)

Deferred Outflows and Inflows of Resources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 74,480	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings in pension plan investments	-	(29,553)
Contributions subsequent to the measurement date of October 1, 2014	660,222	-
	$ 734,702	$ (29,553)

The employer contributions of $660,222 reported as pension related deferred outflows of resources subsequent to the measurement date of October 1, 2014 will be recognized as a reduction of net position liability in the year ended June 30, 2016.

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

2016	$ 60
2017	60
2018	60
2019	60
2020	7,448
Thereafter	37,239

Plan membership as of October 1, 2014

Inactive plan members or beneficiaries currently receiving benefits	41
Inactive members entitled but not yet receiving benefits	15
Active plan members	75
Total	131

NOTE H - PENSION PLAN (Continued)

Schedule of Employer Contributions

Year	Minimum Contribution	Actual Contribution
2013	$ 646,112	$ 880,296

Actuarial Assumptions

Measurement date	October 1, 2014
Discount rate	7.00%
Mortality	RP-2000 Fully Generational with Scale AA
Salary scale	3.00%
Assumed retirement age	50% at age 62 with 5 years of service and 50% at age 65
Cost of living increase	N/A
Date of participation freeze	N/A

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and the employer will continue to contribute the actuarially determined contribution in accordance with the Plan's current funding policy on an annual basis. Based on the assumption, the pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of the return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE I - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City maintains two separate single-employer defined benefit post-employment healthcare plans. One covers the general government while the other covers employees of Shelbyville Power, Water, and Sewerage Systems.

The following is a summary of each of these plans:

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

PLAN DESCRIPTION-GENERAL GOVERNMENT
The government administers a single-employer defined benefit healthcare plan which provides postemployment healthcare benefits for retirees. The government will continue coverage under its medical insurance plan until the employee is eligible for Medicare in the same manner as then current employees. For employees with twenty years or more of service the government pays the full cost of the coverage. Employees with less than twenty years of service are reimbursed a percentage of coverage based on years of service, but not less than fifty percent. The council may amend the benefit provisions. A separate report was not issued for the plan.

NOTE I - 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 $2,478 were made during the year ended June 30, 2015. 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, 2015, the City contributed $19,301 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	General Government
Annual required contribution	$ 26,118	$ 140,556
Interest on net OPEB obligation	3,105	15,802
Amortization of net OPEB obligation	(3,770)	(26,480)
Annual OPEB cost (expense)	25,453	129,878
Contributions made	(3,644)	(19,301)
Increase in net OPEB obligation	21,809	110,577
Net OPEB obligation, beginning of year	69,007	526,748
Net OPEB obligation, end of year	$ 90,816	$ 637,325

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

The government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the plan for current and preceding two fiscal years are as follows:

General Government:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 129,878	17.3%	$ 637,325
June 30, 2014	133,130	15.1	526,748
June 30, 2013	142,126	24.0	413,739

Enterprise Funds:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 25,453	14.3%	$ 90,816
June 30, 2014	17,657	23.6	69,007
June 30, 2013	17,791	20.5	55,521

As of July 1, 2014, the most recent actuarial valuation date, both plans were 0% funded. The plans will be funded on a pay-as-you-go basis.

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, 2015, as well as actuarial methods and assumptions for both plans, was as follows:

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

	Systems	General Government
Actuarial valuation date	7/01/2014	7/01/2013
UAAL	$ 223,922	$ 1,018,999
Covered payroll	$ 3,930,560	$ 6,001,271
Ratio of UAAL to covered payroll	5.70%	17.0%
Actuarial cost method	Projected unit credit cost	Projected unit credit cost
Amortization method	Level % of payroll	Level dollar
Amortization period	Open 30 yr period	Open 30 yr period
Inflation rate	4.5%	3.0%

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

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 J - 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. Prior to January 1, 2014, the general government contributed 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 $0.

Effective January 1, 2014, the employer no longer may contribute to the plan. The plan will remain active until all funds are utilized. Assets of the plan totaled $332,335 as of June 30, 2015.

NOTE K - JOINT VENTURES

The City of Shelbyville and Bedford County jointly fund the Shelbyville-Bedford County Public Library (the Library), which operates under Tennessee state law and the rules and regulations of the Highland Rim Regional Library. The Library is governed by a voluntary, fourteen member Board of Directors, seven appointed by the County and seven by the City. The City has control over budgeting and financing of the joint venture only to the extent of representation by the seven board members appointed. The City contributed $136,000 to the operations of the Library during the year ended June 30, 2015. Complete financial statements of the Library can be obtained at 220 South Jefferson Street, Shelbyville, Tennessee 37160.

Bedford Railroad Authority (the Authority) was created by Bedford County and the cities of Shelbyville and Wartrace, Tennessee, to provide for the continuation of rail service on a section of existing rail spur line located within Bedford County between the cities of Shelbyville and Wartrace. The Authority is governed by a board of directors including the County Mayor, the Mayor of each city, and members selected by the governing bodies of each county and city who are members of the Authority. For the year ended June 30, 2015, 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.

Summary financial information as of June 30, 2015, of these organizations is shown below.

	Bedford Railroad	Shelbyville-Bedford County Public Library
Total assets and deferred outflows	$ 4,192,167	$ 3,228,786
Total liabilities	-	200,223
Net position	$ 4,192,167	$ 3,429,009
Revenues	$ 339	$ 2,251,929
Expenditures	51,960	359,408
Increase (decrease) in net position	$ (51,621)	$ 1,892,521

NOTE L - NONEXCHANGE TRANSACTION

The government receives shared revenue from the State of Tennessee for a tax the state assesses on the earnings of certain financial institutions. The government is required to recognize receivables and deferred revenues as the banks earn the income. However, the banks file at different times of the year, and it is difficult to follow state statutes' guidance concerning what time period is being filed on. Therefore, the receivable and deferred revenue at June 30, 2015, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2015, the government received $48,206 from the State of Tennessee for this shared revenue.

NOTE M - DEFINED CONTRIBUTION PLAN

The City's general government participates in a defined contribution plan, City of Shelbyville Employees Defined Contribution and 401(k) Plan (Plan). The Plan was established November 1, 1985, and is administered externally by a plan administrator. Plan provisions are established or amended by council resolution. The Plan covers all employees between twenty-one and sixty-four years of age having completed one year of service. For employees hired prior to July 1, 2004, participation in the plan is voluntary. For employees hired after June 30, 2004, the City contributes an amount equal to 7% of such employees' annual compensation. Employees have the option to invest in group annuity contracts or agreements with financial service providers that offer a wide variety of investment options. Employees are vested 50% after 3 years of service, 60% after 4 years, 75% after five years, 90% after six years, and 100% after 7 years of service. The Plan is qualified under section 401(k) of the Internal Revenue Code. Total employee contributions for the plan year were $232,778. Employer contributions, as well as the expense recognized in the statement of activities, totaled $223,046. Employees who retire at or after age 65 are entitled to a joint and survivor annuity, a lump sum payment, installment payments or an annuity purchase.

NOTE N - DEFERRED COMPENSATION PLAN

Effective January 1, 2012, the general government offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan allows employees to defer a portion of their salary until future years. Compensation deferred under this plan is not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency. The general government has contracted with ICMA Retirement Corporation to administer the Plan. The assets of the Plan are held in trust for the exclusive benefit of the employees and their beneficiaries. Employer contributions to the Plan totaled $6,065 and employee contributions totaled $14,908 for the year ended June 30, 2015.

The Systems also offer employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan was adopted in November 1997. Participation in the plan is optional for employees who may defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The financial statements of the Section 457 plan are not reported in these financial statements since the Systems do not have any administrative involvement nor does it perform the investing function for the plan. The amounts deferred are held in trust for the exclusive benefit of employees and is not accessible by the Systems or their creditors. No employer contributions were made for the year ended June 30, 2015.

NOTE O - SEIZED MONEY HELD FOR DISPOSITION

As mandated by the State of Tennessee, the City opened a checking account titled "Police Evidence Account" in which seized money awaiting disposition is deposited. When City officers seize money, it is booked as evidence using the police department's normal procedures and then turned over to the City Treasurer for deposit into the above referenced account. A seizure hearing is conducted by the State of Tennessee Department of Safety to determine if the funds were seized pursuant to the applicable sections of Tennessee Code Annotated. The Department of Safety then issues an Order of Delegation and Forfeiture for disposition of the seized funds. The funds are deposited into the Police Drug Fund's regular checking account if the Department of Safety orders that the property be forfeited to the seizing agency. If the Department of Safety orders the return of the funds to the original holder, a check is issued to that individual from the Police Evidence Account. At June 30, 2015, $5,775 is included in the Police Drug fund as seized money held for disposition.

NOTE P - RESTRICTED NET POSITION

Net position 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 $199,437.

NOTE Q - INTERFUND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2015, is as follows:

Transfers in:	Transfers out:		
	Power fund	Capital projects fund	General fund
General fund	$ 662,333	$ 600,000	$ -
Capital projects fund	-	-	1,582,249

During the year the power fund remits in lieu taxes to the general fund on a monthly basis. There were no one-time transfers during the year ended June 30, 2015.

NOTE R - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2015, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Power	State Street Aid	$ 23,943
Power	General	50,391
Total		$ 74,334

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE S - SUBSEQUENT EVENTS

On August 14, 2015, the government issued $1,000,000 in capital outlay notes to fund storm water flume repairs. The interest rate on the notes is 2.64% and the maturity date is August 1, 2025.

On September 2, 2015, the government issued $2,000,000 in capital outlay notes to fund storm water flume repairs. The interest rate on the notes is 2.81% and the maturity date is September 1, 2027.

On October 15, 2015, the government issued $600,000 in capital outlay notes to fund the Commerce Business Park. The interest rate on the notes is 2.5% and 3.0% with maturities of May 1, 2021 and May 1, 2027.

NOTE T - GRANTS

The government participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the government may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited, but the government believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the government.

NOTE U - BUDGET RESERVE

As of June 30, 2015, the council had identified $500,000 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 council may use the funds or add to the funds at their discretion.

NOTE V - SETTLEMENT

The government was named as a defendant in a federal lawsuit brought by plaintiffs alleging $10,000,000 in damages for violation of their constitutional rights to due process concerning their application for a special exemption use permit for a rock quarry and crusher. Subsequent to a decision rendered against the government on July 10, 2014, the government entered into settlement negotiations with the plaintiffs. The parties agreed to a settlement in August, 2014. Significant terms of the settlement agreement include $3,000,000 payable to the plaintiff. $2,000,000 was due and paid within thirty days of the signing of the settlement agreement with another $500,000 due and paid on or before March 1, 2016. The remaining $500,000 may be paid in five equal installments of $100,000 over a period of five years with the first payment due on or before March 1, 2017. The government’s insurer was responsible for $500,000 of the initial $2,000,000.

NOTE W - RISK MANAGEMENT

The government has exposure to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The general government obtains insurance coverage covering these risks through a public risk entity pool (Pool) established by the Tennessee Municipal League. The Pool limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring certain levels of risks with various reinsurance companies. In general, such reinsurance contracts limit the Pool’s retention on individual occurrences as follows: workers’ compensation - $1,250,000; 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. The amounts of settlements have not exceeded insurance coverage for any of the past three fiscal years with the exception of the matter discussed in Note V.

NOTE W - RISK MANAGEMENT (Continued)

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

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

NOTE X - IMPLEMENTATION OF GASB STATEMENT NUMBERS 68 AND 71

Effective for the fiscal year ending June 30, 2015, the government implemented the provisions of GASBS 68, *Accounting and Financial Reporting for Pensions* and GASBS 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements' primary objective is to improve accounting and financial reporting for pensions. Among the requirements of GASBS 68 are the recognition of a net pension liability or asset. The net pension liability or asset is measured as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan's fiduciary net position. Accounting changes adopted to conform to the provisions of these statements are to be applied retroactively by restating financial statements.

The effect of implementing GASBS 68 has been the restatement of beginning net position as follows:

	Governmental Activities	Business-type Activities
Net position June 30, 2014 as previously reported	$ 33,406,375	$ 75,990,706
GASB 68 implementation- Net pension liability as of June 30, 2014	3,476,291	(2,912,866)
Net position June 30, 2014, restated	$ 29,930,084	$ 73,077,840

Because the total pension liability has not previously been actuarially calculated, pro forma amounts for the year ending June 30, 2014, are not readily determinable.

REQUIRED SUPPLEMENTARY INFORMATION

POST-EMPLOYMENT BENEFITS

SCHEDULE OF FUNDING PROGRESS

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2015

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, 2014	$ -	$ 223,922	$ 223,922	0.0%	$ 3,930,560	5.70%
July 1, 2013	-	152,076	152,076	0.0	3,816,719	3.98
July 1, 2012	-	152,076	152,076	0.0	3,709,091	4.01

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, 2013	$ -	$ 1,018,999	$ 1,018,999	0.0%	$ 6,001,271	16.98%
July 1, 2011	-	1,089,405	1,089,405	0.0	5,588,802	19.50
July 1, 2009	-	827,525	827,525	0.0	4,125,775	20.06

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF SHELBYVILLE, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

		2015
TOTAL PENSION LIABILITY		
Service cost	$	116,663
Interest		935,284
Changes in benefit terms		-
Differences between actual & expected experience		-
Change of assumptions		-
Benefit payments, including refunds of employee contributions		(667,050)
Net change in total pension liability		384,897
Total pension liability-beginning		12,285,040
Total pension liability-ending (a)	$	12,669,937
PLAN FIDUCIARY NET POSITION		
Contributions-employer	$	873,492
Contributions-employee		-
Net investment income		70,425
Benefit payments, including refunds of employee contributions		(667,050)
Administrative expense		(23,841)
Net change in plan fiduciary net position		253,026
Plan fiduciary net position-beginning		9,461,622
Plan fiduciary net position-ending (b)	$	9,714,648
Net pension liability (asset)-ending (a) - (b)	$	2,955,289
Plan fiduciary net position as a percentage of total pension liability		76.67%
Covered employee payroll	$	2,936,205
Net pension liability (asset) as a percentage of covered employee payroll		100.65%

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

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF SHELBYVILLE, TENNESSEE
SCHEDULE OF CONTRIBUTIONS

	2014	2015
Actuarially determined contribution	$ 867,329	$ 733,133
Contributions in relation to the actuarially determined contribution	1,023,492	873,492
Contribution deficiency (excess)	$ (156,163)	$ (140,359)
Covered-employee payroll	$ 3,110,414	$ 2,936,205
Contributions as a percentage of covered-employee payroll	32.91%	29.75%

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

Notes to Schedule

Valuation date:
Actuarially determined contribution rates for 2015 were calculated based on the January 1, 2015, actuarial valuation.

Methods and assumptions used to determine contribution rates:

The amortization of unfunded actuarial liabilities is being amortized utilizing the level dollar amortization method over a closed period of 20 years. The initial unfunded liability in 1999 has 4 years left in its amortization period. A tiered approach is being utilized for actuarial gains and losses and plan changes for each actuarial valuation since 1999. Each tier is being amortized over a closed 20 year period.

Other significant methods and valuations include the following:

Asset valuation	Market values
Actuarial cost method	Entry Age Normal Cost
Salary increases	3.0 percent per year
Investment rate of return	7.75 percent
Retirement age	60 for fire and police, 62 for administrative
Mortality	Male - 1983 Group Annuity Table for males
	Female - 1983 Group Annuity Table for males set back six years

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.

Capital Projects Funds

Capital Fund – This fund accounts for the acquisition and construction of the government's capital assets, both major and routine.

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, 2015

	Special Revenue Funds				Capital Projects Funds		
Assets:	State Street Aid	Hotel/ Motel	Police Drug	Police Equipment	Capital	Greenway	Total Nonmajor Governmental Funds
Cash in bank	$ 138,216	$ 16,516	$ 41,358	$ 20,773	$ 326,308	$ 30,000	$ 573,171
Intergovernmental receivable	88,900	-	-	-	172,077	-	260,977
Other assets	-	-	-	-	-	-	-
Taxes receivable	-	21,646	-	-	-	-	21,646
Total assets	$ 227,116	$ 38,162	$ 41,358	$ 20,773	$ 498,385	$ 30,000	$ 855,794
Liabilities:							
Accounts payable	$ 3,736	$ 38,162	$ -	$ 3,579	$ 21,261	$ -	$ 66,738
Funds held in trust	-	-	5,775	-	-	-	5,775
Due to proprietary funds	23,943	-	-	-	-	-	23,943
Total liabilities	27,679	38,162	5,775	3,579	21,261	-	96,456
Fund balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted							
Highways and streets	199,437	-	-	-	-	-	199,437
Public safety	-	-	35,583	17,194	-	-	52,777
Committed	-	-	-	-	-	-	-
Assigned							
Public recreation	-	-	-	-	-	30,000	30,000
Capital projects	-	-	-	-	477,124	-	477,124
Total fund balances	199,437	-	35,583	17,194	477,124	30,000	759,338
Total liabilities and fund balances	$ 227,116	$ 38,162	$ 41,358	$ 20,773	$ 498,385	$ 30,000	$ 855,794

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

CITY OF SHELBYVILLE, TENNESSEE

For the year ended June 30, 2015

	Special Revenue Funds				Capital Projects Funds		
Revenues:	State Street Aid	Hotel/ Motel	Police Drug	Police Equipment	Capital	Greenway	Total Nonmajor Governmental Funds
Intergovernmental	$ 535,252	$ -	$ -	$ -	$ 72,298	$ -	$ 607,550
Taxes	-	181,755	-	-	-	-	181,755
Investment earnings	214	-	56	-	501	-	771
Fines and forfeitures	-	-	3,549	7,531	-	-	11,080
Total revenues	535,466	181,755	3,605	7,531	72,799	-	801,156
Expenditures:							
General government	-	-	-	-	207,248	-	207,248
Parks and recreation	-	-	-	-	21,899	-	21,899
Public safety	-	-	611	13,161	44,920	-	58,692
Public works	502,101	-	-	-	774,692	-	1,276,793
Airport	-	-	-	-	61,140	-	61,140
Industrial development	-	181,755	-	-	-	-	181,755
Total expenditures	502,101	181,755	611	13,161	1,109,899	-	1,807,527
Excess of revenues over (under) expenditures	33,365	-	2,994	(5,630)	(1,037,100)	-	(1,006,371)
Other financing sources (uses):							
Issuance of capital outlay note	-	-	-	-	360,000	-	360,000
Capital lease	-	-	-	-	171,975	-	171,975
Transfers in - general fund	-	-	-	-	1,582,249	-	1,582,249
Transfers out - general fund	-	-	-	-	(600,000)	-	(600,000)
Net change in fund balances	33,365	-	2,994	(5,630)	477,124	-	507,853
Fund balances - July 1, 2014	166,072	-	32,589	22,824	-	30,000	251,485
Fund balances - June 30, 2015	$ 199,437	$ -	$ 35,583	$ 17,194	$ 477,124	$ 30,000	$ 759,338

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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Apportionment of gasoline tax from State of Tennessee	$ 526,880	$ 526,880	$ 535,252	$ 8,372
Interest income	200	200	214	14
	527,080	527,080	535,466	8,386
Expenditures:				
Street lighting	298,339	298,339	286,076	12,263
Street maintenance	180,000	180,000	200,334	(20,334)
State road paving	60,000	60,000	-	60,000
Salt expense	12,000	12,000	15,691	(3,691)
Street marking	15,000	15,000	-	15,000
Vehicles	38,000	38,000	-	38,000
	603,339	603,339	502,101	101,238
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (76,259)	$ (76,259)	33,365	$ 109,624
Fund balance - July 1, 2014			166,072	
Fund balance - June 30, 2015			$ 199,437	

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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Taxes	$ 149,952	$ 149,952	$ 181,755	$ 31,803
Interest income	-	-	-	-
	149,952	149,952	181,755	31,803
Expenditures:				
Payments to Chamber of Commerce	146,766	146,766	177,942	(31,176)
Accounting services	3,186	3,186	3,813	(627)
TOTAL EXPENDITURES	149,952	149,952	181,755	(31,803)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ -	$ -	-	$ -
Fund balance - July 1, 2014			-	
Fund balance - June 30, 2015			$ -	

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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Court fines	$ 1,700	$ 1,700	$ 450	$ (1,250)
Forfeitures	1,500	1,500	3,099	1,599
Interest income	-	-	56	56
TOTAL REVENUES	3,200	3,200	3,605	405
Expenditures:				
Drug dog expense	2,880	2,880	611	2,269
Employee education and training	100	100	-	100
Capital outlay	10,000	10,000	-	10,000
TOTAL EXPENDITURES	12,980	12,980	611	12,369
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,780)	(9,780)	2,994	12,774
Other financing sources:				
Sales of capital assets	-	-	-	-
NET CHANGE IN FUND BALANCE	$ (9,780)	$ (9,780)	2,994	$ 12,774
Fund balance - July 1, 2014			32,589	
Fund balance - June 30, 2015			$ 35,583	

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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Court fines	$ 1,200	$ 1,200	$ 7,531	$ 6,331
Forfeitures	-	-	-	-
Police grant	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	1,200	1,200	7,531	6,331
Expenditures:				
Employee education and training	-	-	-	-
Other equipment	-	-	-	-
Vehicles	-	-	-	-
Capital outlay	20,700	20,700	13,161	7,539
TOTAL EXPENDITURES	20,700	20,700	13,161	7,539
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (19,500)	$ (19,500)	(5,630)	$ 13,870
Fund balance - July 1, 2014			22,824	
Fund balance - June 30, 2015			$ 17,194	

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

CITY OF SHELBYVILLE, TENNESSEE

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ 437,125	$ 65,255	$ 72,298	$ 7,043
Investment earnings	1,000	1,000	501	(499)
TOTAL REVENUES	438,125	66,255	72,799	6,544
Expenditures:				
Capital outlay - general government	162,500	207,248	207,248	-
Capital outlay - parks and recreation	157,490	13,675	21,899	(8,224)
Capital outlay - public safety	254,950	69,498	44,920	24,578
Capital outlay - public works	597,295	467,684	774,692	(307,008)
Capital outlay - airport	95,475	129,741	61,140	68,601
TOTAL EXPENDITURES	1,267,710	887,846	1,109,899	(222,053)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(829,585)	(821,591)	(1,037,100)	(215,509)
Other financing sources (uses):				
Transfers in - general fund	300,000	670,061	1,582,249	912,188
Transfers out - general fund	-	(600,000)	(600,000)	-
Capital lease	-	-	171,975	171,975
Issuance of capital outlay note	-	360,000	360,000	-
TOTAL OTHER FINANCING SOURCES (USES)	300,000	430,061	1,514,224	1,084,163
NET CHANGE IN FUND BALANCE	$ (529,585)	$ (391,530)	477,124	$ 868,654
Fund balance - July 1, 2014			-	
Fund balance - June 30, 2015			$ 477,124	

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, 2015

	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	-	-	-	-
NET CHANGE IN FUND BALANCE	$ -	$ -	-	$ -
Fund balance - July 1, 2014			30,000	
Fund balance - June 30, 2015			$ 30,000	

SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR - GENERAL GOVERNMENT

CITY OF SHELBYVILLE, TENNESSEE

For the year ended June 30, 2015

Fiscal Year Ending June 30,	Capital Lease		Capital Outlay Note Series 2012		Capital Outlay Note Energy Savings		Capital Outlay Note Series 2015		Capital Outlay Note Series 2015		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 22,709	$ 4,014	$ 103,000	$ 1,025	$ 108,000	$ 41,017	$ 96,000	$ 10,710	$ 63,000	$ 6,844	$ 392,709	$ 63,610
2017	23,334	3,390	-	-	114,000	38,064	98,000	8,242	64,000	5,533	299,334	55,229
2018	23,975	2,748	-	-	121,000	34,939	100,000	6,242	66,000	4,201	310,975	48,130
2019	24,635	2,089	-	-	128,000	31,628	102,000	4,202	67,000	2,829	321,635	40,748
2020	25,312	1,411	-	-	136,000	28,117	104,000	2,122	69,000	1,435	334,312	33,085
2021	26,010	714	-	-	143,000	24,406	-	-	-	-	169,010	25,120
2022	-	-	-	-	151,000	20,496	-	-	-	-	151,000	20,496
2023	-	-	-	-	160,000	16,359	-	-	-	-	160,000	16,359
2024	-	-	-	-	169,000	11,983	-	-	-	-	169,000	11,983
2025	-	-	-	-	178,000	7,368	-	-	-	-	178,000	7,368
2026	-	-	-	-	188,000	2,500	-	-	-	-	188,000	2,500
2027	-	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-	-	-	-
	$ 145,975	$ 14,366	$ 103,000	$ 1,025	$ 1,596,000	$ 256,877	$ 500,000	$ 31,518	$ 329,000	$ 20,842	$ 2,673,975	$ 324,628

SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR - SHELBYVILLE POWER, WATER, AND SEWERAGE SYSTEMS

CITY OF SHELBYVILLE, TENNESSEE

For the year ended June 30, 2015

Fiscal Year Ending June 30,	Capital Outlay Note SRF 2003-172		Capital Outlay Note SRF 07-206		Water and Sewer Revenue and Tax Bonds - Series 2007		Water and Sewer Revenue and Tax Bonds - Series 2011		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 218,112	$ 47,244	$ 859,824	$ 328,836	$ 60,000	$ 95,807	$ 180,000	$ 69,555	$ 1,317,936	$ 541,442
2017	221,856	43,500	875,256	313,404	60,000	93,407	185,000	66,817	1,342,112	517,128
2018	225,648	39,708	890,964	297,696	65,000	90,826	190,000	63,768	1,371,612	491,998
2019	229,524	35,832	906,948	281,712	65,000	88,062	190,000	60,205	1,391,472	465,811
2020	233,448	31,908	923,232	265,428	70,000	85,194	200,000	56,305	1,426,680	438,835
2021	237,444	27,912	939,792	248,868	75,000	82,114	200,000	52,105	1,452,236	410,999
2022	241,524	23,832	956,664	231,996	75,000	78,926	205,000	47,445	1,478,188	382,199
2023	245,652	19,704	973,824	214,836	80,000	75,632	210,000	42,360	1,509,476	352,532
2024	249,864	15,492	991,296	197,364	85,000	72,126	215,000	36,940	1,541,160	321,922
2025	254,148	11,208	1,009,092	179,568	85,000	68,514	220,000	31,175	1,568,240	290,465
2026	258,504	6,852	1,027,200	161,460	90,000	64,794	230,000	24,985	1,605,704	258,091
2027	262,819	2,429	1,045,632	143,028	95,000	60,863	235,000	18,357	1,638,451	224,677
2028	-	-	1,064,400	124,260	95,000	56,827	240,000	11,350	1,399,400	192,437
2029	-	-	1,083,504	105,156	100,000	52,683	250,000	3,875	1,433,504	161,714
2030	-	-	1,102,944	85,716	105,000	48,248	-	-	1,207,944	133,964
2031	-	-	1,122,744	65,916	110,000	43,518	-	-	1,232,744	109,434
2032	-	-	1,142,892	45,768	115,000	38,568	-	-	1,257,892	84,336
2033	-	-	1,163,400	25,260	120,000	33,368	-	-	1,283,400	58,628
2034	-	-	688,149	5,236	125,000	27,917	-	-	813,149	33,153
2035	-	-	99,018	10	130,000	22,243	-	-	229,018	22,253
2036	-	-	-	-	135,000	16,313	-	-	135,000	16,313
2037	-	-	-	-	145,000	10,013	-	-	145,000	10,013
2038	-	-	-	-	150,000	3,375	-	-	150,000	3,375
	$ 2,878,543	$ 305,621	$ 18,866,775	$ 3,321,518	$ 2,235,000	$ 1,309,338	$ 2,950,000	$ 585,242	$ 26,930,318	$ 5,521,719

UNCOLLECTED DELINQUENT TAXES FILED IN ACCORDANCE WITH APPLICABLE LAWS

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2015

During the year ended June 30, 2015, the government turned over $143,041 of 2013 property taxes receivable to the clerk and master in accordance with applicable laws.

UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2015

POWER SYSTEM:

RESIDENTIAL

Customer charge	$ 10.61
Energy charge	$ 0.09491 per KWH
First 1,000 KWH per month	$ 105.52

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	$ 0.10540 per KWH

GSA (from 50 KW to 1,000 KW):

If customer's currently effective contract demand, if any, or its highest billing demand during the latest 12 month period is greater than 50 KW but not more than 1,000 KW and the customer's monthly energy takings for any month during such period exceed 15,000 kilowatt hours:

Consumer charge	$ 46.20
Demand charge:	
First 50 kilowatt hours per month	NO CHARGE
Over 50 kilowatt hours per month	$ 13.14 per KW
Energy charge:	
First 15,000 kilowatt hours per month	$ 0.10688 per KWH
Over 15,000 kilowatt hours per month	$ 0.06340 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	$ 11.94 per KW
Over 1,000 kilowatt hours per month	$ 12.05 per KW
Energy charge – all KWH	$ 0.06682 per KWHR

GSA3 (Greater than 1,000 KW contract or highest 12 month measured KW greater than 1,000 KW but measured KW for month is less than 1,000 KW)
(must be eligible for small manufacturing credit):

Customer charge	$163.67
Demand charge:	
First 1,000 kilowatt hours per month	$ 10.56 per KW
Over 1,000 kilowatt hours per month	$ 10.42 per KW
Energy charge – all KWHR	$ 0.06142 per KWHR

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	$ 17.24 per KW
All KW Off-Peak	$ 4.14 per KW
Energy charge	
First 425 KWH/KW On-Peak (all KWHR)	$ 0.08218 per KWHR
First 425 KWH/KW Off-Peak (first 425 hours)	$ 0.04606 per KWHR
(example 425 * KW compared to measured KWHR)	
Next 195 KWHR/KW Off-Peak	$ 0.02641
Additional KWH Off-Peak	$ 0.00973
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	$ 19.65 per KW
Energy charge	
All KWHR	$ 0.04047 per KWHR
Facilities Rental (Delivery Point less than 46 KV)	$ 0.93 per KW
Equipment Rental	1.5% of installed cost per month

SECURITY LIGHTS

175 watt mercury vapor	$ 7.66
400 watt mercury vapor (Flood or Cobra head)	$ 14.30
200 watt high pressure sodium	$ 10.03
250 watt high pressure sodium	$ 12.07
100 watt high pressure sodium	$ 6.89

UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2015

WATER SYSTEM:

Residential, Commercial and Industrial

			Inside City	Outside City
First	1,500	gallons	$ 11.40 minimum charge	$ 15.20 minimum charge
Next	8,500	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

SEWERAGE SYSTEM:

			Inside City	Outside City
First	1,500	gallons	$16.70 minimum charge	$21.50 minimum charge
Next	8,500	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 2015:

Power System	9,950
Water System	8,897
Sewerage System	8,079

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association.
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? Click to access definition
+ Click to add a comment

Water Audit Report for: #N/A
Reporting Year: 2015 | 7/2014 - 6/2015

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

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

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

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

Master Meter and Supply Error Adjustments

WATER SUPPLIED

	Grading	Volume		Pcnt:	Value:	
Volume from own sources:	9	1,431.918	MG/Yr	2.00%		MG/Yr
Water imported:	n/a		MG/Yr			MG/Yr
Water exported:	n/a		MG/Yr			MG/Yr

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

WATER SUPPLIED: 1,403.841 MG/Yr

AUTHORIZED CONSUMPTION

Click here: ? for help using option buttons below

	Grading	Volume		Pcnt:	Value:	
Billed metered:	9	1,064.953	MG/Yr			
Billed unmetered:	n/a		MG/Yr			
Unbilled metered:	7	47.568	MG/Yr			
Unbilled unmetered:	7	38.675	MG/Yr		38.675	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

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

AUTHORIZED CONSUMPTION: 1,151.196 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

252.645 MG/Yr

Apparent Losses

	Grading	Volume		Pcnt:	Value:	
Unauthorized consumption:		3.510	MG/Yr	0.25%		MG/Yr
Customer metering inaccuracies:	8	34.408	MG/Yr	3.00%		MG/Yr
Systematic data handling errors:	5	2.662	MG/Yr	0.25%		MG/Yr

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

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

Apparent Losses: 40.580 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 212.065 MG/Yr

WATER LOSSES: 252.645 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 338.888 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

	Grading	Value	
Length of mains:	10	202.0	miles
Number of active AND inactive service connections:	9	9,271	
Service connection density:		46	conn./mile main
Are customer meters typically located at the curbstop or property line?			
Average length of customer service line:	7	27.0	ft
Average operating pressure:	7	74.0	psi

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

COST DATA

	Grading	Value		
Total annual cost of operating water system:	10	$3,843,456	$/Year	
Customer retail unit cost (applied to Apparent Losses):	8	$3.61	$/1000 gallons (US)	
Variable production cost (applied to Real Losses):	10	$2,684.13	$/Million gallons	U

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 83 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources
2: Unauthorized consumption
3: Systematic data handling errors

AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.
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Water Audit Report for: #N/A
Reporting Year: 2015 | 7/2014 - 6/2015

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

System Attributes:

	Apparent Losses:	40.580	MG/Yr
+	Real Losses:	212.065	MG/Yr
=	**Water Losses:**	**252.645**	MG/Yr
?	Unavoidable Annual Real Losses (UARL):	76.68	MG/Yr
	Annual cost of Apparent Losses:	$146,493	
	Annual cost of Real Losses:	$569,211	Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	Non-revenue water as percent by volume of Water Supplied:	24.1%	
	Non-revenue water as percent by cost of operating system:	24.6%	Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	11.99	gallons/connection/day
	Real Losses per service connection per day:	62.67	gallons/connection/day
	Real Losses per length of main per day*:	N/A	
	Real Losses per service connection per day per psi pressure:	0.85	gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	212.07	million gallons/year
?	Infrastructure Leakage Index (ILI) [CARL/UARL]:	2.77	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE-BY LEVY YEAR

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2015

Tax Year	Balance June 30, 2013	Taxes Levied	Collections	Discoveries and Adjustments	Balance June 30, 2014
2015	$ -	$ 6,989,170	$ -	$ -	$ 6,989,170
2014	5,837,552		(5,821,964)	385,656	401,244
2013	423,777	-	(230,971)	(3,534)	189,272
2012	209,976	-	(159,665)	(248)	50,063
2011	76,205	-	(14,703)	-	61,502
2010	12,695	-	(6,049)	(393)	6,253
2009	7,154	-	(1,436)	(359)	5,359
2008	4,738	-	(464)	186	4,460
2007	5,957	-	(621)	-	5,336
2006	4,135	-	-	-	4,135
2005	5,209	-	-	-	5,209
2004	1,212	-	-	-	1,212
2003	487	-	-	-	487
2002	110	-	-	-	110
2001	312	-	-	-	312
2000	1,818	-	-	-	1,818
	$ 6,591,337	$ 6,989,170	$ (6,235,873)	$ 381,308	7,725,942
Less estimated uncollectible accounts					(17,478)
Net receivable balance June 30, 2015					$ 7,708,464

NOTE: All uncollected taxes for years prior to 2014 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, 2015

Tax Year	Total Assessed Value	Tax Rate	Levy
2015	$ 368,185,307	$ 1.81	$ 6,664,170
2014	357,190,533	1.65	5,912,516
2013	358,387,190	1.65	5,892,788
2012	354,545,784	1.65	5,850,117
2011	346,455,651	1.65	5,716,613
2010	340,979,371	1.41	4,807,791
2009	353,220,696	1.41	4,980,363
2008	346,666,837	1.41	4,887,976
2007	348,923,684	1.41	4,919,810
2006	340,454,422	1.41	4,800,354

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2015

Grantor Agency	CFDA Number	Contract Number	Expenditures
FEDERAL AWARDS			
Department of Transportation **(1)**	20.205	STP-M-9314(7)	$ 55,913
Department of Transportation **(1)**	20.205	STP-M-3477(5)	88,700
Department of Transportation **(1)**	20.205	STP-M-437(4)	107,457
Department of Justice **(2)**	16.607	2011BUBX11058112	3,568
Department of Transportation **(1)**	20.607	154AL-14-300	3,349
Department of Transportation **(1)**	20.607	154AL-15-108	25,849
Department of Transportation **(1)**	20.106	AERO-14-243-00	35,924
Department of Transportation **(1)**	20.106	3-47-SBGP-44	1,841
	TOTAL FEDERAL AWARDS		322,601
STATE FINANCIAL ASSISTANCE			
TN Dept. of Transportation	N/A	AERO-14-243-00	1,996
TN Dept. of Transportation	N/A	CMA-1587	90,695
TN Dept. of Transportation	N/A	AERO-14-249-00	12,810
TN Dept. of Transportation	N/A	AERO-14-392-00	4,368
TN Recreation and Parks Association	N/A	4	2,000
	TOTAL STATE FINANCIAL ASSISTANCE		111,869
	TOTAL FEDERAL AND STATE AWARDS		$ 434,470

Note 1: The Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of City of Shelbyville under programs of the federal and state governments for the year ended June 30, 2015. The schedule is presented using the modified accrual basis of accounting.

(1) - Federal funds passed through the State of Tennessee, Department of Transportation.
(2) - Federal funds passed through the State of Tennessee, Department of Finance and Administration, Office of Criminal Justice Programs.

INTERNAL CONTROL AND COMPLIANCE SECTION

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

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

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

Honorable Mayor and City Councilmembers
City of Shelbyville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the Unites States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Shelbyville, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Shelbyville, Tennessee's basic financial statements, and have issued our report thereon dated February 16, 2016. Our report includes a reference to other auditors who audited the financial statements of the Shelbyville Power, Water, and Sewerage Systems, as described in our report on the City of Shelbyville, Tennessee's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Shelbyville, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Shelbyville, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Shelbyville, Tennessee's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control 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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. 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 following deficiencies described in the accompanying schedule of findings to be material weaknesses: (2015-001, 2015-002)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Shelbyville, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2015-003.

City of Shelbyville, Tennessee's Response to Findings

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

Purpose of this Report

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

Winnett Associates, PLLC

February 16, 2016

Finding 2015-001

Condition, Criteria, Cause and Effect: 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. Audit adjustments were necessary to properly record receivables and payables relative to current year grant activity.

Recommendation: Procedures necessary to record all grant activity should be performed. We suggest year end cutoff procedures be reviewed for effectiveness. We further suggest that all employees assigned to grant oversight, including the City Treasurer, City Manager, and City Recorder, meet annually together after year end to determine the outstanding grant amounts. Annual consultation with the auditor during this process should also be considered.

Management Response: Much work has been done to improve the tracking and status of all current grants and grants being applied for. A tracking sheet has been created and used during this year for activity; however there are still some areas that need improvement.

Finding 2015–002

Condition, Criteria, Cause and Effect: Regarding financial reporting, management is responsible for providing information necessary to convert from the governmental fund basis to the government-wide basis, primarily in the areas of long-term debt and capital assets. We noted incomplete information, primarily in the area of capital asset records.

Recommendation: Steps should be taken to ensure that all capital asset activity is documented for its inclusion in the annual audited financial statements. Special attention should be given to nonroutine items such as donated infrastructure and capital leases.

Management Response: Additional focus will be put on assets within the upcoming year to ensure that all items are captured correctly, paying special attention to the funds outside the capital fund.

Finding 2015–003:

Condition, Criteria, Cause and Effect: *Tennessee Code Annotated* section 6-56-203 requires the City to adopt and operate under an annual budget. Municipalities must amend their budgets by ordinance prior to increasing spending for any appropriation. Furthermore, the legal level of authority to spend for the City of Shelbyville is at the department level. The total expenditures for the year ended June 30, 2015, exceeded their corresponding budgeted amounts for the planning and zoning, cemetery, animal control, recreational center, police, and stormwater management departments as well as the hotel/ motel special revenue fund.

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

Management Response: The management for the City recognizes that the budget is a legal authority to spend funds. Occasions arise where expenses are necessary that are not budgeted to continue normal operations of the City which may cause overspending of budgeted amounts. The City has begun the process of making budget amendments for unbudgeted items throughout the year to avoid this from reoccurring in the future.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CITY OF SHELBYVILLE

For the Fiscal Year Ended June 30, 2015

Financial Statement Findings

Finding Number	Finding Title	Status
2011-002	Recording of grants (original finding # 2011-002)	Repeated
2013-002	Allowance for uncollectible property taxes (original finding # 2013-002)	Corrected
2013-004	Recording of prepaid and similar accounts (original finding # 2011-002)	Corrected
2014-001	Recording of accounts payable (original finding # 2013-002)	Corrected
2014-002	Conversion from fund basis to government-wide (original finding # 2014-002)	Repeated

Federal Award Findings and Questioned Costs

Not applicable