

CITY OF COOKEVILLE, TENNESSEE

FINANCIAL STATEMENTS

Year Ended

June 30, 2020

CITY OF COOKEVILLE, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2020

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INTRODUCTORY SECTION

CITY OF COOKEVILLE, TENNESSEE

OFFICIALS OF THE CITY OF COOKEVILLE, TENNESSEE

June 30, 2020

<u>Name</u>	<u>Title</u>
Elected Officials:	
Ricky Shelton	Mayor
Laurin Wheaton	Vice - Mayor
Charles Womack	City Council
Eric Walker	City Council
Mark Miller	City Council
Management:	
James Mills	City Manager
Brenda Imel, CPA	Finance Director*

*Designated with financial oversight responsibility

FINANCIAL SECTION



Independent Auditors' Report

City Council
City of Cookeville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cookeville, Tennessee (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Cookeville Regional Medical Center Authority, whose statements reflect total assets and deferred outflows of resources of \$351,006,080 and total revenues of \$337,608,605. 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 Cookeville Regional Medical Center Authority, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cookeville, Tennessee, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and transportation fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages V–XVI, the schedules of changes in net pension liability (asset) and related ratios and contributions based on participation in the Public Employee Pension Plan of TCRS on pages 81–83, and the schedule of changes in OPEB liability and related ratios on page 84 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 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's basic financial statements. The introductory section, the combining financial statements – nonmajor governmental funds on pages 85–86, the schedules on pages 87–105 (including the schedule of expenditures of federal awards and state financial assistance on pages 103–105 as required by the State of Tennessee), and the other schedules on pages 106–112 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements – nonmajor governmental funds on pages 85–86 and the schedules on pages 87–105 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, the combining financial statements – nonmajor governmental funds on pages 85–86 and the schedules on pages 87–105 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the other schedules on pages 106–112 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 June 24, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Goodlettsville, Tennessee
June 24, 2021

**Management's Discussion and Analysis
Annual Financial Statements
For the Fiscal Year Ended June 30, 2020**

As management of the City of Cookeville, Tennessee, we offer readers of the City of Cookeville's financial statements this narrative overview and analysis of the financial activities of the City of Cookeville for the fiscal year ended June 30, 2020. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Financial Highlights

- The assets and deferred outflows of the City of Cookeville exceeded its liabilities and deferred inflows at June 30, 2020 by \$187,853,665 (net position) for the primary government. This excess includes the value of capital assets plus resources restricted to specific projects by law, regulation, or contractual agreement (\$174,202,820) and unrestricted resources available to continue City operations into the next fiscal year (\$13,650,845).
- The government's total net position increased this year by \$9,359,938. Net position of the governmental activities increased by \$4,577,660 and those of the City's business type activities (utilities) increased by \$4,782,278.
- As of June 30, 2020, the City of Cookeville's governmental funds reported combined ending fund balances of \$47,794,465 an increase of \$4,360,411 in comparison with the prior year. Approximately 49% of this total amount, \$23,352,386 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$23,352,386 or 81.8% of total general fund expenditures.
- The City of Cookeville's total debt decreased by \$4,194,900 (16.2 percent) during the current fiscal year. The City retired (principal payments) \$4,194,900 of previously outstanding debt. The city issued no new debt in 2020.
- The actuarially determined net pension liability decreased by \$792,058 to \$17,745,378 at June 30, 2020. The TCRS legacy plan became closed to new hires after June 30, 2019. The TCRS hybrid plan was adopted for new hires after June 30, 2019.
- The actuarially determined net other post-employment liability at June 30, 2020 is \$48,617,108 of which \$40,320,793 represents the liability for governmental activities and \$8,296,315 is for business-type activities. The City of Cookeville is committed to provide postemployment benefits to its employees. The OPEB benefits are funded on a pay as you go basis. As a result of recognizing substantial liabilities in the financial statements for these benefits, the unrestricted net assets for governmental activities is a deficit balance. New employees hired on or after July 1, 2017 will be covered under the plan up to age 65.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Cookeville's basic financial statements. The City of Cookeville's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The first two statements, the Government-wide Statement of Net Position and Government-wide Statement of Activities present an overview of the City's governmental and business-type services.

The statement of net position presents financial information on all of the City of Cookeville's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Cookeville is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The reader should remember that the financial resources of the business-type activities are not available to finance governmental activities.

Governmental activities include services such as police, fire, recreation and culture, public works, street maintenance, sanitation services, prevention of drug and alcohol abuse, animal shelter operations, planning and codes, historical preservation, administrative and oversight functions necessary to provide all of the above.

Business-type activities, include electric, water & sewer services, and gas services.

The government-wide financial statements include not only the City itself (known as the primary government), but also the Cookeville Regional Medical Center and the Public Building Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The business-type activities that are listed above function for all practical purposes as a department of the City, and has been included as an integral part of the primary government.

The government wide financial statements can be found on pages 1-3 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and the capital projects fund all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found on pages 85-86 in this report.

The City of Cookeville adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget and can be found beginning on page 12.

The basic governmental fund financial statements can be found on pages 5-8 of this report.

Proprietary funds. The City of Cookeville maintains two different types of proprietary funds. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The city uses enterprise funds to account for its electric, water quality, and gas operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Cookeville's various functions. The City uses an internal service fund to account for the employee insurance program. The internal service fund has been allocated to both the governmental and business-type activities in the government-wide financial statements. The net assets of this internal service fund are for the purposes of paying health and wellness claims.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water quality, and gas operations, all of which are considered to be major funds of the city. The basic fund financial statements can be found on pages 9-11 of this report.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. Required supplementary information concerning the City's progress in funding its obligations to provide pension and OPEB benefits to its employees is presented. Combining and individual fund statements for non-major funds as well as information required by the State of Tennessee can be found in the other supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City of Cookeville, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$187,853,665 at fiscal year end June 30, 2020.

By far the largest portion of the City of Cookeville’s net position (81.1 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Cookeville’s investment in its capital assets is reported net of related debt it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following table provides a summary of the City’s net position at June 30:

Summary of Net Position

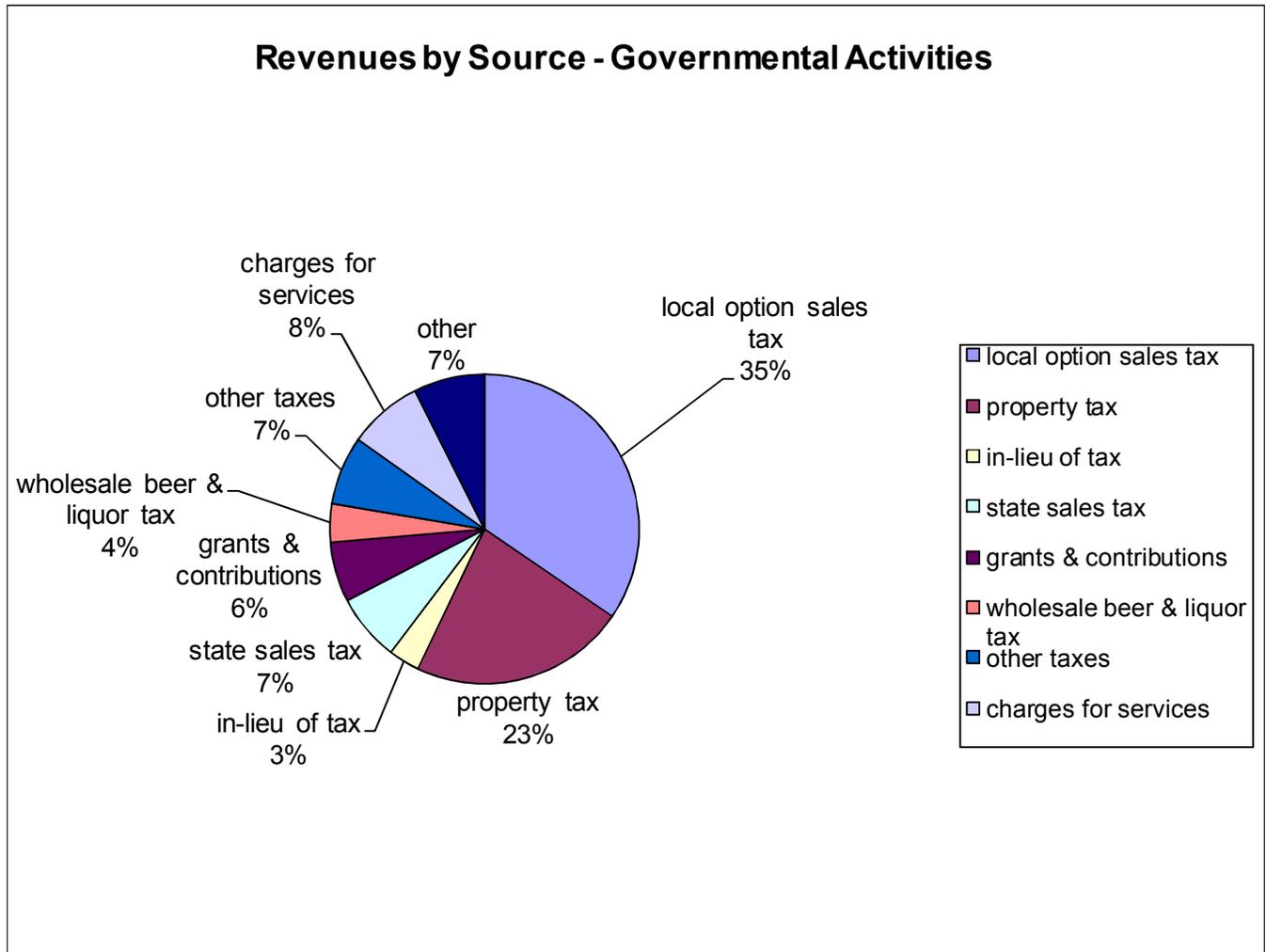
	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current Assets	\$ 64,189,659	\$ 58,764,344	\$ 53,125,122	\$ 48,789,154	\$ 117,314,781	\$ 107,553,498
Capital Assets	55,735,556	56,954,892	117,782,606	117,897,385	173,518,162	174,852,277
Other Assets	3,763,317	3,717,457	1,619,638	1,831,814	5,382,955	5,549,271
Total Assets:	<u>123,688,532</u>	<u>119,436,693</u>	<u>172,527,366</u>	<u>168,518,353</u>	<u>296,215,898</u>	<u>287,955,046</u>
Deferred Outflow s of Resources:	<u>9,008,018</u>	<u>10,204,069</u>	<u>3,060,444</u>	<u>3,249,216</u>	<u>12,068,462</u>	<u>13,453,285</u>
Current Liabilities	4,660,314	4,479,851	6,818,190	7,180,994	11,478,504	11,660,845
Long-term Debt	14,384,000	16,406,000	4,487,936	5,336,368	18,871,936	21,742,368
Other Liabilities	56,281,412	55,413,723	14,878,542	14,615,059	71,159,954	70,028,782
Total Liabilities:	<u>75,325,726</u>	<u>76,299,574</u>	<u>26,184,668</u>	<u>27,132,421</u>	<u>101,510,394</u>	<u>103,431,995</u>
Deferred Inflow s of Resources:	<u>16,825,598</u>	<u>17,140,422</u>	<u>2,094,703</u>	<u>2,108,987</u>	<u>18,920,301</u>	<u>19,249,409</u>
Net Position						
Invested in capital assets						
Net of related debt	40,626,302	39,694,570	112,446,244	110,946,117	153,072,546	150,640,687
Restricted	21,130,274	18,865,706			21,130,274	18,865,706
Unrestricted	(21,211,350)	(22,359,510)	34,862,195	31,580,044	13,650,845	9,220,534
Total Net Position:	<u>\$ 40,545,226</u>	<u>\$ 36,200,766</u>	<u>\$ 147,308,439</u>	<u>\$ 142,526,161</u>	<u>\$ 187,853,665</u>	<u>\$ 178,726,927</u>

An additional portion of the City’s net position represents resources that are subject to external restrictions on how they may be used and are restricted for various purposes. The remaining balance of unrestricted net position, \$13,650,845, may be used to meet the government’s ongoing obligations to citizens and creditors, however, the net assets of the internal service fund are for the purposes of paying health related claims. At June 30, 2020, the amount available for health related claims was \$4,563,284.

At June 30, 2020, the City of Cookeville is reporting a negative unrestricted net position on governmental activities due primarily to the approximately \$40.3 million in other postemployment liabilities for the City’s retiree healthcare. Changes have been made to employee benefits in an effort to reduce these liabilities in the long term. The unrestricted deficit actually improved over prior year by \$1,148,160. All other categories of net position have positive balances. Net position increased \$4,344,460 for governmental activities and increased \$4,782,278 for business-type activities.

Governmental activities. Governmental activities increased the City of Cookeville’s net position by \$4,577,660 thereby accounting for 52 percent of the total growth in the net position of the City of Cookeville.

The following table provides a summary of revenues by source for the governmental activities.



The following table presents a summary of the City's changes in net position for the primary Government for the year ended June 30, 2020.

Summary of Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues						
Charges for services	\$ 3,140,585	\$ 3,690,978	\$ 79,664,552	\$ 81,601,094	\$ 82,805,137	\$ 85,292,072
Operating Grants & Contributions	1,701,881	1,971,544			1,701,881	1,971,544
Capital Grants & Contrib	811,670	1,686,424	375,324		1,186,994	1,686,424
General revenues						
Local option sales tax	13,914,697	13,948,690			13,914,697	13,948,690
Property tax	9,099,010	7,599,564			9,099,010	7,599,564
In-lieu of tax	1,316,347	1,310,806			1,316,347	1,310,806
State sales tax	2,821,557	2,756,554			2,821,557	2,756,554
Wholesale beer tax	1,127,230	1,125,622			1,127,230	1,125,622
Wholesale liquor tax	490,547	449,141			490,547	449,141
other taxes	2,897,403	2,525,810			2,897,403	2,525,810
Other revenues	1,271,291	1,506,217	527,982	890,484	1,799,273	2,396,701
Transfers	1,709,487	342,122	(1,709,487)	(342,122)	-	-
Total Revenues	40,301,705	38,913,472	78,858,371	82,149,456	119,160,076	121,062,928
Expenses:						
General government	3,791,641	3,383,925			3,791,641	3,383,925
Economic development	93,282	26,781			93,282	26,781
Planning & codes	1,441,643	1,621,528			1,441,643	1,621,528
Public safety	15,915,895	14,404,359			15,915,895	14,404,359
Parks & maintenance	1,563,970	1,506,771			1,563,970	1,506,771
Public works	9,505,884	9,322,196			9,505,884	9,322,196
Culture & recreation	2,097,802	2,127,374			2,097,802	2,127,374
Community support	781,100	767,928			781,100	767,928
Interest on debt	532,828	596,563			532,828	596,563
Electric			50,161,690	52,754,170	50,161,690	52,754,170
Gas			8,844,956	10,237,314	8,844,956	10,237,314
Water Quality Control			15,069,447	14,170,379	15,069,447	14,170,379
Total Expenses	35,724,045	33,757,425	74,076,093	77,161,863	109,800,138	110,919,288
Change in Net Position	4,577,660	5,156,047	4,782,278	4,987,593	9,359,938	10,143,640
Beginning Net Position	36,200,766	31,044,719	142,526,161	137,350,869	178,726,927	168,395,588
Restatement-						
Prior Period Adjustment	(233,200)			187,699	(233,200)	187,699
Beginning Net Position- Restated	35,967,566	31,044,719	142,526,161	137,538,568	178,493,727	168,583,287
Ending Net Position	\$ 40,545,226	\$ 36,200,766	\$ 147,308,439	\$ 142,526,161	\$ 187,853,665	\$ 178,726,927

Business-type activities. Business-type activities increased the City of Cookeville's net position by \$4,782,278 accounting for 48 percent of the total growth in the government's net position.

The three Proprietary Fund Statements demonstrate that the electric, water/sewer, and gas departments continue to grow and to be financially stable.

The electric operations continue to be positive. Net assets increased by \$2,861,576 with operating revenues of \$53,717,863 and operating expenses of \$50,089,630. Non-operating revenue totaled \$484,499 and transfers to the general government were \$1,251,156. The electric department receives power from TVA at three delivery points with six substation sites located throughout the city. These substation sites then distribute power to the electric department's customers. The electric department completed a two-year rehabilitation project at both the North and East substations which included all new control houses for a total project cost of \$546,000. The electric department also purchased a new 77' bucket truck for \$295,895; along with a new backyard machine for \$ 160,517, a new backhoe for \$ 97,832 and a new utility pick-up truck for \$24,946. The department also continued a project of changing out streetlights to a more energy efficient LED light in numerous areas for approximately

\$200,000. During FY 2020, approximately \$85,000 was expended for a road widening project at South Jefferson Avenue from I-40 to Hwy 111 which will most likely be completed in FY2021.

Net assets increased \$1,745,363 for the water/sewer department. Operating revenues were \$17,004,038 and operating expenses were \$14,978,309. The water/sewer department had non-operating revenue totaling \$38,368 and transfers to the general government were \$318,734. The water department entered an engineering design contract to expand the water treatment plant by 7.5 million gallons per day (MGD). Design is in progress. The department routinely performs leak surveys to locate water leaks within the water distribution system. Repairs are completed as soon as leaks are found. The department completed the wastewater treatment plant headworks replacement project and continued work on the water treatment plant rehab project. The department completed the rehabilitation of water and sewer lines in Willow Ave. ahead of the TDOT repaving project. After conducting a rate study in 2018, the department implemented planned rate increases for water and sewer services along with a wholesale rate increase. The rate increase will be implemented over a five (5) year period and will conclude in FY 2023. These preplanned rate increases will provide sufficient cash reserves to fund the majority of planned capital expansion costs and minimize the amount of debt that would otherwise be issued for system expansion. The department continues to sell water to seven area utility districts which in turn provide water services to their own customers. The utility districts consume approximately 51.06% of the water sold by the department and accounts for approximately 36.58% of the water department's water sales revenue. The utility districts continue to repair water leaks within their distribution systems. The department's water supply is from Center Hill Lake. The department is required to pay the Army Corps of Engineers for water storage rights in Center Hill Lake and for dam repairs currently ongoing. During fiscal year 2020, the department paid \$12,089 to the Corp for a portion of the dam repair project. At June 30th the amount due the Corp for water storage rights was \$1,546,904. The department continues to rehab and upgrade sewer lines and sewer pump stations to minimize storm water infiltration into the sewer system and help prevent potential discharge of untreated sewage. The Little Creek Pump Station replacement project has been bid (\$903,065) and awarded. Work is in progress. The Wastewater Treatment Plant Bio-solids rehab project has been bid (\$6,493,300) and awarded. Work is in progress.

The gas department's net assets increased by \$170,358. Operating revenues were \$8,942,651 and operating expenses were \$8,845,609. Non-operating income totaled \$212,913 and transfers to the general government were \$139,597. The department has two supply connections on the East TN Pipeline. The department added additional supply capacity from the East TN pipeline during March 2014. The system has a total of 18 employees. These employees serve over 10,100 customers and maintain over 329 miles of distribution mains. The department annually budgets and plans for the extension of mains throughout its service territory. The department has a separate rate structure for supply services which classify customers as residential, commercial, or industrial. The current base rates went into effect May 2020 replacing the old base rate which had been in effect since July 2003. The May 2020 rate structure increased the customer charge to increase stability of gas revenues without the large dependency on winter sales. Base rates were also adjusted lower in May to sustain an overall rate neutral outcome for the customer. Gas rates are changed monthly utilizing a purchased gas adjustment (PGA) as prescribed in city ordinance. The monthly increases or decreases in gas commodity prices are factored into the monthly gas rates using the PGA. The PGA allows the department to recover the fluctuations in the cost of gas from its customers without changing base rates. Natural gas commodity prices remain relatively low and have been stable the past four years which has helped renew consumer confidence in natural gas as an energy source. Operating revenues decreased by \$1,948,715; associated to the 24% decrease in gas cost from previous year. The department has no debt outstanding.

The tables on the following page present a summary of the charges for services and expenses of the electric, water sewer, and gas department for the City of Cookeville.

Summary Comparison of Charges for Services for Fiscal Years 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Amount Change</u>	<u>% Change</u>
Electric Department	\$ 53,717,863	\$ 55,118,526	\$ (1,400,663)	-2.5%
Gas Department	8,942,651	10,891,366	(1,948,715)	-17.9%
Water Quality Control Department	17,004,038	15,591,202	1,412,836	9.1%
Charges for Services-Business-type Activities	<u>\$ 79,664,552</u>	<u>\$ 81,601,094</u>	<u>\$ (1,936,542)</u>	-2.4%

Summary Comparison of Expenses for Fiscal Years 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Amount Change</u>	<u>% Change</u>
Electric Department	\$ 50,161,690	\$ 52,754,170	\$ (2,592,480)	-4.9%
Gas Department	8,844,956	10,237,314	(1,392,358)	-13.6%
Water Quality Control Department	15,069,447	14,170,379	899,068	6.3%
Expenses-Business-type Activities	<u>\$ 74,076,093</u>	<u>\$ 77,161,863</u>	<u>\$ (3,085,770)</u>	-4.0%

Financial Analysis of the Government's Funds

As noted earlier, the City of Cookeville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Cookeville's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Cookeville itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Cookeville's Council.

As of June 30, 2020, the City of Cookeville's governmental funds reported combined ending fund balances of \$47,794,465, an increase of \$4,360,411 in comparison to prior year. There is \$4,970,335 in restricted fund balances which must be used for specific purposes \$1,439,198 restricted for street maintenance, \$415,473 restricted for police drug enforcement programs, \$474,952 restricted for economic development/tourism, \$1,343,966 restricted for sanitation operations and \$1,296,746 restricted for capital projects. There is \$14,073,208 in committed fund balances for the payment of principal and interest on the city's general obligation debt. The general fund is the chief operating fund of the City of Cookeville. At June 30, 2020, the unassigned fund balance of the general fund was \$23,352,386 and is available to be expended for any valid governmental purpose by the city. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 82 percent of total general fund expenditures during FY 20.

The City of Cookeville's general fund revenue is primarily generated from the local option sales tax and property tax. The local option sales tax and property tax revenue account for 73% of the general fund revenues. The sales tax collections for FY 20 were \$13,914,697, a decrease of just \$33,993 from FY 19. The city budgeted conservatively assuming sales tax collections would grow at approximately 2%. The COVID-19 pandemic impacted this revenue stream for March, April and May of 2020 resulting in the slight decrease from FY 19. The city's total property tax rate for FY 20 (2019 property tax) increased to \$.99 due to the creation of the Transportation Fund which will provide a revenue stream

for the major road project funding moving forward. This tax rate remains relatively low compared to other cities across the state. The property tax rate allocated to the general fund remained unchanged at \$.71 and accounted for \$6,385,640 in general fund property tax revenue. Departmental budgets have seen minimal increases the past two years and the departments have been successful in staying within their approved budgets. However, FY 20 saw an unexpected increase in public works expenditures due to debris removal costs associated with a tornado that hit the area on March 3rd.

The debt service fund has a total fund balance of \$14,073,208, all of which is committed for the payment of principal and interest on outstanding debt. \$.04 cents of the city property tax rate along with the city's share of state sales tax is allocated to the debt service fund. Property tax and state sales tax totaled \$3,192,102 in the debt service fund. In lieu payments are received from entities that are exempt from property tax but have agreed to make payments because they receive the same city services that other taxpayers receive. The city allocated \$700,000 of in lieu tax payments to the debt service fund for FY 20. Revenue allocated to the debt service fund exceeded debt service obligations resulting in an increase in the debt service fund balance. The increase in the fund balance was \$1,053,430. Interest rates were much lower than budgeted on the city's variable rate debt. Interest rates were budgeted at 5% and the actual rates were closer to 1.95%. No new debt was issued in FY 20. In 2010, the city issued \$7.2 million in G.O. Taxable Build America Bonds to finance the city's half of the Highlands Industrial/Business Park. These bonds are scheduled to receive a subsidy from the U.S. Treasury equal to 35% of the interest payments due on the bonds. However, as a result of Congressional sequestration of federal funds, the historical 35% interest rate subsidy was reduced by 5.9% for the interest payments made in FY 20. Future subsidies are expected to be reduced by 5.7%. This interest rate subsidy reduction will not have a significant impact on the debt service fund balance or the city's ability to meet its debt payment obligations.

The capital projects fund is used to account for expenditures related to infrastructure projects such as road construction, facility improvements, property acquisition and specialized equipment purchases. Funding for these type expenditures is typically handled through bond issues or variable rate loan agreements with the Tennessee Municipal Bond Fund (TMBF). The most recent debt issue, general obligation bonds, series 2017 for \$2,800,000 were used to complete Tennessee Avenue and funds remain for the design of a new police station. As of June 30, 2020, unspent bond proceeds totaled \$1,296,746.

Proprietary funds. The City of Cookeville's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Other factors concerning the finances of these three funds have already been addressed in the discussion of the city's business type activities.

Budgetary Highlights

The statements, subtitled Budget and Actual, report on the City's compliance with the budget adoption and execution requirements. These statements for the general fund can be found beginning on page 12. The statements for the other funds can be found in the supplementary information.

Original and Final Budgeted Amounts. Significant budget amendments were approved during the year to increase appropriations for the purchase of real property and to cover the estimated expenditures resulting from the March tornado disaster.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2020 was \$55,735,556 and \$117,782,606, respectively. The net investment decreased 2.1% for governmental .1% for business-type activities.

This year's major capital asset additions for governmental activities included:

- A Vermeer Heartland Tub Grinder partially purchased from a grant with Tennessee Department of Environment & Conservation and cost sharing with Putnam County. Equipment \$700,243
- Purchased property on North Cedar Avenue for the future purpose of providing parking in the City's historic West End. Property \$325,472
- The purchase of various vehicles at a total cost of \$815,406.

A table summarizing the City's capital assets is presented below.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Amount Change	% Change
	2020	2019		
Non-depreciable assets:				
Land	\$ 14,231,841	\$ 13,997,746	\$ 234,095	1.7%
Construction in progress	1,089,749	656,976	432,773	65.9%
Depreciable assets:				
Buildings	8,362,691	8,522,761	(160,070)	-1.9%
Improvements	1,735,057	1,833,447	(98,390)	-5.4%
Vehicles	2,313,165	2,158,334	154,831	7.2%
Machinery & equipment	1,155,979	729,617	426,362	58.4%
Software	68,501	88,072	(19,571)	-22.2%
Infrastructure	26,778,573	28,734,739	(1,956,166)	-6.8%
Total	<u>\$ 55,735,556</u>	<u>\$ 56,721,692</u>	<u>\$ (986,136)</u>	-1.7%

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Business-type Activities		Amount Change	% Change
	2020	2019		
Non-depreciable assets:				
Land	\$ 3,857,353	\$ 3,857,353	\$ -	0.0%
Construction in progress	6,010,574	5,905,765	104,809	1.8%
Depreciable assets:				
Building & Improvements	1,738,875	1,842,286	(103,411)	-5.6%
Plant & distribution systems	93,562,847	93,171,121	391,726	0.4%
Machinery & equipment	6,057,832	5,952,231	105,601	1.8%
Furniture & equipment	88,920	74,627	14,293	19.2%
Plant acquisition adjustment	6,466,205	7,094,002	(627,797)	-8.8%
Total	<u>\$ 117,782,606</u>	<u>\$ 117,897,385</u>	<u>\$ (114,779)</u>	-0.1%

Long-term Liabilities. At the end of the fiscal year, the Primary Government had total long-term liabilities of \$25,082,246. Of this amount, \$17,393,835 relates to governmental activities while the remaining \$7,688,411 relates to business type activities. Of the \$17,393,835 of long-term liabilities of governmental activities, \$16,406,000 was debt related to a bond or note issuance and is backed by the full faith and credit of the City of Cookeville. In 2018, Moody's upgraded the City's bond rating from AA3 to AA2. No new debt was issued in FY 2020. A new bond issue is planned for the fall of 2020 to be used for construction of a new police headquarters and the purchase of two new fire apparatus. Additional information on the City's long-term debt can be found in the notes to the financial statements.

	Governmental		Business-type		Totals	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Bonds & notes payable	\$16,406,000	\$18,986,000	\$ 5,336,368	\$ 6,951,268	\$21,742,368	\$25,937,268
Compensated Absences	987,835	1,028,113	516,894	458,735	1,504,729	1,486,848
Other debt			1,835,149	2,047,807	1,835,149	2,047,807
	<u>17,393,835</u>	<u>20,014,113</u>	<u>7,688,411</u>	<u>9,457,810</u>	<u>25,082,246</u>	<u>29,471,923</u>
Less:						
Amounts due within one year	(2,022,000)	(2,580,000)	(948,254)	(1,711,932)	(2,970,254)	(4,291,932)
Total Long term liabilities	<u>\$15,371,835</u>	<u>\$17,434,113</u>	<u>\$ 6,740,157</u>	<u>\$ 7,745,878</u>	<u>\$22,111,992</u>	<u>\$25,179,991</u>

Economic Factors and Next Year's Budgets and Rates

Cookeville, the county seat of Putnam County is located at the intersection of Interstate 40 and Highway 111 at the foothills of the Cumberland Mountains. It is 80 miles east of Nashville, 100 miles west of Knoxville, and 90 miles north of Chattanooga. Cookeville is home to Tennessee Technological University. The university is a four-year, state supported, co-educational university with an enrollment of 10,000 students. Also, Cookeville is home to the Cookeville Regional Medical Center, a 247-bed acute care hospital providing quality care to the 14 county Upper Cumberland region.

The City's current population is 31,154 but is the regional center for employment, shopping, dining, education, health care and recreational/cultural activities for the approximately 200,000 people that live in the surrounding counties. The city, county and chamber of commerce are actively recruiting new industry and commercial growth for the Upper Cumberland Area.

The unemployment rate for Putnam County was 3.2% in March, spiked to 14.5% in April and has trended downward since April. The unemployment rate was 8.4% in June which is below the state's average unemployment rate of 9.7%.

Cookeville's economy was performing strong prior to the COVID-19 pandemic. State-wide executive orders of stay at home and the limiting of non-essential activities and businesses for a period in the spring of 2020, brought uncertainty. The City, however, remained remarkably stable. Sales tax collections fell 11.4% for a two-month period in the spring but finished the fiscal year with just a slight decline from prior year. Construction of new single family and multi-family homes remains strong. The property tax base has seen growth and continues to increase.

The City purchased 3.55 acres of property on Neal Street in January 2018 in preparation for the construction of a new police headquarters. The site plans have been reviewed for the planning and architectural engineering of the new station and construction will begin in July of 2020. The city plans to issue additional general obligation bonds to cover construction obligations.

All these factors were considered in adopting the general fund budget for fiscal year 2021. The City has used conservative revenue forecasts and budgeted a 3.5% decrease in revenues because of the uncertainty generated by the COVID-19 pandemic. The City also budgeted a 1.3% decrease in

operating expenditures for fiscal year 2021 over the 2020 budget. The majority of operating expenditures for the general fund are personnel costs. The 2021 budget includes a merit increase of up to 2%. Property taxes allocated to the general fund will increase one penny to 72 cents while the allocation to the economic development fund decreases one penny to 3 cents. The property tax rate for 2020 will continue to be 99 cents per \$100 of assessed value. The budget, with budgeted capital purchases, includes a planned use of fund balance in the amount of \$536,000. The general fund at June 30, 2020 has an unassigned fund balance of \$23,352,386.

Contacting the City's Financial Management

This financial summary is designed to provide a general overview of the City of Cookeville's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Cookeville, 45 East Broad Street, Cookeville, TN, 38501.

CITY OF COOKEVILLE, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2020

	Primary Government			Component Units		Total Reporting Entity
	Governmental Activities	Business-Type Activities	Total	CRMC*	PBA	
Assets						
Current assets:						
Cash	\$ 42,735,134	\$ 28,512,623	\$ 71,247,757	\$ 117,709,436	\$ 47,651	\$ 189,004,844
Sinking fund cash	-	815,756	815,756	-	-	815,756
Temporary cash investments	9,521,230	10,391,992	19,913,222	-	-	19,913,222
Accounts receivable, net of allowance	196,717	9,997,024	10,193,741	26,732,538	125	36,926,404
Taxes receivable, net of allowance	9,199,380	-	9,199,380	-	-	9,199,380
Other receivables	3,105,231	-	3,105,231	1,438,425	-	4,543,656
Due from other funds	(574,932)	574,932	-	-	-	-
Inventories	-	1,924,551	1,924,551	10,101,995	-	12,026,546
Prepaid expenses and other current assets	6,899	908,244	915,143	5,575,357	2,446	6,492,946
Total current assets	<u>64,189,659</u>	<u>53,125,122</u>	<u>117,314,781</u>	<u>161,557,751</u>	<u>50,222</u>	<u>278,922,754</u>
Noncurrent assets:						
Notes receivable, net of allowance	-	281,180	281,180	-	-	281,180
Water storage rights	-	1,314,543	1,314,543	-	-	1,314,543
Equity interest in joint venture	3,750,055	-	3,750,055	906,335	-	4,656,390
Long-term investments	-	-	-	7,702,463	-	7,702,463
Net pension asset	13,262	5,740	19,002	15,845,459	-	15,864,461
Other assets	-	18,175	18,175	11,029,700	-	11,047,875
Capital assets:						
Land and construction in progress	15,321,590	9,867,927	25,189,517	17,927,229	-	43,116,746
Other capital assets, net of accumulated depreciation	40,413,966	107,914,679	148,328,645	134,201,769	198,015	282,728,429
Total noncurrent assets	<u>59,498,873</u>	<u>119,402,244</u>	<u>178,901,117</u>	<u>187,612,955</u>	<u>198,015</u>	<u>366,712,087</u>
Total assets	<u>123,688,532</u>	<u>172,527,366</u>	<u>296,215,898</u>	<u>349,170,706</u>	<u>248,237</u>	<u>645,634,841</u>
Deferred Outflows of Resources						
Net pension changes in investment earnings	-	-	-	-	-	-
Pension changes in assumption	500,160	199,559	699,719	-	-	699,719
Pension changes in experience	783,039	323,450	1,106,489	471,795	-	1,578,284
Pension contributions made after measurement date	2,886,359	1,414,984	4,301,343	1,363,579	-	5,664,922
Deferred outflows for OPEB	4,838,460	1,122,451	5,960,911	-	-	5,960,911
Total deferred outflows of resources	<u>9,008,018</u>	<u>3,060,444</u>	<u>12,068,462</u>	<u>1,835,374</u>	<u>-</u>	<u>13,903,836</u>
Liabilities						
Current liabilities:						
Accounts payable	1,464,340	5,710,169	7,174,509	12,700,624	4,297	19,879,430
Health claims payable	367,973	-	367,973	-	-	367,973
Accrued expenses	716,048	45,416	761,464	16,931,572	6,976	17,700,012
Other current liabilities	-	69,019	69,019	-	65,739	134,758
Deferred revenue	89,953	45,332	135,285	-	-	135,285
Current portion of refundable advances	-	-	-	33,507,529	-	33,507,529
Current portion of long-term debt	2,022,000	848,432	2,870,432	3,322,758	-	6,193,190
Current portion of water storage rights payable	-	99,822	99,822	-	-	99,822
Estimated amounts due to third-party payers	-	-	-	3,249,856	-	3,249,856
Total current liabilities	<u>4,660,314</u>	<u>6,818,190</u>	<u>11,478,504</u>	<u>69,712,339</u>	<u>77,012</u>	<u>81,267,855</u>
Noncurrent liabilities:						
Compensated absences	987,835	516,894	1,504,729	-	-	1,504,729
TVA heat pump notes payable	-	288,245	288,245	-	-	288,245
Water storage rights payable	-	1,447,082	1,447,082	-	-	1,447,082
Net other post-employment liability	40,320,793	8,296,315	48,617,108	-	-	48,617,108
Net pension liability	13,878,619	3,866,759	17,745,378	-	-	17,745,378
Other non-current liabilities	1,094,165	463,247	1,557,412	-	-	1,557,412
Refundable advances, less current portion	-	-	-	39,118,600	-	39,118,600
Long-term debt, less current portion	14,384,000	4,487,936	18,871,936	58,793,741	-	77,665,677
Total noncurrent liabilities	<u>70,665,412</u>	<u>19,366,478</u>	<u>90,031,890</u>	<u>97,912,341</u>	<u>-</u>	<u>187,944,231</u>
Total liabilities	<u>75,325,726</u>	<u>26,184,668</u>	<u>101,510,394</u>	<u>167,624,680</u>	<u>77,012</u>	<u>269,212,086</u>

*Audited by other auditors

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF NET POSITION (CONTINUED)

June 30, 2020

	<u>Primary Government</u>			<u>Component Units</u>		<u>Total Reporting Entity</u>
	<u>Governmental Business- Type</u>		<u>Total</u>	<u>CRMC*</u>	<u>PBA</u>	
	<u>Activities</u>	<u>Activities</u>				
<u>Deferred Inflows of Resources</u>						
Pension changes in experience	80,422	28,155	108,577	-	-	108,577
Net pension changes in investment earnings	1,061,994	477,990	1,539,984	797,211	-	2,337,195
Deferred Inflows for OPEB	6,480,320	1,588,558	8,068,878	1,544,029	-	9,612,907
Unavailable property taxes	<u>9,202,862</u>	<u>-</u>	<u>9,202,862</u>	<u>-</u>	<u>-</u>	<u>9,202,862</u>
Total deferred inflows of resources	<u>16,825,598</u>	<u>2,094,703</u>	<u>18,920,301</u>	<u>2,341,240</u>	<u>-</u>	<u>21,261,541</u>
<u>Net position</u>						
Net investment in capital assets	40,626,302	112,446,244	153,072,546	90,012,499	198,015	243,283,060
Restricted for:						
Drug Fund	415,473	-	415,473	-	-	415,473
Highways and streets	1,439,198	-	1,439,198	-	-	1,439,198
Debt service	13,786,529	-	13,786,529	-	-	13,786,529
Sanitation	1,264,067	-	1,264,067	-	-	1,264,067
Economic development and tourism	474,952	-	474,952	-	-	474,952
Equity interest in joint venture	3,750,055	-	3,750,055	-	-	3,750,055
Cookeville Regional Medical Center	-	-	-	15,845,459	-	15,845,459
Unrestricted (deficit)	<u>(21,211,350)</u>	<u>34,862,195</u>	<u>13,650,845</u>	<u>75,182,202</u>	<u>(26,790)</u>	<u>88,806,257</u>
Total net position	<u>\$ 40,545,226</u>	<u>\$ 147,308,439</u>	<u>\$ 187,853,665</u>	<u>\$ 181,040,160</u>	<u>\$ 171,225</u>	<u>\$ 369,065,050</u>

*Audited by other auditors

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED June 30, 2020

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Function/program activities					
Primary government:					
Governmental activities:					
General government	\$ 3,791,641	\$ 135,693	\$ 1,000	\$ -	\$ (3,654,948)
Economic development	93,282	-	-	-	(93,282)
Planning and codes	1,441,643	481,806	-	-	(959,837)
Public safety	15,915,895	559,946	520,541	-	(14,835,408)
Parks & maintenance	1,563,970	-	-	-	(1,563,970)
Public works	9,505,884	1,810,219	1,180,340	811,670	(5,703,655)
Culture and recreation	2,097,802	152,921	-	-	(1,944,881)
Community support	781,100	-	-	-	(781,100)
Interest on long-term debt	532,828	-	-	-	(532,828)
Total governmental activities	<u>35,724,045</u>	<u>3,140,585</u>	<u>1,701,881</u>	<u>811,670</u>	<u>(30,069,909)</u>
Business-type activities:					
Electric	50,161,690	53,717,863	-	375,324	3,931,497
Gas	8,844,956	8,942,651	-	-	97,695
Water quality control	15,069,447	17,004,038	-	-	1,934,591
Total business-type activities	<u>74,076,093</u>	<u>79,664,552</u>	<u>-</u>	<u>375,324</u>	<u>5,963,783</u>
Total primary government	<u>\$ 109,800,138</u>	<u>\$ 82,805,137</u>	<u>\$ 1,701,881</u>	<u>\$ 1,186,994</u>	<u>\$ (24,106,126)</u>
Component units:					
CRMC*	\$ 333,130,404	\$ 331,222,870			\$ (1,907,534)
PBA	214,444	188,034			(26,410)
Total component units	<u>\$ 333,344,848</u>	<u>\$ 331,410,904</u>			<u>\$ (1,933,944)</u>

*Audited by other auditors

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED June 30, 2020

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>CRMC*</u>	<u>PBA</u>
Change in net position:					
Net (expense) revenue	\$ (30,069,909)	\$ 5,963,783	\$ (24,106,126)	\$ (1,907,534)	\$ (26,410)
General revenues:					
Taxes:					
Property tax	9,099,010	-	9,099,010	-	-
In lieu of tax	1,316,347	-	1,316,347	-	-
Business tax	1,507,551	-	1,507,551	-	-
Room occupancy tax	474,952	-	474,952	-	-
State sales tax	2,821,557	-	2,821,557	-	-
Franchise tax	314,157	-	314,157	-	-
Local option sales tax	13,914,697	-	13,914,697	-	-
Wholesale beer tax	1,127,230	-	1,127,230	-	-
Wholesale liquor tax	490,547	-	490,547	-	-
State income tax	191,359	-	191,359	-	-
Mixed drink tax	174,736	-	174,736	-	-
Other taxes	234,648	-	234,648	-	-
Interest revenue	588,270	527,982	1,116,252	-	2
Investment income (loss)	32,598	-	32,598	1,229,649	-
Gain (loss) on sale of assets	15,164	-	15,164	117,924	75
Federal subsidy and grants	54,647	-	54,647	5,038,162	-
Other, net	580,612	-	580,612	(97,647)	-
Transfers	1,709,487	(1,709,487)	-	-	-
Total general revenues	<u>34,647,569</u>	<u>(1,181,505)</u>	<u>33,466,064</u>	<u>6,288,088</u>	<u>77</u>
Change in net position	4,577,660	4,782,278	9,359,938	4,380,554	(26,333)
Net position - as previously reported	36,200,766	142,526,161	178,726,927	176,659,606	197,558
Restatement -					
Prior period adjustment	(233,200)	-	(233,200)	-	-
Net position - beginning - restated	<u>35,967,566</u>	<u>142,526,161</u>	<u>178,493,727</u>		
Net position - ending	<u>\$ 40,545,226</u>	<u>\$ 147,308,439</u>	<u>\$ 187,853,665</u>	<u>\$ 181,040,160</u>	<u>\$ 171,225</u>

*Audited by other auditors

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

<u>Assets</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Transportation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 20,590,752	\$ 10,557,380	\$ 1,717,740	\$ 1,350,207	\$ 5,618,221	\$ 39,834,300
Temporary cash investments	2,521,302	3,267,576	4	-	1,773,723	7,562,605
Accounts receivable	-	-	-	-	206,407	206,407
Taxes receivable	7,184,386	376,667	-	1,412,500	753,333	9,726,886
Other receivables	2,496,997	244,195	90	279	277,344	3,018,905
Less: allowance for bad debts	(486,573)	(6,064)	-	(22,741)	(21,818)	(537,196)
Due from other funds	280,203	4,081	-	6,211	5,912	296,407
Prepaid expenses	6,297	-	-	-	-	6,297
Total assets	<u>\$ 32,593,364</u>	<u>\$ 14,443,835</u>	<u>\$ 1,717,834</u>	<u>\$ 2,746,456</u>	<u>\$ 8,613,122</u>	<u>\$ 60,114,611</u>
 <u>Liabilities</u>						
Accounts payable	\$ 1,002,118	\$ 24	\$ 46,368	\$ 7	\$ 413,376	\$ 1,461,893
Accrued expenses	683,798	-	-	-	-	683,798
Due to other funds	16,624	-	-	-	34,213	50,837
Unearned revenue	-	-	10,000	-	71,020	81,020
Other liabilities	355,894	-	-	-	483,842	839,736
Total liabilities	<u>2,058,434</u>	<u>24</u>	<u>56,368</u>	<u>7</u>	<u>1,002,451</u>	<u>3,117,284</u>
 <u>Deferred Inflows of Resources</u>						
Unavailable property taxes	6,701,295	370,603	-	1,389,759	741,205	9,202,862
Total deferred inflows of resources	<u>6,701,295</u>	<u>370,603</u>	<u>-</u>	<u>1,389,759</u>	<u>741,205</u>	<u>9,202,862</u>
 <u>Fund Balances</u>						
Nonspendable	6,297	-	-	-	-	6,297
Restricted	474,952	-	1,296,746	-	3,198,637	4,970,335
Committed	-	14,073,208	364,720	1,356,690	3,670,829	19,465,447
Unassigned	23,352,386	-	-	-	-	23,352,386
Total fund balances	<u>23,833,635</u>	<u>14,073,208</u>	<u>1,661,466</u>	<u>1,356,690</u>	<u>6,869,466</u>	<u>47,794,465</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 32,593,364</u>	<u>\$ 14,443,835</u>	<u>\$ 1,717,834</u>	<u>\$ 2,746,456</u>	<u>\$ 8,613,122</u>	<u>\$ 60,114,611</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED June 30, 2020

Total fund balance - total governmental funds \$ 47,794,465

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 governmental funds.

Governmental capital assets	111,010,675	
Less: accumulated depreciation	<u>(55,275,119)</u>	55,735,556

Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		3,750
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Equity interest in joint venture		3,750,055
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Interest payable is not payable from current financial resources and therefore is not reported in the governmental funds.		(32,250)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Governmental bonds payable	(14,805,000)	
Governmental notes payable	(1,601,000)	
Unamortized bond premium	(254,429)	
Net pension liability	(13,878,619)	
Net other post-employment liability	(40,320,793)	
Compensated absences	<u>(987,835)</u>	(71,847,676)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.

Add: deferred outflows of resources related to pensions	4,182,820	
Less: deferred inflows of resources related to pensions	(1,142,416)	
Add: deferred outflows of resources related to other post-employment liability	4,838,460	
Less: deferred inflows of resources related to other post-employment liability	<u>(6,480,320)</u>	1,398,544

Internal Service Fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund are reported with the governmental activities.		<u>3,742,782</u>
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Net position of governmental activities		<u>\$ 40,545,226</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED June 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Transportation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes	\$ 24,989,713	\$ 1,070,545	\$ -	\$ 1,354,185	\$ 830,048	\$ 28,244,491
Licenses and permits	545,373	-	-	-	-	545,373
Intergovernmental	1,502,897	2,876,204	-	-	1,440,652	5,819,753
Charges for services	170,938	-	-	-	1,981,298	2,152,236
Fines, forfeitures and penalties	205,595	-	-	-	182,460	388,055
Rent	1,100	26,172	-	-	27,649	54,921
Interest	293,884	197,964	3,802	2,551	90,069	588,270
Other	497,694	-	-	-	89,149	586,843
Total revenues	<u>28,207,194</u>	<u>4,170,885</u>	<u>3,802</u>	<u>1,356,736</u>	<u>4,641,325</u>	<u>38,379,942</u>
Expenditures:						
Current						
General government	3,417,334	-	101	-	-	3,417,435
Economic development	-	-	-	-	93,282	93,282
Public safety	13,783,500	-	8,150	-	427,549	14,219,199
Planning and codes	1,363,232	-	-	-	-	1,363,232
Parks and maintenance	1,460,083	-	-	-	-	1,460,083
Public works	3,950,157	-	60,334	46	2,703,152	6,713,689
Culture and recreation	1,749,247	-	14,262	-	6,734	1,770,243
Community support	781,100	-	-	-	-	781,100
Capital outlay	2,045,407	-	414,642	-	378,906	2,838,955
Debt service	-	3,117,455	-	-	-	3,117,455
Total expenditures	<u>28,550,060</u>	<u>3,117,455</u>	<u>497,489</u>	<u>46</u>	<u>3,609,623</u>	<u>35,774,673</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(342,866)</u>	<u>1,053,430</u>	<u>(493,687)</u>	<u>1,356,690</u>	<u>1,031,702</u>	<u>2,605,269</u>
Other financing sources (uses):						
Interfund transfers in	1,825,232	-	-	-	88,000	1,913,232
Interfund transfers (out)	(88,000)	-	-	-	(115,745)	(203,745)
Insurance recoveries	30,491	-	-	-	-	30,491
Sale of assets	13,489	-	-	-	1,675	15,164
Net other financing sources	<u>1,781,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,070)</u>	<u>1,755,142</u>
Net change in fund balances	1,438,346	1,053,430	(493,687)	1,356,690	1,005,632	4,360,411
Fund balances, July 1, 2019	<u>22,395,289</u>	<u>13,019,778</u>	<u>2,155,153</u>	<u>-</u>	<u>5,863,834</u>	<u>43,434,054</u>
Fund balances, June 30, 2020	<u>\$ 23,833,635</u>	<u>\$ 14,073,208</u>	<u>\$ 1,661,466</u>	<u>\$ 1,356,690</u>	<u>\$ 6,869,466</u>	<u>\$ 47,794,465</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED June 30, 2020

Net change in fund balances - total governmental funds \$ 4,360,411

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	2,374,406	
Less: current year depreciation	<u>(3,360,542)</u>	(986,136)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net assets.

Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.

Bond and note proceeds	-	
Principal payments	2,580,000	2,580,000

Governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement activities for:

Bond premium additions	-	
Current year amortization	27,718	27,718

Some items reported in the statement of activities do not provide/require current financial resources and therefore are not reported as revenues/expenses in governmental funds.

Equity in current year earnings of joint venture		32,598
Change in accrued interest on long-term debt		(803)
Change in net other post-employment liability		(1,354,119)
Change in deferred inflows related to other post-employment liability		1,080,053
Change in deferred outflows related to other post-employment liability		(806,411)
Change in accrued compensated absences		40,278
Change in pension reserve		13,262
Change in net pension liability		556,564
Change in deferred outflows related to pensions		(1,773,433)
Change in deferred inflows related to pensions		790,915
Change in grant receivable		3,750

Internal Service Fund is used by management to charge the costs of certain activities to individual funds. The change in net position of the Internal Service Funds is allocated to the governmental activities and business-type activities.

13,013

Change in net position of governmental activities		<u>\$ 4,577,660</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-type Activities/Enterprise Funds				Governmental Activities Internal Service Fund
	Cookeville Electric Department	Cookeville Gas Department	Cookeville Water Quality Control Department	Totals	
Assets and Deferred Outflows of Resources					
Current assets:					
Cash	\$ 10,376,320	\$ 11,816,023	\$ 6,320,280	\$ 28,512,623	\$ 2,900,834
Sinking fund cash	815,756	-	-	815,756	-
Temporary cash investments	2,628,911	4,588,182	3,174,899	10,391,992	1,958,625
Accounts receivable, net of allowance	6,733,234	597,182	2,666,608	9,997,024	82,576
Deposits with TDOT	-	28,092	633,907	661,999	-
Inventory of material and supplies	834,563	460,444	629,544	1,924,551	-
Due from other funds	485	-	10	495	-
Prepaid expenses and other current assets	242,361	2,464	1,420	246,245	602
Total current assets	<u>21,631,630</u>	<u>17,492,387</u>	<u>13,426,668</u>	<u>52,550,685</u>	<u>4,942,637</u>
Noncurrent assets:					
Capital assets, non-depreciable	2,630,920	1,442,688	5,794,319	9,867,927	-
Capital assets, depreciable	71,069,098	22,071,159	128,073,150	221,213,407	-
Less: accumulated depreciation	<u>(26,982,839)</u>	<u>(16,051,536)</u>	<u>(70,264,353)</u>	<u>(113,298,728)</u>	<u>-</u>
	46,717,179	7,462,311	63,603,116	117,782,606	-
Notes receivable	281,180	-	-	281,180	-
Water storage rights	-	-	1,314,543	1,314,543	-
Other assets	19,650	-	-	19,650	-
Total noncurrent assets	<u>47,018,009</u>	<u>7,462,311</u>	<u>64,917,659</u>	<u>119,397,979</u>	<u>-</u>
Deferred outflows of resources:					
Pension outflow contributions	608,275	206,111	596,224	1,410,610	-
Pension outflow assumptions	96,288	28,198	80,813	205,299	-
Pension outflow experience	140,540	45,974	141,311	327,825	-
OPEB outflow	<u>494,965</u>	<u>207,453</u>	<u>420,033</u>	<u>1,122,451</u>	<u>-</u>
Total deferred outflows of resources	<u>1,340,068</u>	<u>487,736</u>	<u>1,238,381</u>	<u>3,066,185</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 69,989,707</u>	<u>\$ 25,442,434</u>	<u>\$ 79,582,708</u>	<u>\$ 175,014,849</u>	<u>\$ 4,942,637</u>
Liabilities, Deferred Inflows of Resources and Net Position					
Current liabilities:					
Accounts payable	\$ 4,345,760	\$ 449,986	\$ 914,423	\$ 5,710,169	\$ 2,447
Health claims payable	-	-	-	-	367,973
Due to other funds	146,771	32,868	66,426	246,065	-
Current portion of long-term debt	746,000	-	102,432	848,432	-
Current portion of water storage rights payable	-	-	99,822	99,822	-
Accrued expenses	14,115	-	31,301	45,416	-
Unearned revenue	-	45,332	-	45,332	8,933
Other current liabilities	<u>12,868</u>	<u>10,322</u>	<u>45,829</u>	<u>69,019</u>	<u>-</u>
Total current liabilities	<u>5,265,514</u>	<u>538,508</u>	<u>1,260,233</u>	<u>7,064,255</u>	<u>379,353</u>
Noncurrent liabilities:					
Compensated absences	225,027	82,128	209,739	516,894	-
TVA heat pump notes payable	288,245	-	-	288,245	-
Water storage rights payable	-	-	1,447,082	1,447,082	-
Net other post-retirement liability	3,433,915	1,526,199	3,336,201	8,296,315	-
Net pension liability	1,809,193	468,353	1,589,213	3,866,759	-
Long-term debt, less current portion	3,354,000	-	1,133,936	4,487,936	-
Other non-current liabilities	<u>392,047</u>	<u>71,200</u>	<u>-</u>	<u>463,247</u>	<u>-</u>
Total noncurrent liabilities	<u>9,502,427</u>	<u>2,147,880</u>	<u>7,716,171</u>	<u>19,366,478</u>	<u>-</u>
Deferred inflows of resources:					
Pension inflow - net investments	204,329	48,334	206,710	459,373	-
Pension inflow - experience	35,996	3,450	8,802	48,248	-
OPEB inflows	<u>589,656</u>	<u>205,442</u>	<u>793,460</u>	<u>1,588,558</u>	<u>-</u>
Total deferred inflows of resources	<u>829,981</u>	<u>257,226</u>	<u>1,008,972</u>	<u>2,096,179</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>15,597,922</u>	<u>2,943,614</u>	<u>9,985,376</u>	<u>28,526,912</u>	<u>379,353</u>
Net position:					
Net investment in capital assets	42,617,179	7,462,317	62,366,748	112,446,244	-
Unrestricted	<u>11,774,606</u>	<u>15,036,503</u>	<u>7,230,584</u>	<u>34,041,693</u>	<u>4,563,284</u>
Total net position	<u>54,391,785</u>	<u>22,498,820</u>	<u>69,597,332</u>	<u>146,487,937</u>	<u>4,563,284</u>
Total liabilities, deferred inflows, and net position	<u>\$ 69,989,707</u>	<u>\$ 25,442,434</u>	<u>\$ 79,582,708</u>	<u>\$ 175,014,849</u>	<u>\$ 4,942,637</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED June 30, 2020

	<u>Business-type Activities/Enterprise Funds</u>			<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
	<u>Cookeville Electric Department</u>	<u>Cookeville Gas Department</u>	<u>Cookeville Water Quality Control Department</u>		
Operating revenues:					
Charges for services	\$ 52,595,752	\$ 8,695,048	\$ 16,254,834	\$ 77,545,634	\$ 5,003,337
Other operating revenue	1,122,111	247,603	749,204	2,118,918	45,721
Total operating revenues	<u>53,717,863</u>	<u>8,942,651</u>	<u>17,004,038</u>	<u>79,664,552</u>	<u>5,049,058</u>
Operating expenses:					
Purchased utilities	41,523,388	6,100,140	-	47,623,528	-
Operating expenses	2,865,637	1,184,277	4,331,089	8,381,003	-
Maintenance expenses	977,646	98,185	873,473	1,949,304	-
Depreciation and amortization	3,026,378	617,842	3,900,371	7,544,591	-
Utilities	-	-	1,966,271	1,966,271	-
Administrative and general expenses	1,696,581	845,165	3,907,105	6,448,851	639,051
Health claims	-	-	-	-	4,458,737
Facilities rental	-	-	-	-	-
Total operating expenses	<u>50,089,630</u>	<u>8,845,609</u>	<u>14,978,309</u>	<u>73,913,548</u>	<u>5,097,788</u>
Operating income	<u>3,628,233</u>	<u>97,042</u>	<u>2,025,729</u>	<u>5,751,004</u>	<u>(48,730)</u>
Nonoperating revenues (expenses):					
Interest revenue	183,266	212,913	131,803	527,982	66,724
Interest expense	(74,091)	-	(93,435)	(167,526)	-
Capital grants	375,324	-	-	375,324	-
Total nonoperating revenues (expenses)	<u>484,499</u>	<u>212,913</u>	<u>38,368</u>	<u>735,780</u>	<u>66,724</u>
Interfund transfers (out)	<u>(1,251,156)</u>	<u>(139,597)</u>	<u>(318,734)</u>	<u>(1,709,487)</u>	<u>-</u>
Income before contributions	2,861,576	170,358	1,745,363	4,777,297	17,994
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	2,861,576	170,358	1,745,363	4,777,297	17,994
Total net position, July 1, 2019	51,530,209	22,328,462	67,851,969	141,710,640	4,545,290
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position, July 1, 2019	<u>51,530,209</u>	<u>22,328,462</u>	<u>67,851,969</u>	<u>141,710,640</u>	<u>4,545,290</u>
Total net position, June 30, 2020	<u>\$ 54,391,785</u>	<u>\$ 22,498,820</u>	<u>\$ 69,597,332</u>	<u>\$ 146,487,937</u>	<u>\$ 4,563,284</u>

Reconciliation of changes in net position to statement of activities:

Total changes in net position of business-type activities	\$ 4,777,297
Net income (loss) of internal service fund related to business-type activities	<u>4,981</u>
Changes in business-type net position included in the statement of activities	<u>\$ 4,782,278</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED June 30, 2020

	Business-type Activities/Enterprise Funds				Governmental Activities Internal Service Fund
	Cookeville Electric Department	Cookeville Gas Department	Cookeville Water Quality Control Department	Totals	
Cash flows from operating activities:					
Cash receipts from customers	\$ 53,004,330	\$ 8,740,174	\$ 15,963,997	\$ 77,708,501	\$ 5,003,337
Cash receipts from customer service charges	561,224	139,984	685,935	1,387,143	-
Other operating cash receipts	551,024	107,619	-	658,643	45,721
Cash payments to suppliers of goods and services	(41,262,705)	(5,958,519)	-	(47,221,224)	-
Cash payments to employees for services	(3,007,555)	(937,955)	(1,192,590)	(5,138,100)	-
Cash payments for interfund services used	(509,810)	(330,083)	(758,326)	(1,598,219)	-
Cash payments for maintenance expenses	(977,646)	(98,185)	(873,473)	(1,949,304)	-
Cash payments for claims	-	-	-	-	(4,398,087)
Utilities and other operating cash payments	(650,921)	(606,880)	(7,618,601)	(8,876,402)	(639,050)
Net cash provided by (used in) operating activities	<u>7,707,941</u>	<u>1,056,155</u>	<u>6,206,942</u>	<u>14,971,038</u>	<u>11,921</u>
Cash flows from noncapital financing activities:					
Interfund transfers (out)	(1,251,156)	(139,597)	(318,734)	(1,709,487)	-
Net cash (used in) noncapital financing activities	<u>(1,251,156)</u>	<u>(139,597)</u>	<u>(318,734)</u>	<u>(1,709,487)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of assets	-	-	40,746	40,746	-
Cash payments for interest	(74,862)	-	(95,435)	(170,297)	-
Reduction of long-term debt	(713,000)	-	(998,932)	(1,711,932)	-
Acquisition and construction of capital assets	(3,559,947)	(178,753)	(3,370,948)	(7,109,648)	-
Other capital asset adjustments	(226,270)	-	-	(226,270)	-
Net cash (used in) capital and related financing activities	<u>(4,574,079)</u>	<u>(178,753)</u>	<u>(4,424,569)</u>	<u>(9,177,401)</u>	<u>-</u>
Cash flows from investing activities:					
(Increase) in temporary cash investments	19,081	(71,452)	(49,442)	(101,813)	-
Cash receipts from interest	183,266	232,077	140,931	556,274	66,724
Net cash provided by (used in) investing activities	<u>202,347</u>	<u>160,625</u>	<u>91,489</u>	<u>454,461</u>	<u>66,724</u>
Net increase (decrease) in cash and cash equivalents	2,085,053	898,430	1,555,128	4,538,611	78,645
Cash and cash equivalents, July 1, 2019	9,107,023	10,917,593	4,765,152	24,789,768	2,822,189
Cash and cash equivalents, June 30, 2020	<u>\$ 11,192,076</u>	<u>\$ 11,816,023</u>	<u>\$ 6,320,280</u>	<u>\$ 29,328,379</u>	<u>\$ 2,900,834</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 3,628,233	\$ 97,042	\$ 2,025,729	\$ 5,751,004	\$ (48,730)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	3,026,378	617,842	3,900,371	7,544,591	-
(Gain) on asset disposal	-	-	(40,746)	(40,746)	-
(Increase) in accounts receivable	218,034	70,333	(216,514)	71,853	-
Decrease in due from other funds	(484)	-	(22,870)	(23,354)	-
(Increase) in inventory of material and supplies	125,463	198,642	(95,273)	228,832	-
(Increase) in prepaid expenses and other current assets	(19,222)	-	-	(19,222)	(23,553)
Decrease in other assets	2,704	-	-	2,704	-
(Increase) in deferred outflows	165,834	94,501	321,716	582,051	-
(Increase) in deferred outflows of post-retirement liability	82,494	34,575	70,006	187,075	-
Decrease in other receivables	495,166	-	-	495,166	(82,576)
Increase (decrease) in accounts payable	137,308	(60,414)	325,647	402,541	(416)
Increase in net pension liability	(102,275)	(32,341)	(100,878)	(235,494)	-
(Decrease) in health claims payable	-	-	-	-	168,263
(Decrease) in TVA notes payable	(115,626)	-	-	(115,626)	-
Increase (decrease) in accrued expenses and compensated absences	32,060	9,753	16,346	58,159	-
Increase in other current liabilities	1,635	50	(581)	1,104	(1,067)
Increase in net other post-retirement liability	260,927	103,060	296,530	660,517	-
(Decrease) in deferred inflows of post-retirement liability	(98,276)	(34,240)	(132,243)	(264,759)	-
Increase (decrease) in due to other funds	13,511	6,380	3,147	23,038	-
(Decrease) in deferred inflows	(145,021)	(45,678)	(143,445)	(334,144)	-
Increase (decrease) in other non-current liabilities	(902)	(3,350)	-	(4,252)	-
Net cash provided by (used in) operating activities	<u>\$ 7,707,941</u>	<u>\$ 1,056,155</u>	<u>\$ 6,206,942</u>	<u>\$ 14,971,038</u>	<u>\$ 11,921</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE, BUDGET AND ACTUAL DETAIL - GENERAL FUND
FOR THE YEAR ENDED June 30, 2020

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Taxes :				
Property taxes current	\$ 6,135,660	\$ 6,285,660	\$ 6,385,640	\$ 99,980
Property taxes delinquent	150,000	150,000	122,264	(27,736)
Property taxes penalty & interest	40,000	40,000	36,328	(3,672)
PILOT Highlands Residential	50,000	50,000	60,446	10,446
PILOT Laurel Creek	500	500	-	(500)
PILOT Academy LTD	75,000	75,000	92,590	17,590
PILOT Ficosa North America	62,500	62,500	73,245	10,745
PILOT Automation Tool Company	6,890	6,890	6,890	-
PILOT TVA	360,000	360,000	383,176	23,176
Local option sales tax	14,182,120	14,182,120	13,914,697	(267,423)
Wholesale beer tax	1,120,000	1,120,000	1,127,230	7,230
Wholesale liquor tax	420,000	420,000	490,547	70,547
Business tax	1,304,073	1,304,073	1,507,551	203,478
Room Occupancy Tax	-	-	474,952	474,952
Cable TV Franchise tax	300,000	300,000	314,157	14,157
Total taxes	<u>24,206,743</u>	<u>24,356,743</u>	<u>24,989,713</u>	<u>632,970</u>
Licenses and permits:				
Beer permits	5,162	5,162	2,950	(2,212)
Beer license	12,432	12,432	11,733	(699)
Liquor license	34,625	34,625	31,380	(3,245)
Building permits	275,000	275,000	232,486	(42,514)
Electrical permits	62,500	62,500	96,871	34,371
Plumbing permits	25,000	25,000	37,965	12,965
Mechanical permits	32,500	32,500	46,600	14,100
Plan review fees	70,000	70,000	46,598	(23,402)
Fireworks permits	12,650	12,650	11,200	(1,450)
Miscellaneous permits	33,186	33,186	27,590	(5,596)
Total licenses and permits	<u>563,055</u>	<u>563,055</u>	<u>545,373</u>	<u>(17,682)</u>
Intergovernmental:				
State excise tax	80,000	160,000	162,966	2,966
State income tax	150,000	200,000	191,359	(8,641)
State beer tax	15,000	15,000	14,593	(407)
Mixed drink tax	175,000	175,000	174,736	(264)
Gasoline inspection fee	62,989	62,989	61,850	(1,139)
Telecommunications sales tax	30,000	30,000	57,089	27,089
Training supplement	76,800	76,800	96,000	19,200
Grants-other	66,691	768,709	744,304	(24,405)
Total intergovernmental	<u>\$ 656,480</u>	<u>\$ 1,488,498</u>	<u>\$ 1,502,897</u>	<u>\$ 14,399</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL DETAIL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:				
Charges for services:				
Clerk's fee	\$ 13,020	\$ 13,020	\$ 17,205	\$ 4,185
Recreation concessions	55,372	55,372	31,278	(24,094)
Recreational rentals/admissions	135,582	135,582	84,383	(51,199)
Daycamp fees	66,032	66,032	37,260	(28,772)
Miscellaneous	-	-	812	812
Total charges for services	<u>270,006</u>	<u>270,006</u>	<u>170,938</u>	<u>(99,068)</u>
Fines, forfeitures and penalties:				
Court fines and fees	259,437	259,437	181,519	(77,918)
Parking violations	2,691	2,691	3,040	349
Other	<u>26,501</u>	<u>26,501</u>	<u>21,036</u>	<u>(5,465)</u>
Total fines and costs	<u>288,629</u>	<u>288,629</u>	<u>205,595</u>	<u>(83,034)</u>
Miscellaneous:				
Interest	375,100	375,100	293,884	(81,216)
Rent	-	-	1,100	1,100
Contributions				-
Admin charges to other funds	450,397	450,397	432,640	(17,757)
Other	<u>28,862</u>	<u>28,862</u>	<u>65,054</u>	<u>36,192</u>
Total miscellaneous	<u>854,359</u>	<u>854,359</u>	<u>792,678</u>	<u>(61,681)</u>
Total revenues	<u>\$ 26,839,272</u>	<u>\$ 27,821,290</u>	<u>\$ 28,207,194</u>	<u>\$ 385,904</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL DETAIL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Expenditures:				
General government:				
Salaries and wages	\$ 1,369,500	\$ 1,369,500	\$ 1,374,324	\$ (4,824)
Payroll taxes and fringes	674,570	674,570	607,757	66,813
Contractual services	145,000	195,000	200,853	(5,853)
Utilities	1,080,000	1,080,000	1,028,961	51,039
Supplies and maintenance	246,650	246,650	183,113	63,537
Fixed charges	17,120	17,120	(10,850)	27,970
Miscellaneous	<u>34,000</u>	<u>34,000</u>	<u>33,176</u>	<u>824</u>
Total general government	<u>3,566,840</u>	<u>3,616,840</u>	<u>3,417,334</u>	<u>199,506</u>
Public safety:				
Police:				
Salaries and wages	5,464,700	5,458,200	5,115,916	342,284
Payroll taxes and fringes	2,859,112	2,859,112	2,548,077	311,035
Supplies and maintenance	885,200	885,200	720,236	164,964
Fixed charges	141,200	201,200	166,982	34,218
Miscellaneous	<u>15,500</u>	<u>90,745</u>	<u>66,957</u>	<u>23,788</u>
Total police	<u>9,365,712</u>	<u>9,494,457</u>	<u>8,618,168</u>	<u>876,289</u>
Fire:				
Salaries and wages	3,075,400	3,193,400	3,133,159	60,241
Payroll taxes and fringes	1,804,120	1,804,120	1,617,853	186,267
Supplies and maintenance	424,661	424,661	369,396	55,265
Fixed charges	99,000	99,000	39,143	59,857
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>5,781</u>	<u>(781)</u>
Total fire	<u>5,408,181</u>	<u>5,526,181</u>	<u>5,165,332</u>	<u>360,849</u>
Total public safety	<u>\$ 14,773,893</u>	<u>\$ 15,020,638</u>	<u>\$ 13,783,500</u>	<u>\$ 1,237,138</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL DETAIL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Planning and codes:				
Salaries and wages	\$ 991,000	\$ 968,000	\$ 895,003	\$ 72,997
Payroll taxes and fringes	429,960	434,960	362,753	72,207
Supplies and maintenance	122,600	140,600	94,099	46,501
Fixed charges	7,900	10,400	7,527	2,873
Miscellaneous	<u>3,300</u>	<u>3,300</u>	<u>3,850</u>	<u>(550)</u>
Total planning and codes	<u>1,554,760</u>	<u>1,557,260</u>	<u>1,363,232</u>	<u>194,028</u>
Parks and maintenance:				
Salaries and wages	896,135	936,135	895,468	40,667
Payroll taxes and fringes	385,060	385,060	353,565	31,495
Supplies and maintenance	218,850	218,850	201,731	17,119
Fixed charges	21,100	21,100	8,993	12,107
Miscellaneous	<u>500</u>	<u>500</u>	<u>326</u>	<u>174</u>
Total parks and maintenance	<u>1,521,645</u>	<u>1,561,645</u>	<u>1,460,083</u>	<u>101,562</u>
Public works:				
Salaries and wages	1,997,000	2,004,500	1,907,718	96,782
Payroll taxes and fringes	1,006,350	1,006,350	933,337	73,013
Supplies and maintenance	512,450	512,450	535,283	(22,833)
Contracted services	-	1,300,000	539,544	760,456
Fixed charges	38,400	38,400	26,980	11,420
Miscellaneous	<u>21,250</u>	<u>21,250</u>	<u>7,295</u>	<u>13,955</u>
Total public works	<u>3,575,450</u>	<u>4,882,950</u>	<u>3,950,157</u>	<u>932,793</u>
Capital outlay:				
Capital outlay	<u>1,805,235</u>	<u>2,842,493</u>	<u>2,045,407</u>	<u>797,086</u>
Total capital outlay	<u>\$ 1,805,235</u>	<u>\$ 2,842,493</u>	<u>\$ 2,045,407</u>	<u>\$ 797,086</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL DETAIL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Culture and recreation:				
Salaries and wages	\$ 1,054,500	\$ 1,060,500	\$ 1,020,805	\$ 39,695
Payroll taxes and fringes	467,420	467,420	413,233	54,187
Supplies and maintenance	380,675	380,675	273,170	107,505
Fixed charges	57,200	57,200	25,376	31,824
Miscellaneous	<u>23,780</u>	<u>23,780</u>	<u>16,663</u>	<u>7,117</u>
 Total culture and recreation	 <u>\$ 1,983,575</u>	 <u>\$ 1,989,575</u>	 <u>\$ 1,749,247</u>	 <u>\$ 240,328</u>
 Community Support:				
Nonprofit contributions:				
Putnam County Library	\$ 330,000	\$ 330,000	\$ 330,000	\$ -
Putnam County Imagination Library	3,000	3,000	3,000	-
Cookeville Arts Council	20,000	20,000	20,000	-
Cumberland Arts Society, Inc.	1,600	1,600	1,600	-
Tennessee Rehabilitation Center	43,149	43,149	43,149	-
U C Regional Airport	53,000	53,000	53,000	-
Chamber of Commerce	14,750	14,750	14,750	-
Chamber of Commerce-Highlands	50,000	50,000	50,000	-
Chamber of Commerce-Workforce Developmt	25,000	25,000	25,000	-
Emergency Management Agency	25,400	25,400	25,400	-
WCTE Public Television	9,450	9,450	9,450	-
Operation CityScape	40,306	40,306	40,306	-
Genesis House, Inc.	12,000	12,000	12,000	-
Stephens Center for Child Abuse	5,000	5,000	5,000	-
Kids Putnam, Inc.	6,000	6,000	6,000	-
Cookeville - PC Clean Commission	9,000	9,000	9,000	-
Helping Hands of Putnam County	12,000	12,000	12,000	-
Cookeville Senior Citizens	50,000	50,000	50,000	-
UC Family Justice Center	8,250	8,250	8,250	-
UC Child Advocacy Center	6,000	6,000	6,000	-
TN Central Heritage Rail Trail	7,745	7,745	7,745	-
Thirteenth Judicial District Recovery Courts	15,000	15,000	15,000	-
UCHRA - CASA	4,000	4,000	4,000	-
UCHRA - Meals on Wheels	8,000	8,000	8,000	-
Cookeville Impact	1,000	1,000	1,000	-
Plateau Mental Health - Path Program	3,000	3,000	3,000	-
Cookeville Children's Museum	2,250	2,250	2,250	-
Better Cookeville	8,000	8,000	8,000	-
Veterans Honor Guard	1,000	1,000	1,000	-
Biz Foundry (UCEF)	<u>7,200</u>	<u>7,200</u>	<u>7,200</u>	<u>-</u>
 Total community support	 <u>\$ 781,100</u>	 <u>\$ 781,100</u>	 <u>\$ 781,100</u>	 <u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL DETAIL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Total expenditures	\$ 29,562,498	\$ 32,252,501	\$ 28,550,060	\$ 3,702,441
Excess (deficiency) of revenues over (under) expenditures	<u>(2,723,226)</u>	<u>(4,431,211)</u>	<u>(342,866)</u>	<u>4,088,345</u>
Other financing sources (uses):				
Interfund transfers in	1,702,761	1,702,761	1,825,232	122,471
Interfund transfers (out)	(88,000)	(88,000)	(88,000)	-
Note proceeds	-	-	-	-
Insurance recoveries	-	-	30,491	30,491
Sale of assets	<u>-</u>	<u>-</u>	<u>13,489</u>	<u>13,489</u>
Net other financing sources	<u>1,614,761</u>	<u>1,614,761</u>	<u>1,781,212</u>	<u>166,451</u>
Net change in fund balance	<u>\$ (1,108,465)</u>	<u>\$ (2,816,450)</u>	1,438,346	<u>\$ 4,254,796</u>
Fund balance, July 1, 2019			<u>22,395,289</u>	
Fund balance, June 30, 2020			<u>\$ 23,833,635</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL DETAIL
TRANSPORTATION FUND
FOR THE YEAR ENDED June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:				
Taxes:				
Property taxes current	\$ 1,296,291	\$ 1,296,291	\$ 1,353,228	\$ 56,937
Property taxes penalty & interest	-	-	957	957
Total taxes	<u>1,296,291</u>	<u>1,296,291</u>	<u>1,354,185</u>	<u>57,894</u>
Interest	-	-	2,551	2,551
Total revenues	<u>1,296,291</u>	<u>1,296,291</u>	<u>1,356,736</u>	<u>60,445</u>
 Expenses:				
Road projects:				
10th street improvements	600,000	600,000	-	600,000
Other expense	-	-	46	(46)
Total expenditures	<u>600,000</u>	<u>600,000</u>	<u>46</u>	<u>599,954</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>696,291</u>	<u>696,291</u>	<u>1,356,690</u>	<u>660,399</u>
 Net change in fund balance	<u>\$ 696,291</u>	<u>\$ 696,291</u>	<u>1,356,690</u>	<u>\$ 660,399</u>
 Fund balance, July 1, 2019			<u>-</u>	
 Fund balance, June 30, 2020			<u>\$ 1,356,690</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Cookeville, Tennessee (the City) was incorporated under Chapter 542 of House Bill No. 1082 of 1903, as amended. The City operates under a City Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, water, sewer, gas, electric, health, culture and recreation, public improvements, planning and zoning, and general administrative services.

A. Reporting Entity

In evaluating the City as a reporting entity, management has addressed all potential component units for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide a specific financial burden to the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the application of these criteria, the following is a brief review of each potential component unit included in the government's reporting entity.

Cookeville Regional Medical Center Authority (the Authority) was established by a Private Act of the State of Tennessee legislature during 1999 for the purpose of operating Cookeville Regional Medical Center (Medical Center) and Affiliates and all other hospital, clinical and related health care facilities of the City of Cookeville, Tennessee. The Private Act effectively reconstituted the Board of Trustees of the Medical Center as that of the Authority and granted such powers to the Authority as permitted under the State of Tennessee Private Act Hospital Authority Act of 1996. The initial members of the Board of Trustees of the Authority, a quasi-municipal corporation independent of the City, were the same as those of the Medical Center and were elected by the Cookeville City Council as provided in the Private Act. The Authority is considered a component unit of the City for the City's financial reporting purposes. The Medical Center was originally a department of the City and previously operated as an Enterprise Fund of the City.

The City of Cookeville and the Authority entered into an agreement effective December 10, 1999, which specified the arrangements relative to the Private Act. The Private Act, which created the Authority, was also amended by a subsequent Private Act in May 2000. This amended Private Act clarified the empowerment of the Authority. The Authority has sole and complete authority to operate and control the facilities of the Medical Center. The ownership of the real estate, improvements, tangible personal property, licenses, permits and provider numbers of the Medical Center remain with the City. The Authority also has rights to working capital, including cash, accounts receivable and future revenues, subject to that necessary to retire indebtedness at the date of the creation of the Authority, and the Authority has the obligation to repay debt of the City with respect to which such assets and revenues have been pledged.

There was no change to the basis of assets and liabilities as a result of the creation of the Authority. In addition, approval of the Cookeville City Council is required for all borrowings and purchases of any real property by the Authority. The Cookeville City Council also retains approval authority over the budget of the Medical Center's operations. All rights of the Authority cease upon sale, lease or transfer of the Medical Center by the City.

Operations of the Medical Center consist primarily of a 247-bed acute care hospital providing healthcare services in Putnam County, Tennessee. The Medical Center also owns and operates Highland Rim Home Health Agency as a department of the Medical Center.

Due to the significant relationship between the City of Cookeville and Cookeville Regional Medical Center Authority, we have included as part of the notes of these financial statements the notes of Cookeville Regional Medical Center Authority (beginning on page 47) as audited by other auditors.

The City has recorded \$700,000 in payments in lieu of taxes and \$2,820,000 for utilities services from the Medical Center during the year ended June 30, 2020.

The financial statements for Cookeville Regional Medical Center Authority can be obtained by contacting the organization.

The Public Building Authority (PBA) of the City of Cookeville, Tennessee was established as a public non-profit corporation and public instrumentality of the City of Cookeville, Tennessee in accordance with Tennessee Code Annotated Section 12-10-109 for the purpose of operating, maintaining, and managing Town Centre. The appointment of the PBA's directors is subject to confirmation by the City Council of the City of Cookeville. All of the facilities of the PBA are owned by the City, without which the PBA would have no means of revenue. The PBA is considered a non-major, discretely presented component unit of the City for the City's financial reporting purposes. The financial statements of the PBA can be obtained by contacting the organization.

B. Government-wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City of Cookeville as a whole. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide statements report using the economic resources measurement focus, and the accrual basis of accounting; generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, hotel/motel taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Payments in lieu of taxes were reported as transfers out of the proprietary funds and transfers in by the general fund. These payments are not equivalent in value to services provided.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

D. Fund Types and Major Funds

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. The City electively added funds, as major funds, which either had debt outstanding or specific community focus.

The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City of Cookeville reports the following major funds:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for the payment of principal, interest, and related costs on the City's general obligation debt.

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, Special Assessment Funds and Trust Funds). Budgetary restriction is achieved through the bond issues and grant restrictions.

Proprietary Funds

Cookeville Electric Department - The Cookeville Electric Department accounts for the operating activities of the City's electric utilities services.

Cookeville Gas Department - The Cookeville Gas Department accounts for the operating activities of the City's gas utilities services.

Cookeville Water Quality Control Department - The Cookeville Water Quality Control Department accounts for the operating activities of the City's water and sewer utilities services.

Other Funds

Internal Service Fund - Account for the financing of goods or services provided by one department to other departments within the City on a cost-reimbursement basis. This internal services fund is used to collect health insurance premiums and make health claim payments.

E. Budgets and Budgetary Accounting

As set forth in the City Charter, the City Council adopts an annual budget for the General Fund, Special Revenue Fund, Debt Service Fund and Utility Funds. The annual budget for the governmental type funds is prepared in accordance with the basis consistent with GAAP, except that depreciation, certain capital expenses, nonoperating income and expense items are not considered. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures/expenses must be approved by the City Council at year-end. The City Council has amended the 2020 fiscal budget which approved such additional expenditures/expenses. Because the City maintains its budgetary accounting on the GAAP basis, no reconciliation is necessary to reconcile the budgetary basis to the GAAP basis.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the City.

G. Statement of Cash Flows

For purposes of the Statement of Cash Flows, cash and cash equivalents are considered to be cash on hand and on deposit with original maturities of less than 90 days.

H. Cash and Investments

Deposits (cash and certificates of deposit) are carried at cost which approximates market value. The carrying amount of deposits is separately displayed on the balance sheet as "cash," "sinking fund cash," and "temporary cash investments." See Note 2 for information describing cash and temporary cash investments.

I. Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary fund and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

J. Accounts Receivable

An allowance for doubtful accounts has been established based on the amount of accounts receivable that are 90 days or more past due. Accounts are written off when they are deemed uncollectible by management. Accounts are considered to be past due if they have not been collected according to contractual terms. The allowance was approximately \$239,000 for the year ended June 30, 2020.

K. Unbilled Revenue

It is the practice of the utility funds to record revenue on the basis of meter readings. Unbilled revenue, representing utility usage from the date of the last meter reading to June 30, was recognized in the amount of approximately \$4,850,000 in 2020.

L. Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units' financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets, not including infrastructure assets, with cost of \$7,500 or more as purchase and construction outlays occur. Infrastructure assets with a cost of \$250,000 or more are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5-50
Plant and distribution system	5-50
Improvements	2-50
Vehicles	3-30
Furniture, machinery, and equipment	3-40
Software	3-5
Infrastructure	30

Water storage rights are recorded at historical cost and amortized over 30 years using the straight-line method. For information describing capital assets, see Note 5.

M. Compensated Absences

The City allows employees to accumulate unused sick leave. Upon retirement an employee will receive pay for only one-half of accumulated sick leave. Sick leave has not been accrued because the amount cannot be reasonably estimated. Earned vacation time can be accrued up to certain maximums based upon years of service. As of June 30, 2020, the liability for accrued vacation leave is approximately \$1,505,000.

Compensated absences for accrued vacation are reported as accrued in the government-wide, governmental activities, proprietary, fiduciary, and component unit financial statements. The General Fund has historically been required to liquidate compensated absences for governmental activities. The amount expected to be paid from current resources is not considered significant.

N. Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. Bond issue costs are expensed in the period incurred.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

O. 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(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City has two items that qualify for reporting in this category. One is comprised of the net deferrals of pension earnings, assumption and experience as well as contributions made after the measurement date of the net pension liability. The other is deferrals of post-employment benefits other than pensions.

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 an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Deferred inflows for pensions are comprised of the deferral of pension experience and net deferrals of pension earnings recorded in accordance with GASB Statement No. 68. Unavailable revenues from property taxes are amounts in the governmental funds that were receivable and measurable at year-end but were not available to finance expenditures for the current year.

P. Net Position and Fund Balances

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources in the government-wide and business-type fund financial statements. Net position is displayed in three components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets after adding back unspent proceeds.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

Governmental funds utilize a fund balance presentation for equity. At June 30, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Fund balances are categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable – Amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted – Amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed – Amounts can only be used for specific purposes imposed by a formal action of the City's highest level of decision-making authority, the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or by ordinance.

Assigned – Amounts the City intends to use for specific purposes as expressed by the City Council. This is the residual classification for all governmental funds other than the general fund.

Unassigned – Amounts that remain for any purpose or deficit balances in other funds.

The City's policy is to use funds in the order of the most restrictive to the least restrictive. Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Q. Joint Ventures

The Upper Cumberland Regional Airport (UCRA) was established as a joint venture between Putnam County, White County, the City of Cookeville, and the City of Sparta. The airport operates the regional airport for the two-county area. The five-member board of the airport includes one member appointed by each of the four participating governments with the fifth member of the board being the chief executive officer of one of the participating governments. This fifth board position serves a one-year term and rotates among the four participating governments in a prescribed order. Each participant retains a 25 percent ownership in the airport. The City of Cookeville contributed \$28,000 to the Upper Cumberland Regional Airport for the year ended June 30, 2020.

The Cookeville – Putnam County Emergency Management Agency was established in 1951 as a joint venture between the City of Cookeville and Putnam County. The purpose of the Cookeville – Putnam County Emergency Management Agency is to plan and prepare for emergency operations and to assist other emergency services during emergencies or disasters. The City of Cookeville contributed \$25,400 to the Cookeville – Putnam County Emergency Management Agency for the year ended June 30, 2020. An interlocal agreement has been approved that transfers sole responsibility of Putnam County Emergency Management Agency to Putnam County, Tennessee. Under this agreement, the City of Cookeville would continue to make a contribution of \$25,400 per year for services provided.

The Tennessee Central Heritage Rail Trail Authority was created through an interlocal agreement between Putnam County and the cities of Algood, Cookeville and Monterey. The Town of Monterey has subsequently withdrawn from this agreement. The agreement created a ten-member board to construct and manage a rail trail on the right-of-way owned by the Nashville Eastern Railroad Authority. The county and cities will each appoint two members, the ninth member will be appointed by the Putnam County Chamber of Commerce, and the tenth member will be appointed by the Upper Cumberland Heritage Association. The county and cities will each approve the budget of the Rail Trail Authority. The City of Cookeville contributed \$7,745 to the Rail Trail Authority for the year ended June 30, 2020.

The Putnam County Library has been in existence for a number of years but was formally recognized as a joint venture between the City of Cookeville and Putnam County under an agreement dated June 30, 2011. The seven-member board includes four members appointed by the County and three members appointed by the City. The City of Cookeville contributed \$330,000 to the Putnam County Library for the year ended June 30, 2020.

The City of Cookeville does not have an equity interest in any of the above-noted joint ventures except for The Upper Cumberland Regional Airport (UCRA). Complete financial statements for all of these entities may be obtained from their administrative offices.

R. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles of the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates in the near term.

S. Pensions

For purposes of measuring the 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 Cookeville's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Cookeville's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

NOTE 2 - CASH AND TEMPORARY CASH INVESTMENTS:

The City has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* for financial reporting of deposit and investment risks.

Cash on the balance sheet includes cash on hand or in demand deposit accounts with financial institutions located in the City of Cookeville. Temporary cash investments are deposits with the State of Tennessee Local Government Investment Pool. All deposits are stated at fair value and accessible on demand.

The City has no formal investment policy. The City Municipal Code identifies official depositories for City funds as financial institutions located within the corporate limits of the City of Cookeville whose deposits are insured through the Tennessee Bank Collateral Pool or who placed governmental securities (at market value) in escrow in amounts sufficient to secure at least 105% or more of the deposits. Funds may also be deposited in the State of Tennessee Local Government Investment Pool (LGIP). An annual report of the LGIP may be obtained from the Treasury Department of the State of Tennessee.

NOTE 3 - PROPERTY TAXES:

Property taxes attach as an enforceable lien on property as of January 1, and taxes receivable and deferred revenue are recorded at that time. Taxes are levied on October 1 and are payable by February 28 with this five-month period being the major collection period. The City bills and collects its own property taxes. An allowance for uncollectible taxes is provided based on the experience of amounts not collected in the year of levy. The allowance was approximately \$528,000 for the year ended June 30, 2020.

NOTE 4 - BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY:

A schedule of interfund receivables and payables follows:

	<u>Due to:</u>			<u>Business-type</u>		<u>Total</u>
	<u>Governmental Activities</u>			<u>Activities</u>		
	<u>General</u>	<u>Debt</u>	<u>Other</u>	<u>Electric</u>	<u>Water</u>	
<u>Due from:</u>		<u>Service</u>	<u>Governmental</u>	<u>Quality</u>	<u>Due</u>	
			<u>Funds</u>	<u>Control</u>	<u>From</u>	
<u>Governmental Activities:</u>						
Major Governmental Funds						
General Fund	\$ -	\$ 4,081	\$ 12,123	\$ 420	\$ -	\$ 16,624
Capital Projects	-				-	-
Other Governmental Funds	34,213	-	-	-	-	34,213
<u>Business-type Activities:</u>						
Electric	146,761	-	-	-	10	146,771
Water Quality Control	66,386	-	-	41	-	66,427
Gas	32,844	-	-	24	-	32,868
Total Due To	<u>\$ 280,204</u>	<u>\$ 4,081</u>	<u>\$ 12,123</u>	<u>\$ 485</u>	<u>\$ 10</u>	<u>\$ 296,903</u>

Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods and other miscellaneous receivables/payables between funds. These transactions are not indicative of long-term lending/borrowing arrangements.

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis.

A schedule of interfund transfers follows:

	Transfer from:						Total
	General	Economic Development	Quality of Life	Cookeville Electric Department	Cookeville Gas Department	Cookeville Water Quality Control Department	
Transfer to:							
Animal Control	\$ 88,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,000
General	<u>-</u>	<u>100,000</u>	<u>15,745</u>	<u>1,251,156</u>	<u>139,597</u>	<u>318,734</u>	<u>1,825,232</u>
Total:	<u>\$ 88,000</u>	<u>\$ 100,000</u>	<u>\$ 15,745</u>	<u>\$ 1,251,156</u>	<u>\$ 139,597</u>	<u>\$ 318,734</u>	<u>\$ 1,913,232</u>

Interfund transfers are used to (1) move revenues from the funds with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) report in-lieu of taxes paid by proprietary funds, (3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 5 - CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets follows:

	Balance June 30, 2019	Additions	Retirements	Amortization	Transfers & Reclasses	Balance June 30, 2020
<u>Government-type activities:</u>						
Capital assets not being depreciated						
Land	\$ 13,997,746	\$ 234,095	\$ -		\$ -	\$ 14,231,841
Construction in progress	656,976	432,773	-			1,089,749
Total capital assets not being depreciated	<u>14,654,722</u>	<u>666,868</u>	<u>-</u>		<u>-</u>	<u>15,321,590</u>
Capital assets, being depreciated						
Buildings	13,369,666	121,499	-		-	13,491,165
Improvements	3,554,016	57,105	-		-	3,611,121
Vehicles	11,666,087	815,406	(140,349)		21,299	12,362,443
Machinery and equipment	3,980,488	713,528	-		-	4,694,016
Software	286,977	-	(4,156)		-	282,821
Easements	-	-	-		-	-
Infrastructure	61,247,519	-	-		-	61,247,519
Total capital assets being depreciated	<u>94,104,753</u>	<u>1,707,538</u>	<u>(144,505)</u>		<u>21,299</u>	<u>95,689,085</u>
Less accumulated depreciation for:						
Buildings	(4,846,905)	(281,569)	-		-	(5,128,474)
Improvements	(1,720,569)	(155,495)	-		-	(1,876,064)
Vehicles	(9,507,753)	(660,575)	140,349		(21,299)	(10,049,278)
Machinery and equipment	(3,250,871)	(287,166)	-		-	(3,538,037)
Software	(198,905)	(19,571)	4,156		-	(214,320)
Infrastructure	(32,512,780)	(1,956,166)	-		-	(34,468,946)
Total accumulated depreciation	<u>(52,037,783)</u>	<u>(3,360,542)</u>	<u>144,505</u>		<u>(21,299)</u>	<u>(55,275,119)</u>
Total capital assets being depreciated, net	<u>42,066,970</u>	<u>(1,653,004)</u>	<u>-</u>		<u>-</u>	<u>40,413,966</u>
Total government-type activities capital assets, net	<u>\$ 56,721,692</u>	<u>\$ (986,136)</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ 55,735,556</u>
<u>Business-type activities:</u>						
Capital assets not being depreciated						
Land and easements	\$ 3,857,353	\$ -	\$ -	\$ -	\$ -	\$ 3,857,353
Construction in progress	5,905,765	3,035,970	-	-	(2,931,161)	6,010,574
Total capital assets not being depreciated	<u>9,763,118</u>	<u>3,035,970</u>	<u>-</u>	<u>-</u>	<u>(2,931,161)</u>	<u>9,867,927</u>
Capital assets being depreciated						
Buildings and improvements	4,707,028	-	-	-	-	4,707,028
Plant and distribution system	188,621,428	3,159,278	(758,797)	-	2,931,161	193,953,070
Machinery and equipment	14,814,266	842,325	(211,166)	-	(21,299)	15,424,126
Furniture and equipment	795,991	72,075	(205,088)	-	-	662,978
Plant acquisition adjustment	7,094,002	-	-	(607,507)	(20,290)	6,466,205
Total capital assets being depreciated	<u>216,032,715</u>	<u>4,073,678</u>	<u>(1,175,051)</u>	<u>(607,507)</u>	<u>2,889,572</u>	<u>221,213,407</u>
Less accumulated depreciation for:						
Buildings and improvements	(2,864,742)	(95,898)	-	-	(7,513)	(2,968,153)
Plant and distribution system	(95,450,307)	(5,932,492)	985,063	-	7,513	(100,390,223)
Machinery and equipment	(8,862,032)	(737,959)	211,166	-	22,531	(9,366,294)
Furniture and equipment	(721,365)	(56,549)	205,088	-	(1,232)	(574,058)
Total accumulated depreciation	<u>(107,898,446)</u>	<u>(6,822,898)</u>	<u>1,401,317</u>	<u>-</u>	<u>21,299</u>	<u>(113,298,728)</u>
Total capital assets being depreciated, net	<u>108,134,269</u>	<u>(2,749,220)</u>	<u>226,266</u>	<u>(607,507)</u>	<u>2,910,871</u>	<u>107,914,679</u>
Total business-type activities capital assets, net	<u>\$ 117,897,387</u>	<u>\$ 286,750</u>	<u>\$ 226,266</u>	<u>\$ (607,507)</u>	<u>\$ (20,290)</u>	<u>\$ 117,782,606</u>

The City has active construction projects as of June 30, 2020. Total accumulated commitments for ongoing capital projects are comprised of the following:

Governmental activities:

SSA - Sidewalk Projects	\$ 28,669
City Hall HVAC	522,170
Police Station Construction	<u>177,921</u>
Total commitments - governmental activities	<u>\$ 728,760</u>

Proprietary Fund activities:

Water Quality	\$ 9,441,236
Gas	<u>125,694</u>
Total commitments - Proprietary Fund activities	<u>\$ 9,566,930</u>

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

Governmental activities:

General government	\$ 66,380
Planning and codes	11,633
Public safety	505,499
Public works	2,500,125
Parks & maintenance	19,670
Culture and recreation	<u>257,235</u>
Total depreciation expense - governmental activities	<u>\$ 3,360,542</u>

Business-type activities:

Cookeville Water Quality Control Department	\$ 3,806,475
Cookeville Electric Department	2,398,581
Cookeville Gas Department	<u>617,842</u>
Total depreciation expense - business-type activities	<u>\$ 6,822,898</u>

NOTE 6 - LONG-TERM LIABILITIES:

The following summarizes long-term liabilities transactions of the City of Cookeville during the year ended June 30, 2020.

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Bonds and notes payable:					
General Obligation Bonds	\$ 16,565,000	\$ -	\$ (1,760,000)	\$ 14,805,000	\$ 1,580,000
Notes payable	<u>2,421,000</u>	<u>-</u>	<u>(820,000)</u>	<u>1,601,000</u>	<u>442,000</u>
Total bonds and notes payable	<u>18,986,000</u>	<u>-</u>	<u>(2,580,000)</u>	<u>16,406,000</u>	<u>2,022,000</u>
Other liabilities:					
Compensated absences	<u>1,028,113</u>	<u>-</u>	<u>(40,278)</u>	<u>987,835</u>	<u>-</u>
Total other liabilities	<u>1,028,113</u>	<u>-</u>	<u>(40,278)</u>	<u>987,835</u>	<u>-</u>
Total governmental activities long-term liabilities:	<u>\$ 20,014,113</u>	<u>\$ -</u>	<u>\$ (2,620,278)</u>	<u>\$ 17,393,835</u>	<u>\$ 2,022,000</u>
<u>Business-Type Activities:</u>					
Bonds and notes payable:					
Revenue bonds payable	\$ 2,310,000	\$ -	\$ (260,000)	\$ 2,050,000	\$ 270,000
Notes payable	<u>4,641,268</u>	<u>-</u>	<u>(1,354,900)</u>	<u>3,286,368</u>	<u>578,432</u>
Total bonds and notes payable	<u>6,951,268</u>	<u>-</u>	<u>(1,614,900)</u>	<u>5,336,368</u>	<u>848,432</u>
Other liabilities:					
Compensated absences	458,735	58,159	-	516,894	-
TVA heat pump notes payable	403,871	31,140	(146,766)	288,245	-
Water storage rights payable	<u>1,643,936</u>	<u>-</u>	<u>(97,032)</u>	<u>1,546,904</u>	<u>99,822</u>
Total other liabilities	<u>2,506,542</u>	<u>89,299</u>	<u>(243,798)</u>	<u>2,352,043</u>	<u>99,822</u>
Total business-type activities long-term liabilities:	<u>\$ 9,457,810</u>	<u>\$ 89,299</u>	<u>\$ (1,858,698)</u>	<u>\$ 7,688,411</u>	<u>\$ 948,254</u>

Bonds and notes payable at June 30, 2020, are comprised of the following:

Governmental Bonds and Notes Payable:

1.0% through 5.05% General Obligation Industrial & Business Park Bonds, Series 2010, Taxable Build America bonds, issued December 15, 2010, payable annually in varying amounts plus semi-annual interest payments through 2026.	\$ 3,215,000
2.0% through 3.2% General Obligation Bonds, Series 2013, issued December 19, 2013, payable in varying amounts plus semi-annual interest through 2029.	2,590,000
2.0% through 2.75% General Obligation Bonds, Series 2015, issued November 10, 2015, payable in varying amounts plus semi-annual interest through 2031.	7,340,000
2.5% through 3.0% General Obligation Bonds, Series 2017, issued November 15, 2017, payable in varying amounts plus semi-annual interest through 2027.	1,660,000
Note payable to Tennessee Municipal Bond Fund, maximum borrowing of \$3,200,000, payable annually beginning in 2007 through 2023, with a variable rate of interest. Interest rate at June 30, 2020 is .27%.	798,000
Note payable to Tennessee Municipal Bond Fund, maximum borrowing of \$2,350,000, payable annually beginning in 2009 through 2024, with a variable rate of interest. Interest rate at June 30, 2020 is .27%.	<u>803,000</u>
	<u>\$ 16,406,000</u>

Business-type Bonds and Notes Payable:

Revolving loan payable to State of Tennessee, interest rate 2.5%, due in monthly installments through 2031.	\$ 1,236,368
Electric Department System Revenue and Tax Bonds, issued February 15, 2012, payable annually in varying amounts plus semi-annual interest payments through 2027. Interest 1.0% to 3.0%.	2,050,000
Notes payable to Tennessee Municipal Bond Fund, maximum borrowing of \$6,000,000, payable annually beginning in 2009 through 2024, variable interest rate.	<u>2,050,000</u>
	<u>\$ 5,336,368</u>

The annual requirements to amortize all general obligation debt, notes payable and revenue bonds are as follows:

General Obligation Bonds

Year Ending June 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,580,000	\$ 438,406
2022	1,610,000	391,809
2023	1,655,000	343,234
2024	1,690,000	294,571
2025	1,735,000	243,579
2026	1,780,000	188,086
2027	1,225,000	128,381
2028	1,010,000	96,465
2029	1,040,000	69,010
2030	730,000	40,700
2031	750,000	20,625
Total	<u>\$ 14,805,000</u>	<u>\$ 2,254,866</u>

Notes Payable

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 442,000	\$ 4,323	\$ 578,432	\$ 69,301
2022	462,000	3,129	604,024	57,522
2023	481,000	1,882	631,676	45,240
2024	216,000	583	661,400	32,402
2025	-	-	113,184	18,984
2026	-	-	116,052	16,116
2027	-	-	118,980	13,188
2028	-	-	121,992	10,176
2029	-	-	125,076	7,092
2030	-	-	128,244	3,924
2031	-	-	87,308	721
Total	<u>\$ 1,601,000</u>	<u>\$ 9,917</u>	<u>\$ 3,286,368</u>	<u>\$ 274,666</u>

Revenue Bonds

Year Ending June 30,	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 270,000	\$ 43,588
2022	275,000	35,412
2023	285,000	28,438
2024	290,000	22,687
2025	300,000	16,788
2026	310,000	10,494
2027	320,000	3,600
Total	<u>\$ 2,050,000</u>	<u>\$ 161,007</u>

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Water Storage Rights Payable:

The Water Quality Control Department has entered into an agreement with the U.S. Army Corps of Engineers to purchase water storage rights at the Center Hill Reservoir. The purchase price is \$2,816,877 and will be paid over a period of 30 years. The contract will be payable in annual installments including interest of \$144,295 based on an adjusted interest rate of 2.875 percent. The interest rate will be adjusted at five year intervals throughout the repayment period. The rate is the yield rate as determined by the Secretary of the Treasury plus 1/8 percent.

Annual maturities of water storage rights payable, 2020 through 2033.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 99,822	\$ 44,473	\$ 144,295
2022	102,691	41,604	144,295
2023	105,644	38,651	144,295
2024	108,681	35,614	144,295
2025	111,806	32,489	144,295
2026-2030	609,132	112,343	721,475
2031-2033	409,128	23,757	432,885
	<u>\$1,546,904</u>	<u>\$ 328,931</u>	<u>\$ 1,875,835</u>

NOTE 7 - PENSION PLANS:

Legacy Plan

General Information about the Pension Plan

Plan description. Employees of Cookeville are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI)

during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	597
Inactive employees entitled to but not yet receiving benefits	596
Active employees	<u>418</u>
	<u><u>1,611</u></u>

Subsequent to the measurement date, new employees of the City of Cookeville hired on or after July 1, 2019 will not be eligible for this current plan, but a different plan under TCRS will be made available with different benefit terms.

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are non-contributory. Cookeville makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2020, employer contributions for Cookeville were \$4,284,343 based on an aggregate rate of 21.61 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Cookeville's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Cookeville's net pension liability (asset) was measured as of June 30, 2019, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of investment expense, including inflation
Cost of living adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June

30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real</u>	<u>Target Allocation</u>
U.S. Equity	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Market International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	10%
Short-term Securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Cookeville will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees 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 active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Position Liability

	Increase (Decrease)		
	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) - (b)</u>
Balance at June 30, 2018	\$ 143,793,871	\$ 125,256,435	\$ 18,537,436
Service cost	1,795,672	-	1,795,672
Interest	10,300,593	-	10,300,593
Differences between expected and actual experience	755,974	-	755,974
Changes in assumptions	-	-	-
Contributions-employer	-	4,403,814	(4,403,814)
Contributions-employee	-	48,821	(48,821)
Net investment income	-	9,229,386	(9,229,386)
Benefit payments, including refunds of employee contributions	(7,024,788)	(7,024,788)	-
Administrative expense	-	(37,724)	37,724
Net changes	5,827,451	6,619,509	(792,058)
Balance at June 30, 2019	<u>\$ 149,621,322</u>	<u>\$ 131,875,944</u>	<u>\$ 17,745,378</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Net pension liability (asset)	\$ 36,299,670	\$ 17,745,378	\$ 2,233,920

Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense (income). For the year ended June 30, 2020, Cookeville recognized pension expense (income) of \$4,889,730.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2020, Cookeville reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$1,106,489	\$ 108,577
Net difference between projected and actual earnings of pension plan investments	-	1,539,984
Changes in assumptions	699,719	-
Contributions subsequent to measurement date of June 30, 2019	<u>4,284,342</u>	<u>-</u>
Total	<u>\$ 6,090,550</u>	<u>\$ 1,648,561</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2019," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year ended June 30:

2021	\$ 1,001,484
2022	(690,042)
2023	(105,217)
2024	(48,581)
2025	-
Thereafter	-

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

Hybrid Plan

New employees of the City of Cookeville hired on or after July 1, 2019 are eligible for the TCRS Hybrid plan. Amounts and disclosures as of and for the year ended June 30, 2020 are not significant to the financial statements.

NOTE 8 - CONTINGENCIES:

The City is the defendant in various legal actions. It is the opinion of management and the City's legal counsel that the City has adequate legal defense, and the City intends to vigorously defend all of the matters in which a settlement cannot be reached.

NOTE 9 - SELF-INSURANCE:

The City of Cookeville is partially self-insured with regard to their general liability, worker's compensation and employee health insurance. Other insurance needs are met through the purchase of commercial insurance. The City is self-insured with excess coverage in these areas:

- 1) Worker's compensation liability with a \$50,000 deductible per incident and statutory limit on coverage.
- 2) General liability with a \$410,000 deductible in aggregate.

Claims expensed during the year ended June 30, 2020, totaled approximately \$79,000 for general liability and \$213,000 for worker's compensation. Liabilities for claims incurred but not reported as of June 30, 2020, are not calculated by an actuary. The plan administrator reported claims payable of approximately \$245,000 as of June 30, 2020 which have been included in these financial statements.

The employee health care coverage program is partially self-insured by the City up to \$160,000 per occurrence. Insurance costs are funded from payroll deductions and from City contributions for employee coverage. Liabilities for health claims incurred but not reported as of June 30, 2020, are not calculated by an actuary. The plan administrator reported health claims payable of approximately \$370,000 as of June 30, 2020. These are claims received by the plan administrator for a two month period following the end of the fiscal year and incurred by the end of the plan year. For the year ended June 30, 2020, the amount for health insurance claims and premiums totaled approximately \$5,100,000.

There has been no reduction in insurance coverage from the prior year and no settlements have exceeded insurance coverage for the past three fiscal years.

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

The City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, prospectively for the year ended June 30, 2018.

General Information about the OPEB Plan

Plan description. In addition to the pension plan sponsored by the City, the City provides single-employer health care benefits (medical, dental, vision, life insurance) for all retired employees and their spouses. These benefit provisions and all other requirements are established by City policy.

Benefits provided. Employees are eligible for these retirement benefits at age 55 with a minimum of 5 years of service. The participants are required to pay a portion of the cost of the Plan, which generally ranges from approximately 20% to 100% of the annual premiums. Surviving spouses of employees who were eligible for these benefits at the time of death will be eligible for the same benefits with the exception of life insurance. Retirees and spouses pay a percentage of the self-insured health premiums based on the retirees' years of services at retirement. Retirees and spouses contribute 100% of the pooled premium rate for active employees and retirees under the self-insured dental plan. The retirees and spouses have limited life insurance and vision benefits and they must contribute toward the cost of the coverage.

Effective July 1, 2017, new employees hired on or after July 1, 2017 will be covered under the plan up to age 65. Once the employee becomes Medicare eligible, he or she is no longer eligible for medical coverage through the City of Cookeville. In addition, effective January 1, 2017, a new High Premium High Deductible (HPHD) plan was added.

This plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

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

Number of Participants	
Actives (covered & eligible)	84
Actives (not covered & eligible)	4
Actives (covered & ineligible)	307
Actives (not covered & ineligible)	34
Retirees	232

Actuarial assumptions and other inputs. The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.79% per annum
Salary increases	4.50% per annum
Healthcare cost trend rates	Medical: 7.5% to grade uniformly to 6.5% over a 3 year period
Annual Projected Payroll	\$ 19,114,735
Average Projected Earnings	\$ 44,556

Summary of Assumptions

TCRS Local Government Mortality Rates (est 2019)

Age	Actives		Retirees		Disabled	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
20	0.04%	0.02%	0.05%	0.02%	0.83%	0.64%
25	0.05%	0.02%	0.06%	0.02%	1.01%	0.79%
30	0.05%	0.03%	0.06%	0.02%	1.23%	0.98%
35	0.06%	0.03%	0.08%	0.04%	1.48%	1.20%
40	0.07%	0.05%	0.09%	0.05%	1.76%	1.39%
45	0.10%	0.07%	0.13%	0.07%	2.12%	1.59%
50	0.17%	0.11%	0.41%	0.27%	2.60%	1.81%
55	0.28%	0.18%	0.61%	0.41%	3.24%	2.11%
60	0.49%	0.27%	0.90%	0.61%	3.98%	2.49%

TCRS Local Government Disability Rates

<u>Age</u>	<u>Unisex</u>	<u>Age</u>	<u>Unisex</u>
20	0.03%	45	0.20%
25	0.03%	50	0.38%
30	0.03%	55	0.49%
35	0.03%	60	0.00%
40	0.08%		

TCRS Local Government Retirement Rates

<u>Age</u>	<u>Service</u>		<u>Age</u>	<u>Service</u>	
	<u>< 15 Yrs</u>	<u>> 15 Yrs</u>		<u>< 15 Yrs</u>	<u>> 15 Yrs</u>
50-56	0.0%	0.0%	65	24.0%	26.0%
57-58	0.0%	0.0%	66	18.5%	20.5%
59	0.0%	0.0%	67-68	16.0%	18.0%
60	10.5%	12.5%	69	16.5%	18.5%
61	15.0%	17.0%	70-74	18.0%	20.0%
62	20.0%	22.0%	75	100.0%	100.0%
63-64	17.5%	19.5%			

TCRS Local Government Withdrawal Rates

<u>Age</u>	<u>1st Year</u>	<u>2nd Year</u>	<u>Ultimate</u>	<u>Ultimate</u>
	<u>Unisex</u>	<u>Unisex</u>	<u>Male</u>	<u>Female</u>
20	26.24%	21.77%	13.73%	19.61%
25	23.03%	19.14%	10.29%	15.07%
30	21.83%	17.86%	7.36%	11.07%
35	20.67%	17.00%	5.10%	7.72%
40	19.20%	15.86%	3.47%	5.41%
45	17.68%	14.05%	2.75%	4.15%
50	16.98%	13.04%	2.78%	3.79%
55	17.44%	13.04%	3.60%	4.33%
60	20.41%	14.88%	4.62%	5.32%

Plan participation. It is assumed 90% of future eligible retirees will elect medical coverage upon retirement. Similarly, of the future eligible retirees currently married, 60% of these spouses will elect coverage. Life insurance coverage is assumed to be elected by 90% of future retirees and spouses.

Discount rate. The discount rate used to measure the total OPEB liability was 2.79 percent. This rate reflects the interest rate derived from yields on the S&P Municipal Bond 20-Year-High Grade Index as of June 30, 2019.

The actuarial demographic assumptions used in the June 30, 2020 valuation were developed from results of an actuarial experience study of plan data as of July 1, 2018 with concurrence by the actuary. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. Actual disability and withdrawal rate experiences were used to develop the number to become disabled or those to withdraw from the plan before reaching full retirement age. Actual plan retirement rates and plan participation rates of employees and eligible dependents were also used in the valuation.

Changes in Assumptions. The following changes were made to the actuarial assumptions and methods for this measurement period: (1) the discount rate is 2.79% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2019, compared to prior discount rate of 3.17%; (2) the medical claims aging table was updated to be based on the aging factors in the Dale Yamamoto study released by the Society of Actuaries in June 2013; (3) the assumed trend rate for the medical claims was changed from 8.00% grading uniformity to an ultimate rate of 5.00% over 6 years to 7.50% grading uniformity over 3 years, and following the Getzen Model

thereafter until reaching an ultimate rate of 3.94% in the year 2075 and; (4) the disability, retirement, termination, and mortality rates were updated based on the updated decrement rate studies completed for the State of Tennessee.

OPEB liability

The City of Cookeville's OPEB liability of \$48,617,108 was measured as of July 1, 2019, and was determined by an actuarial valuation as of that date.

Balance at June 30, 2019	\$ 46,602,471	\$ -	\$ 46,602,471
Service cost	1,656,278	-	1,656,278
Interest	1,319,600	-	1,319,600
Benefit changes	-	-	
Experience losses (gains)	-	-	
Changes in assumptions	-	-	
Contributions-employer	-	961,241	(961,241)
Contributions-employee	-	-	-
Net investment income	-	-	-
Benefits paid	(961,241)	(961,241)	-
	-	-	-
Net changes	<u>2,014,637</u>	<u>-</u>	<u>2,014,637</u>
Balance at June 30, 2020	<u>\$ 48,617,108</u>	<u>\$ -</u>	<u>\$ 48,617,108</u>

OPEB liability to changes in the healthcare cost trend rate.

The following represents the net OPEB liability calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1-percentage-point higher than the assumed trend rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.50% to 5.0%	7.50% to 6.00%	8.50% to 7.00%
	over 3 years and	over 3 years and	over 3 years and
	following the	following the	following the
	Getzen model	Getzen model	Getzen model
	thereafter	thereafter	thereafter
OPEB Liability	<u>\$ 40,127,170</u>	<u>\$ 48,617,108</u>	<u>\$ 59,901,565</u>

Sensitivity of OPEB liability to changes in the discount rate

The following represents the OPEB liability calculated using the stated discount rate, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>1.79%</u>	<u>2.79%</u>	<u>3.79%</u>
OPEB Liability	\$ 58,033,905	\$ 48,617,108	\$ 41,179,009

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

OPEB expense

For the fiscal year ended June 30, 2020, the City of Cookeville recognized OPEB expense of \$2,624,550.

	Fiscal Year Ending June 30, 2019
Service cost	\$ 1,656,278
Interest	1,319,600
Benefit changes	-
Experience losses (gains)	(1,344,813)
Changes of assumptions	993,485
	<u>\$ 2,624,550</u>

Deferred outflows/inflows of resources

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balances--at 06/30/2019	<u>\$ 6,954,397</u>	<u>\$ 9,413,690</u>
Changes for the Year:		
Contribution (prior year expected)	-	-
Payments subsequent to the measurement date	-	-
Changes in assumptions	(993,486)	-
Experience (losses) gains	-	(1,344,812)
Asset losses (gains)	-	-
Amortization of gains/losses	-	-
Net Changes	<u>(993,486)</u>	<u>(1,344,812)</u>
Balances--at 06/30/2020 *	<u>\$ 5,960,911</u>	<u>\$ 8,068,878</u>

* Deferred OPEB Outflows includes deferred losses of \$0.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2020 will be recognized in OPEB expense as follows:

Year ended June 30,

2021	\$ (351,328)
2022	(351,328)
2023	(351,328)
2024	(351,328)
2025	(351,328)
Thereafter	(351,327)

	Recognized Annually in Expense	Deferred Outflows of Resources	Deferred Inflows of Resources	Remaining Amortization Period
Experience losses (gains)				
- June 30, 2018	\$ (1,344,813)	\$ -	\$ 8,068,878	6
Changes of assumptions				
- June 30, 2018	<u>993,485</u>	<u>5,960,911</u>	<u>-</u>	6
	<u>\$ (351,328)</u>	<u>\$ 5,960,911</u>	<u>\$ 8,068,878</u>	

NOTE 11 - RESTATEMENT:

In the prior period, the City capitalized infrastructure costs for an SIA (State Industrial Access) project with TDOT that was overstated. Management provided an adjustment to reflect the correction of \$233,200 retrospectively as of June 30, 2020.

NOTE 12 - SUBSEQUENT EVENT:

Effective September 18, 2020, the City issued General Obligation Bonds, Series 2020 in the amount of \$8,875,000. The proceeds of the bonds will be used for the construction of a new facility to serve as the police headquarters.

NOTES TO FINANCIAL STATEMENTS
(COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY)
AUDITED BY OTHER AUDITORS

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - REPORTING ENTITY

Cookeville Regional Medical Center Authority (the “Authority”) was established by a Private Act of the State of Tennessee legislature during 1999 (the “Private Act”) for the purpose of operating Cookeville Regional Medical Center (“CRMC” or the “Hospital”) and all other hospital, clinical and related healthcare facilities of the City of Cookeville, Tennessee. The Private Act effectively reconstituted the Board of Trustees of CRMC as that of the Authority and granted such powers to the Authority as permitted under the State of Tennessee Private Act Hospital Authority Act of 1996. The initial members of the Board of Trustees of the Authority, a quasi-municipal corporation independent of the City of Cookeville (the “City”), were the same as those of the Medical Center and were elected by the Cookeville City Council as provided in the Private Act. The Authority is considered a component unit of the City for the City’s financial reporting purposes. The Authority consists of CRMC and its component units (collectively, the “Medical Center”) as disclosed below.

The City of Cookeville and the Authority entered into an agreement effective December 10, 1999 which specified the arrangements relative to the Private Act. The Private Act which created the Authority has also since been amended by multiple subsequent Private Acts. The amended Private Act of 2000 clarified the empowerment of the Authority. The amended Private Act of 2007 amended the terms and membership requirements of the Board of Trustees. The amended Private Act of 2011 further amended the terms and membership requirements of the Board of Trustees and restricted any Board of Trustees member from conducting business with the Authority. The amended Private Act of 2016 removed the requirement that any joint ownership arrangements of the Authority be on City owned property and that all joint ownership arrangements be approved by the Cookeville City Council.

The Authority has sole and complete authority to operate and control the facilities of the Medical Center. The ownership of the real estate, improvements, tangible personal property, licenses, permits and provider numbers of the Medical Center remain with the City. The Authority also has rights to working capital, including cash, accounts receivable and future revenues, subject to that necessary to retire indebtedness at the date of the creation of the Authority, and the Authority has the obligation to repay debt of the City with respect to which such assets and revenues have been pledged. In addition, approval of the Cookeville City Council is required for all borrowings and purchase of any real property by the Authority. The Cookeville City Council also retains approval authority over the budget of the Medical Center’s operations. All rights of the Authority cease upon sale, lease or transfer of the Medical Center by the City.

Operations of the Medical Center consist primarily of a 247-bed acute care hospital providing healthcare services in Putnam County, Tennessee. The Medical Center also owns and operates Cookeville Regional Home Health Agency as a department of the Medical Center.

The primary mission of the Medical Center is to provide inpatient and outpatient healthcare services to the citizens of Cookeville, Tennessee, Putnam County and surrounding areas.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - REPORTING ENTITY (CONTINUED)

Blended Component Units: The accompanying financial statements include the accounts of three blended component units as the governing bodies of each are essentially the same as that of CRMC. Cookeville Regional Medical Group, Inc. began operations during the year ended June 30, 2005.

In March 2012, the former CRMC MSO, Inc. (the “MSO”) was formally renamed Cookeville Regional Medical Group, Inc. (“CRMG”). CRMG was established to provide physician services to the City of Cookeville and the surrounding areas. In January 2012, CRMC MSO Sub 1 (“MSO Sub 1”) was established to provide cardiology services. In August 2012, Cumberland River Hospital, Inc. (“Cumberland River”) in Celina, Tennessee was acquired by CRMC to extend the health network into surrounding counties. In August 2015, Cumberland River achieved Critical Access Hospital designation and, as such, is reimbursed for patient care services based on cost. During the year ended June 30, 2019, Cumberland River was closed and during the year ended June 30, 2020, certain assets of the facility were sold to a third-party (See Note 19). CRMC and its blended component units are individually considered major funds as the Medical Center believes these funds are important to financial statement users.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Medical Center utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis using the economic resources measurement focus approach to accounting. The Medical Center follows Governmental Accounting Standards Board (“GASB”) standards of accounting and financial reporting.

Performance Indicator

Increase (decrease) in net position reflected in the accompanying statements of revenue, expenses and changes in net position is a performance indicator.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Medical Center considers all highly liquid investments with a maturity of three months or less when originally purchased, excluding amounts limited as to use, to be cash equivalents. Cash and cash equivalents consists of deposit accounts with financial institutions and cash deposits with a financial services company. The financial institutions utilized by the Medical Center are participating in the State of Tennessee Collateral Pool and/or are members of the Federal Deposit Insurance Corporation ("FDIC"). The Medical Center's deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's Collateral Pool. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the State of Tennessee's Collateral Pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the State of Tennessee's Collateral Pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the State of Tennessee's Collateral Pool are considered to be insured for purposes of credit risk disclosure. At June 30, 2020 and 2019, all of the Medical Center's deposits in financial institutions were within FDIC insurance limits or covered by the State of Tennessee Collateral Pool.

The cash deposits with the financial services company are comprised of deposits at various FDIC insured financial institutions and are structured so that deposits in each of the respective financial institutions is not in excess of FDIC insurance limits and, as such, are fully insured. As of June 30, 2020 and 2019, the Medical Center had \$44,799 and \$50,397, respectively, in these cash deposits. These deposits are held by the financial services company's trust department or agent in the Medical Center's name.

Patient Accounts Receivable and Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Patient service revenue is reported at the estimated net realizable amounts from patients, third party payers, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are considered in the recognition and accrual of revenue on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Current operations are charged with an estimated provision for bad debts based upon management's evaluation of collectability. Such evaluation includes historical experience, aging of the receivables and other factors which affect the collectability of the receivables. The estimated provision for bad debts is reported as a reduction in net patient service revenue.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Accounts Receivable and Patient Service Revenue (continued)

The primary third-party programs include Medicare and Medicaid (“TennCare”), which account for a significant portion of the Medical Center’s revenues. The laws and regulations under which Medicare and Medicaid programs operate are extremely complex and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Medical Center’s compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the Medical Center to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

The Medical Center’s policy does not require collateral or other security for patient accounts receivable. The Medical Center routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies such as those related to Medicare, TennCare, health maintenance organizations and commercial insurance carriers.

Estimated amounts due to third-party payers reflected on the statements of net position represent management’s estimate of final settlement under these third-party payer arrangements.

Inventories

Inventories consist principally of medical and surgical supplies, general store supplies, pharmacy items and dietary foods and are stated at the lower of cost (first-in, first-out method) or net realizable value.

Assets Limited as to Use

Assets limited as to use include cash and cash equivalents designated by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion use for other purposes.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed by the straight-line method over the estimated useful life of the asset, generally 20 to 40 years for buildings, 5 to 20 years for land improvements and 4 to 20 years for furniture and equipment. Assets under capital leases are to be included in property and equipment and the related amortization and accumulated amortization is included in depreciation and amortization expense and accumulated depreciation and amortization, respectively. The Medical Center has established a capitalization threshold for property and equipment of \$5,000, except for computer software and hardware, which has a threshold of \$10,000. The Medical Center reviews the carrying values of long-lived assets to determine if facts and circumstances indicate that the carrying value may have been impaired. Costs of maintenance and repairs are expensed as incurred. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Investments

Investments consist of United States government agency collateral-backed bonds and sponsored enterprise securities. These investments are reported at fair market value in accordance with GASB. The Medical Center generally holds its investments until maturity. The portion of investments related to financial instruments with remaining maturities of less than one year is classified as current assets. Investment income is reported as nonoperating revenue. Any changes in fair market value in the current year are recognized in the statements of revenue, expenses and changes in net position as a component of investment income.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and net pension expense, information about the fiduciary net position of the Medical Center's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System ("TCRS"), and additions to/deductions from the Medical Center's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Investment in Joint Venture

Investment in a joint venture is accounted for under the equity method of accounting and the Medical Center recognizes its share in the results of the underlying activities in the joint venture.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrual for Compensated Absences

The Medical Center recognizes an expense and accrues a liability for compensated future employee vacation and other absences in the period in which employees' rights to such compensated absences are earned. Compensated absences consist of paid days off including holidays, vacation, and bereavement days to regular full-time employees. Paid days off are earned based on years of service.

Refundable Advances

Refundable advances represent grants received from governmental agencies that have conditional terms to the uses of those funds ("conditional grants"), which generally, the Medical Center must attest to those terms and conditions. When the terms and conditions have reasonably been met during a reporting period, the Medical Center recognizes grant income as nonoperating revenue on the statements of revenues, expenses and changes in net position. The portion of conditional grants that have not reasonably been met at the end of a reporting period are shown as refundable advances on the statements of net position.

Contributed Resources

From time to time, the Medical Center receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted for specific operating purposes are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported as other increases in net position.

Net Position

Net position of the Medical Center is classified into three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the remaining balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is the noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center, including amounts deposited with trustees for pension related purposes. Unrestricted is the remaining net position that does not meet the definition of net investment in capital assets or restricted. The Medical Center first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Medical Center is classified as an organization exempt from federal income taxes as a quasi-municipal corporation and formerly as an enterprise fund of the City. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

Operating Revenue and Expenses

The Medical Center's statements of revenue, expenses and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing healthcare services - the Medical Center's principal activity. Nonexchange revenue, including grants and contributions received for purposes other than capital asset acquisition and investment income, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs and losses on disposal of assets.

Charity Care

The Medical Center accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Medical Center. In assessing a patient's inability to pay, the Medical Center utilizes generally recognized poverty income levels. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, charges related to charity care are not included in net patient service revenue. In addition to these charity care services, the Medical Center provides a number of other services to benefit underprivileged patients for which little or no payment is received, including providing services to TennCare and state indigent patients and providing various public health education, health evaluation and screening programs. The direct and indirect costs associated with these services cannot be identified to specific charity care patients. Therefore, management estimated the costs of these services by calculating a cost to gross charge ratio and multiplying it by the charges associated with services provided to patients meeting the Medical Center's charity care guidelines. Costs incurred for charity, based on the cost to charge ratio, were approximately \$1,658,000 and \$2,412,000 in 2020 and 2019, respectively.

Events Occurring after Report Date

The Medical Center has evaluated events and transactions that occurred between June 30, 2020 and January 28, 2021, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 3 - PATIENT ACCOUNTS RECEIVABLE

Net patient accounts receivable reported as current assets by the Medical Center consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Gross patient accounts receivable	\$ 75,763,207	\$ 74,482,791
Less estimated allowance for uncollectible accounts	<u>(49,030,669)</u>	<u>(45,191,461)</u>
Patient accounts receivable, net	<u>\$ 26,732,538</u>	<u>\$ 29,291,330</u>

The Medical Center's primary concentration of credit risk is patient accounts receivable, which consist of amounts owed by various governmental agencies, insurance companies and patients. The Medical Center manages the receivables by regularly reviewing its accounts and contracts and by providing appropriate allowances for uncollectible amounts. The mix of receivables from patient and third-party payers as of June 30, 2020 and 2019 were as follows:

	<u>2020</u>		<u>2019</u>	
Medicare and Medicare Advantage	42	%	39	%
Medicaid/TennCare	7		11	
Blue Cross and commercial	31		26	
Patients, including self-insured	<u>20</u>		<u>24</u>	
	<u>100</u>	%	<u>100</u>	%

NOTE 4 - OTHER RECEIVABLES

Other current and long-term receivables at June 30, 2020 include \$467,996 and \$1,029,700, respectively, (\$311,534 and \$1,099,445, respectively, at June 30, 2019) in receivables from certain physicians which were made as part of the Medical Center's recruitment program to attract physicians to the Medical Center's service area. Under terms of the related agreements, such receivables will be forgiven over a period of time, generally over three years, as long as the physician continues to practice in the area. The Medical Center is amortizing these loans over the physicians' service commitments.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5 - INVENTORIES

Inventories consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Medical and surgical supplies	\$ 7,085,780	\$ 6,407,091
General store supplies	280,198	260,078
Pharmacy and drugs	2,692,276	2,324,933
Dietary foods	43,741	43,702
	<u>\$ 10,101,995</u>	<u>\$ 9,035,804</u>

NOTE 6 - INVESTMENTS AND ASSETS LIMITED AS TO USE

The Medical Center's investments (including assets limited as to use) are reported at estimated fair value based on quoted market prices. The Medical Center invests in U.S. government agency collateral-backed bonds and sponsored enterprise securities and certificates of deposit that are in accordance with the Medical Center's investment policy.

The carrying amounts of deposits and investments included in the Medical Center's statements of net position are as follows at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Carrying amount:		
Cash and cash equivalents	\$ 44,495,700	\$ 54,374,900
Investments	7,702,463	9,885,868
Total deposits and investments	<u>\$ 52,198,163</u>	<u>\$ 64,260,768</u>
Included in the following statements of net position captions:		
Cash and cash equivalents	\$ 34,495,700	\$ 44,374,900
Short-term investments	-	1,695,518
Long-term investments	7,702,463	8,190,350
Assets internally designated for capital acquisitions	10,000,000	10,000,000
	<u>\$ 52,198,163</u>	<u>\$ 64,260,768</u>

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Medical Center's investment policy limits the "average life" or repricing period of the portfolio as a whole to 5.50 years in order to minimize market value fluctuations.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

The distribution of the Medical Center's cash and cash equivalents, investments and assets limited as to use by maturity as of June 30, 2020 and 2019 is as follows:

	June 30, 2020				
	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Undesignated	\$ 7,702,463	\$ -	\$ 1,329,383	\$ 662,630	\$ 5,710,450
Assets internally designated for capital acquisitions	10,000,000	10,000,000	-	-	-
Cash and cash equivalents	34,495,700	34,495,700	-	-	-
Total	<u>\$ 52,198,163</u>	<u>\$ 44,495,700</u>	<u>\$ 1,329,383</u>	<u>\$ 662,630</u>	<u>\$ 5,710,450</u>
	June 30, 2019				
	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Undesignated	\$ 9,885,868	\$ 1,695,518	\$ 2,548,869	\$ 431,134	\$ 5,210,347
Assets internally designated for capital acquisitions	10,000,000	10,000,000	-	-	-
Cash and cash equivalents	44,374,900	44,374,900	-	-	-
Total	<u>\$ 64,260,768</u>	<u>\$ 56,070,418</u>	<u>\$ 2,548,869</u>	<u>\$ 431,134</u>	<u>\$ 5,210,347</u>

Credit Risk: The Medical Center's investment policy requires that investments be made only in U.S. government agency securities, U.S. Treasury securities, mortgage-backed securities, collateralized mortgage obligations, certificates of deposits, and repurchase agreements. The Medical Center has no investment policy that would further limit its investment choices. As of June 30, 2020 and 2019, \$6,702,249 and \$2,590,218, respectively, of the Medical Center's investments were backed by the full faith of the U.S. Government and \$1,000,214 and \$7,295,650, respectively, were invested in securities with a Moody's Investment Service rating of Aaa and Standard and Poor's Rating Agency rating of AA+.

Custodial Credit Risk: The Medical Center's investment securities may be exposed to custodial credit risk at certain times when the securities are uninsured, are not registered in the name of the Medical Center, and are held by either the counterparty or the counterparty's trust department or agent but not in the Medical Center's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Medical Center will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Medical Center's investments are held by the counterparty, or by its trust department or agent, in the Medical Center's name.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Concentration of Credit Risk: The Medical Center places limits on the portfolio composition of the following investment types: U.S. Treasury and agency securities, mortgage-backed securities, collateralized mortgage obligations, certificates of deposits, and repurchase agreements. No more than \$1,500,000 may be invested in any one security. At June 30, 2020 and 2019, no more than \$1,500,000 is invested in any one investment security. As of June 30, 2020 and 2019, the Medical Center's investments consist of collateral-backed bonds and sponsored enterprise securities, all of which are issued by U.S. government or sponsored agencies.

Investment income for assets limited as to use and other investments is comprised of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest income and net realized gains/losses	\$ 1,245,600	\$ 1,411,578
Unrealized loss on investments	<u>(15,951)</u>	<u>(6,055)</u>
	<u>\$ 1,229,649</u>	<u>\$ 1,405,523</u>

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 7 - PROPERTY AND EQUIPMENT, NET

The Authority's rights to use of the capital assets of the Medical Center, which belong to the City of Cookeville, are defined in the Private Act and in the agreement between the City and the Authority as discussed in Note 1. A summary of property and equipment and schedule of activity is as follows:

	2020				Balance at June 30, 2020
	Balance at June 30, 2019	Additions	Retirements	Transfers	
<u>Capital assets not being depreciated:</u>					
Land	\$ 16,653,590	\$ 115,106	\$ (166,000)	\$ 114,992	\$ 16,717,688
Construction in progress	<u>2,779,966</u>	<u>6,034,732</u>	<u>(30,000)</u>	<u>(7,575,157)</u>	<u>1,209,541</u>
Total capital assets not being depreciated	<u>19,433,556</u>	<u>6,149,838</u>	<u>(196,000)</u>	<u>(7,460,165)</u>	<u>17,927,229</u>
<u>Capital assets being depreciated:</u>					
Land improvements	6,009,583	9,883	-	-	6,019,466
Buildings	197,911,747	1,117,439	(719,271)	3,273,358	201,583,273
Automobiles	278,043	-	-	-	278,043
Equipment	108,778,646	4,570,249	(1,737,086)	4,307,668	115,919,477
Equipment under capitalized leases	<u>1,993,341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,993,341</u>
Total capital assets being depreciated	<u>314,971,360</u>	<u>5,697,571</u>	<u>(2,456,357)</u>	<u>7,581,026</u>	<u>325,793,600</u>
<u>Less accumulated depreciation and amortization:</u>					
Land improvements	3,928,255	255,968	-	-	4,184,223
Buildings	77,813,289	6,968,764	(822,146)	13,085,758	97,045,665
Automobiles	198,106	43,093	-	-	241,199
Equipment	96,729,055	5,692,276	(1,454,302)	(13,319,828)	87,647,201
Equipment under capitalized leases	<u>2,076,855</u>	<u>41,757</u>	<u>-</u>	<u>354,931</u>	<u>2,473,543</u>
Total accumulated depreciation and amortization:	<u>180,745,560</u>	<u>13,001,858</u>	<u>(2,276,448)</u>	<u>120,861</u>	<u>191,591,831</u>
	<u>\$ 153,659,356</u>	<u>\$ (1,154,449)</u>	<u>\$ (375,909)</u>	<u>\$ -</u>	<u>\$ 152,128,998</u>

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 7 - PROPERTY AND EQUIPMENT, NET (CONTINUED)

	2019				Balance at June 30, 2019
	Balance at June 30, 2018	Additions	Retirements	Transfers	
<u>Capital assets not being depreciated:</u>					
Land	\$ 16,768,582	\$ -	\$ (114,992)	\$ -	\$ 16,653,590
Construction in progress	2,764,221	7,156,170	(451,667)	(6,688,758)	2,779,966
Total capital assets not being depreciated	<u>19,532,803</u>	<u>7,156,170</u>	<u>(566,659)</u>	<u>(6,688,758)</u>	<u>19,433,556</u>
<u>Capital assets being depreciated:</u>					
Land improvements	6,009,583	-	-	-	6,009,583
Buildings	197,336,981	678,070	(1,880,800)	1,777,496	197,911,747
Automobiles	254,155	40,500	(16,612)	-	278,043
Equipment	101,648,058	2,914,559	(695,233)	4,911,262	108,778,646
Equipment under capitalized leases	1,993,341	-	-	-	1,993,341
Total capital assets being depreciated	<u>307,242,118</u>	<u>3,633,129</u>	<u>(2,592,645)</u>	<u>6,688,758</u>	<u>314,971,360</u>
<u>Less accumulated depreciation and amortization:</u>					
Land improvements	3,671,733	256,522	-	-	3,928,255
Buildings	71,487,239	6,444,500	(118,450)	-	77,813,289
Automobiles	169,328	45,390	(16,612)	-	198,106
Equipment	90,940,325	6,303,215	(514,485)	-	96,729,055
Equipment under capitalized leases	2,035,098	41,757	-	-	2,076,855
Total accumulated depreciation and amortization:	<u>168,303,723</u>	<u>13,091,384</u>	<u>(649,547)</u>	<u>-</u>	<u>180,745,560</u>
	<u>\$ 158,471,198</u>	<u>\$ (2,302,085)</u>	<u>\$ (2,509,757)</u>	<u>\$ -</u>	<u>\$ 153,659,356</u>

An impairment on the assets of Cumberland River Hospital of approximately \$1,996,000 is included in retirements for the year ended June 30, 2019 and is recognized in other expenses on the statement of revenue, expenses and changes in net position for the year ended June 30, 2019 (See Note 19).

Construction in progress at June 30, 2020 consists of renovations of the MRI, CT, Sleep Lab, and Cath Lab rooms and a building. Estimated costs to complete the projects amounted to approximately \$3,726,000 at June 30, 2020 and all projects are anticipated to be completed during the year ended June 30, 2021.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 - INVESTMENT IN JOINT VENTURE

The Medical Center previously entered into a joint venture with an unrelated management company and several physicians to own and operate Upper Cumberland Physicians' Surgery Center (the "Surgery Center") which began operations during the year ended June 30, 2004. The Medical Center has a 52% interest in the venture. The Medical Center recognizes its equity in the income/loss of the Surgery Center as part of other nonoperating revenue. Condensed financial information for the Surgery Center as of June 30, 2020 and 2019 is as follows (unaudited):

	2020 <u>(unaudited)</u>	2019 <u>(unaudited)</u>
Assets	\$ 2,185,000	\$ 2,194,000
Liabilities	\$ 525,000	\$ 339,000
Member's equity	<u>1,660,000</u>	<u>1,855,000</u>
	<u>\$ 2,185,000</u>	<u>\$ 2,194,000</u>

Effective December 31, 2020, the Medical Center entered into a Membership Interest Purchase and Assignment Agreement ("MIPA") and Amendment to Management Agreement with the current unrelated management company, and an Assignment of Units agreement with each of the individual physician owners to purchase the remaining 48% interest in the Surgery Center and eventually transfer the management rights and obligations of the Surgery Center to the Medical Center. The MIPA includes a total cash purchase price of \$405,854 and the Assignment of Units includes a total cash purchase price of \$1,404,878 to acquire all of the unrelated management company's and the physician owner's interest in the Surgery Center. As of December 31, 2020, the Medical Center owns 100% of the Surgery Center and will eventually operate as a department of the Medical Center which is targeted for April 1, 2021.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 - LONG-TERM DEBT

The obligations of the Authority with respect to repayment of the City's debt related to the Medical Center facilities are defined in the Private Act and in the agreement between the City and the Authority as discussed in Note 1. A schedule of changes in the Medical Center's long-term debt as of June 30 is as follows:

	2020				Amounts Due Within One Year
	Balance at June 30, 2019	Additions	Reductions	Balance at June 30, 2020	
Series 2009 Bonds	\$ 23,716,334	\$ -	\$ (852,706)	\$ 22,863,628	\$ 874,293
Series 2010-A Bonds	7,913,771	-	(659,147)	7,254,624	675,834
Series 2010-B Bonds	10,674,893	-	(888,146)	9,786,747	910,631
Series 2010-C Bonds *	23,160,000	-	(948,500)	22,211,500	862,000
	<u>\$ 65,464,998</u>	<u>\$ -</u>	<u>\$ (3,348,499)</u>	<u>\$ 62,116,499</u>	<u>\$ 3,322,758</u>

* formerly known as Build America Bonds Series 2010

	2019				Amounts Due Within One Year
	Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019	
Series 2009 Bonds	\$ 24,547,723	\$ -	\$ (831,389)	\$ 23,716,334	\$ 863,364
Series 2010-A Bonds	8,556,440	-	(642,669)	7,913,771	667,386
Series 2010-B Bonds	11,540,836	-	(865,943)	10,674,893	899,248
Build America Bonds Series 2010	24,190,000	-	(1,030,000)	23,160,000	1,080,000
	<u>\$ 68,834,999</u>	<u>\$ -</u>	<u>\$ (3,370,001)</u>	<u>\$ 65,464,998</u>	<u>\$ 3,509,998</u>

During the year ended June 30, 2010, the Medical Center issued \$30,000,000 Revenue Refunding Bonds ("Series 2009 Bonds") in order to partially redeem the then outstanding balance of the Series 2006 Bonds. Also during 2010, the Medical Center issued \$12,775,000 Revenue Refunding Bonds ("Series 2010-A") and \$17,225,000 Revenue Refunding Bonds ("Series 2010-B") (collectively, the "Series 2010 Bonds") in order to fully redeem or pay off the then-outstanding balance of the Series 2001 A-2, 2001 A-3, and Series 2006 Bonds.

During the year ended June 30, 2011, the Medical Center issued \$30,000,000 Build America Bonds Series 2010. These Bonds also provide for a refundable tax credit paid to the Medical Center by the United States Treasury Department and the Internal Revenue Service in an amount equal to 35% of the total coupon interest payable on these taxable bonds. The Medical Center recognizes this refund as a reduction to interest expense in the financial statements.

Effective May 22, 2020, the Medical Center entered into a Modification Agreement with all the Bonds Series' whereas certain terms of the original agreements were amended and the outstanding principal balances of the bonds were reassigned to different lenders.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Each Series bears interest at a variable rate equal to the 30-day LIBOR plus 1.75%, multiplied by 0.825, and is payable monthly. The rate was 1.58% at June 30, 2020.

The Series 2009 Bonds and Series 2010 Bonds have extended the maturity dates to June 1, 2040 and December 1, 2029, respectively. The \$30,000,000 Revenue Bond Series 2010-C (“Series 2010-C”, formerly known as Build America Bond 2010 Series) has extended the maturity date to June 1, 2040. Each Series requires semiannual principal reductions payable on each June 1st and December 1st and are subject to optional acceleration clauses whereas the Bondholder has the option to call the entire outstanding principal balance and any accrued interest on each subsequent five-year anniversary of the Modification Agreement effective date.

Each Series is subject to prepayment, in whole or in part, for a prepayment price equal to the principal amount to be repaid plus interest accrued, without penalty. Any partial prepayment of the Bonds must be made on a prorata basis, and applied to future scheduled principal payments in reverse chronological order.

The debt service requirements at June 30, 2020 related to long-term debt are as follows:

Year Ending June 30,	Bonds	
	Principal	Interest
2021	\$ 3,322,758	\$ 991,392
2022	3,440,056	920,638
2023	3,523,933	865,674
2024	3,609,424	811,549
2025	3,696,574	751,702
2026 - 2030	19,092,916	2,833,638
2031 - 2035	11,614,669	1,615,614
2036 - 2040	13,816,169	626,230
	<u>\$ 62,116,499</u>	<u>\$ 9,416,437</u>

The bond indentures related to the various bond issues contain covenants with which the Medical Center must comply. These requirements include maintenance of certain liquidity ratios and insurance coverage, limitations on additional indebtedness and guarantees, use of facilities and disposals of property, among other things. The Medical Center was in compliance with these covenants as of June 30, 2020 and 2019.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Effective July 1, 2020, in connection with the Modification Agreement of the Revenue Refunding Bonds, the Medical Center entered into an interest rate swap agreement with a financial institution to reduce the impact of changes in interest rates on the bonds. Under the interest rate swap agreement, which is classified as a cash flow hedge, the Medical Center will pay interest monthly at a fixed rate of 1.83% and will receive interest monthly at the 30-day LIBOR multiplied by 0.825 plus 1.44%. The swap agreement has a trade date as of June 26, 2020. The net amounts paid to or received from the counterparty to the swap will be included in interest expense. The interest rate swap agreement will be recorded at fair value with fair value being determined based upon quoted year-end market rates. However, as of June 30, 2020, management has determined that the interest rate swap did not have a significant fair value and therefore, no amount is recorded as an asset or liability on the statements of net position as of June 30, 2020. The agreement terminates May 22, 2025 and has an original notional amount of \$62,116,499. Notional amounts do not quantify risk or represent assets or liabilities of the Medical Center, but are used in the determination of cash settlements under the agreement.

NOTE 10 - REFUNDABLE ADVANCES

Refundable advances on the statements of net position represent conditional grants that have been received, however the funds have not been expended in accordance with the required terms and conditions as of June 30, 2020. There were no refundable advances as of June 30, 2019. Refundable advances consist of the following at June 30, 2020:

<u>Grantor Agency</u>	<u>Grant Received</u>	<u>Grant Expended</u>	<u>Refundable Advances</u>
Department of Health and Human Services (“HHS”)			
Provider Relief Funds	\$ 25,485,128	\$ 5,017,132	\$ 20,467,996
Medicare Accelerated and Advance Payments	52,158,133	-	52,158,133
Tennessee Hospital Association ASPR and other	<u>21,030</u>	<u>21,030</u>	<u>-</u>
	<u>\$ 77,664,291</u>	<u>\$ 5,038,162</u>	<u>\$ 72,626,129</u>

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 11 - PATIENT SERVICE REVENUE

The Medical Center renders services to patients under contractual arrangements with the Medicare and Medicaid programs. Effective January 1, 1994, the Medicaid program in Tennessee was replaced with TennCare, a managed care program designed to cover previous Medicaid eligible enrollees as well as other previously uninsured and uninsurable participants. Amounts earned under these contractual arrangements are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. Activity with respect to audits and reviews of governmental programs and reimbursement has increased and is expected to increase in the future. No additional specific reserves or allowances have been established with regard to these increased audits and reviews as management is not able to estimate such amounts. Management believes that any adjustments from these increased audits and reviews will not have a material adverse impact on the financial statements. However, due to uncertainties in the estimation, it is at least reasonably possible that management's estimate will change in the future, although the amount of the change cannot be estimated. In addition, participation in these programs subjects the Medical Center to significant rules and regulations; failure to adhere to such could result in fines, penalties or expulsion from the programs.

The Medicare program pays for inpatient services on a prospective basis. Payments are based upon diagnostic related group assignments, which are determined by the patient's clinical diagnosis and medical procedures utilized.

The Medicare program reimburses for outpatient services under a prospective method utilizing an ambulatory payment classification system which classifies outpatient services based upon medical procedures and diagnosis codes.

Laws and regulations governing the Medicare and TennCare programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The filed cost reports are subject to audits, reviews, and investigations.

The Medical Center has also entered into reimbursement agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, per diem rates, case rates and discounts from established charges.

Contractual adjustments under third-party reimbursement programs also include any differences between estimated settlements for prior years and subsequent tentative or final settlements. The adjustments resulting from tentative or final settlements to estimated reimbursement amounts resulted in an increase in net patient service revenue of approximately \$3,809,000 and \$1,762,000 for the years ended June 30, 2020 and 2019, respectively.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 11 - PATIENT SERVICE REVENUE (CONTINUED)

The composition of net patient service revenue for the years ended June 30, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Gross patient service revenue	\$ 970,535,552	\$ 923,949,565
Less provisions for contractual adjustments	(611,047,764)	(577,949,744)
Less provisions for bad debt	(28,021,225)	(22,078,690)
Less charity care	<u>(5,467,253)</u>	<u>(8,325,682)</u>
Net patient service revenue	<u>\$ 325,999,310</u>	<u>\$ 315,595,449</u>

The composition of gross revenues for patient services rendered for the years ended June 30, 2020 and 2019 was as follows:

	<u>2020</u>	<u>Ratio</u>	<u>2019</u>	<u>Ratio</u>
Medicare and Medicare Advantage	\$ 576,623,769	60 %	\$ 548,818,552	60 %
Medicaid/TennCare	114,339,201	12	113,478,216	12
Blue Cross and commercial	236,171,588	24	222,054,287	24
Patients, including self-insured	<u>43,400,994</u>	<u>4</u>	<u>39,598,510</u>	<u>4</u>
Total	<u>\$ 970,535,552</u>	<u>100 %</u>	<u>\$ 923,949,565</u>	<u>100 %</u>

NOTE 12 - OPERATING LEASES

The Medical Center leases equipment and office space primarily under operating lease agreements expiring at various dates through June 2025. Future minimum lease payments under noncancelable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2020 are as follows:

<u>Years Ending June 30,</u>	
2021	\$ 743,869
2022	355,871
2023	61,721
2024	61,721
2025	<u>61,721</u>
	<u>\$ 1,284,903</u>

Total rental expense was \$1,964,581 and \$2,179,771 for the years ended June 30, 2020 and 2019, respectively.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 13 - DEFINED BENEFIT PENSION PLAN

General Information About the Pension Plan

Plan Description

Employees of the Medical Center are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <http://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits Provided

Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments ("COLAs") after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index ("CPI") during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	383
Inactive employees entitled to but not yet receiving benefits	402
Active employees	<u>315</u>
Total employees	<u><u>1,100</u></u>

The Medical Center withdrew from TCRS effective July 1, 2006. Employees hired after the date of withdrawal are not eligible to participate in TCRS. Employees active as of the withdrawal date will continue to accrue salary and service credit in TCRS. The employer remains responsible for the pension liability for employees that were active as of the withdrawal date and for retirees of the employer.

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The Medical Center adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The Medical Center makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2020, the Actuarially Determined Contribution (“ADC”) for the Medical Center was \$1,363,579 based on a rate of 7.18 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Medical Center’s state shared taxes if required employer contributions are not remitted. The employer’s ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Asset

The Medical Center’s net pension asset was measured as of June 30, 2019, and the total pension asset used to calculate net pension asset was determined by an actuarial valuation as of that date.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69 %	31 %
Developed market international equity	5.29	14
Emerging market international equity	6.36	4
Private equity and strategic lending	5.79	20
U.S. fixed income	2.01	20
Real estate	4.32	10
Short-term securities	- %	1
		<u>100 %</u>

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Medical Center will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees 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 active and inactive members. 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.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
BALANCE AT JUNE 30, 2017	\$ 104,770,493	\$ 116,291,878	\$ (11,521,385)
CHANGES FOR THE YEAR:			
Service cost	1,591,131	-	1,591,131
Interest	7,599,064	-	7,599,064
Differences between expected and actual experience	1,415,387	-	1,415,387
Changes in assumptions	-	-	-
Contributions-employer	-	2,332,212	(2,332,212)
Contributions-employees	-	-	-
Net investment income	-	9,619,909	(9,619,909)
Benefit payments, including refunds of employee contributions	(3,093,892)	(3,093,892)	-
Administrative expenses	-	(33,481)	33,481
Net changes	7,511,690	8,824,748	(1,313,058)
BALANCE AT JUNE 30, 2018	112,282,183	125,116,626	(12,834,443)
CHANGES FOR THE YEAR:			
Service cost	1,495,395	-	1,495,395
Interest	8,120,872	-	8,120,872
Differences between expected and actual experience	(1,195,816)	-	(1,195,816)
Changes in assumptions	-	-	-
Contributions-employer	-	2,195,052	(2,195,052)
Contributions-employees	-	-	-
Net investment income	-	9,265,324	(9,265,324)
Benefit payments, including refunds of employee contributions	(3,531,093)	(3,531,093)	-
Administrative expenses	-	(28,909)	28,909
Net changes	4,889,358	7,900,374	(3,011,016)
BALANCE AT JUNE 30, 2019	\$ 117,171,541	\$ 133,017,000	\$ (15,845,459)

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Medical Center calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
The Medical Center's net pension liability (asset)	\$ 854,837	\$ (15,845,459)	\$ (29,642,175)

Negative Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Pension Expense

For the year ended June 30, 2020, the Medical Center recognized pension expense of \$1,828,381.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2020, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 471,795	\$ 797,211
Net difference between projected and actual earnings on pension plan investments	-	1,544,029
Changes in assumptions	-	-
Contributions subsequent to the measurement date of June 30, 2019	<u>1,363,579</u>	<u>-</u>
Total	<u>\$ 1,835,374</u>	<u>\$ 2,341,240</u>

The amount shown above for "contributions subsequent to the measurement date of June 30, 2019," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

<u>Years Ending June 30,</u>		
2021	\$	(37,238)
2022		(1,491,151)
2023		292,284
2024		48,770
2025		-
Thereafter		-

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

Payable to the Pension Plan

At June 30, 2020, the Medical Center reported payables of \$23,417 and \$802,985 for the outstanding amount of contributions to the pension plan in accrued salaries and related liabilities and accounts payable, respectively, in the statements of net position as of June 30, 2020.

NOTE 14 - DEFINED CONTRIBUTION RETIREMENT PLAN

Prior to July 1, 2006, the Medical Center offered the TCRS defined benefit pension plan and the CRMC 401(k) Plan (the "Plan"). Effective July 1, 2006, employees had an option to decline the TCRS defined benefit pension plan and elect an additional 7% employer contribution to the Plan. This election will remain in effect for all employees that declined the TCRS defined benefit pension plan until they terminate or lose full-time status. The Medical Center's special nonelective contributions to the Plan for these employees were \$145,144 and \$161,359 for the years ended June 30, 2020 and 2019, respectively.

Cookeville Regional Medical Center Authority, the Plan Administrator, maintains the records of the trust which holds all investments of the Plan. The Plan Administrator has the authority to establish additional, and amend, benefit terms of the Plan at any time. The Plan is a defined contribution plan covering all eligible employees who have completed three months of service. Voluntary contributions may be made by the participants as a percentage of annual compensation not to exceed the limits established by the Internal Revenue Service. The Medical Center may also make a discretionary matching contribution. The Medical Center may limit the matching contribution to a discretionary percentage of a participant's compensation or a discretionary dollar amount, as determined by the Medical Center. Effective July 1, 2017, the Medical Center would match 100% of the first 1.5% of annual compensation. Effective January 1, 2020, the 1.5% match was increased to 3.0%.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 14 - DEFINED CONTRIBUTION RETIREMENT PLAN (CONTINUED)

The Medical Center's contributions, including the special nonelective contributions, to the Plan were \$1,742,920 and \$1,520,542 for the years ended June 30, 2020 and 2019, respectively. The plan members' contributions to the Plan were \$4,070,358 and \$3,791,031 for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the Medical Center reported a payable of \$725,287 and \$192,531, respectively, to the Plan in accrued salaries and related liabilities in the statement of net position.

Vesting of the Medical Center's contributions on behalf of the participants in the Plan is as follows: service of one year - 20%, two years - 40%, three years - 60%, four years - 80%, and five or more years - 100%. Forfeitures of unvested amounts are used to pay administrative expenses of the Plan. Forfeitures totaled approximately \$89,000 and \$131,000 for the years ended June 30, 2020 and 2019, respectively.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Medical malpractice liability is limited under provisions of the Tennessee Governmental Tort Liability Act (T.C.A. 29-20-403, et seq.), which removed tort liability from governmental entities which, in the opinion of counsel for the Medical Center, includes the Medical Center. In addition to requiring claims to be made in conformance with this Act, special provisions include, but are not limited to, special notice of requirements imposed upon the claimant, a one-year statute of limitations, and a provision requiring that the governmental entity purchase insurance or be self-insured within certain limits. This Act also prohibits a judgment or award exceeding the minimum amounts of insurance coverage set out in the Act (\$300,000 for bodily injury or death of any one person and \$700,000 in the aggregate for all persons in any one accident, occurrence or act) or the amount of insurance purchased by the governmental entity.

During 2003, the Medical Center became self-insured for medical malpractice claims due to the fact that their professional liability carrier became insolvent. There are known incidents occurring through June 30, 2020 that have resulted in the assertion of claims, although other claims may be asserted, arising from services provided to patients in the past. Management of the Medical Center is of the opinion that such liability, if any, related to these asserted claims will not have a material effect on the Medical Center's financial position. No amounts have been accrued for potential losses related to unreported incidents, or reported incidents which have not yet resulted in asserted claims, as the Medical Center is not able to estimate such amounts.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Medical Center is self-insured for medical and other healthcare benefits provided to its employees and their families. The Medical Center maintains reinsurance through a commercial excess coverage policy which covers health claims in excess of \$300,000 per employee, with an unlimited lifetime reimbursement. Contributions by the Medical Center and participating employees are based on actual claims experience. Claims liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported based on historical experience. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other factors. The amount of the estimated claim liabilities was \$1,853,256 and \$2,055,550 at June 30, 2020 and 2019, respectively, and included in other accrued expenses on the statement of net position. Total expenses under this program amounted to approximately \$18,010,000 and \$17,610,000 for the years ended June 30, 2020 and 2019, respectively.

The Medical Center is also self-insured for workers' compensation with umbrella coverage in excess of \$600,000 per case up to an aggregate of approximately \$1,000,000. Claim liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2020 and 2019, approximately \$832,000 and \$1,048,000, respectively, was accrued and included in other accrued expenses on the statement of net position for estimated claims incurred but not reported.

Healthcare Industry

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse, and under the provisions of the Health Insurance Portability and Accountability Act of 1996, matters related to patient records, privacy and security. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. The Medical Center has established what it believes to be adequate accruals for any such matters as of June 30, 2020.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Healthcare Industry (Continued)

Based on a qui tam investigation conducted by the United States Department of Justice (“DOJ”) acting on behalf of the United States and the State of Tennessee, the Medical Center negotiated a settlement in February 2020 to pay \$4,100,000 to resolve allegations that the Medical Center had entered into improper contracts with certain physicians. This amount and certain additional estimated costs were accrued by the Medical Center as of June 30, 2019 and included in other accrued expenses on the statements of net position. The settlement is neither an admission of liability by the Medical Center nor a concession by the United States or the State of Tennessee that their claims are not well founded. Additionally, the Medical Center entered into a Corporate Integrity Agreement (“CIA”) with the Office of Inspector General of the United States Department of Health and Human Services to promote compliance with the statutes, regulations, and written directives of Medicare, Medicaid, and all other federal health care programs. The CIA became effective in February 2020 with the period of compliance extending five years from the effective date. The Medical Center represents that, prior to the CIA’s effective date, the Medical Center voluntarily established a compliance program that addresses all seven elements of an effective compliance program and it is designed to address compliance with federal health care program requirements.

The Centers for Medicare and Medicaid Services (“CMS”) have implemented a Recovery Audit Contractors (“RAC”) program. The purpose of the program is to reduce improper Medicare payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. While management believes that all Medicare billings are proper and adequate support is maintained, certain aspects of Medicare billing, coding and support are subject to interpretation and may be viewed differently by the RAC auditors. At June 30, 2020 and 2019, the Medical Center recorded a reserve which is shown as a reduction in patient accounts receivable in the accompanying statements of net position. The reserve is based on the percentage success rate and the total dollar of potential claims that are under audit.

Healthcare Reform

In March 2010, Congress adopted comprehensive healthcare insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the “Health Care Reform Legislation”). The Health Care Reform Legislation, among other matters, is designed to expand access to healthcare coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Changes to existing TennCare coverage and payments have occurred, and are expected to continue to occur, as a result of this legislation. Implementing regulations are required as a result of such legislation over a period of several years. Accordingly, the impact of any future regulations is not determinable.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Medical Center operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Medical Center, the Medical Center is maintaining close contact with its internal leadership teams to evaluate the evolving situation and will implement appropriate counter measures as needed.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act was signed into law. The CARES Act provides an economic relief package to many businesses in the US as a direct response to the adverse impacts of COVID-19. Additionally, the CARES Act provided for HHS to distribute funds from the Public Health and Social Services Emergency Fund (“Provider Relief Fund”) to healthcare providers that billed Medicare in 2019 and provided treatment to individuals with possible or actual cases of COVID-19 during 2020, amongst other various certifications required in the Act. See Note 10.

NOTE 16 - PHYSICIAN EMPLOYEMENT COMMITMENTS

Beginning in 2012, certain physicians were offered employment agreements with the Medical Center. Under such agreements, the Medical Center is required to pay annual compensation to these physicians. These agreements are typically for 3-5 years with certain renewal terms allowable. Future minimum compensation commitments under employment agreements at June 30, 2020 are as follows:

<u>Years Ending June 30:</u>	
2021	\$ 12,119,218
2022	4,769,677
2023	1,337,500
2024	465,208
2025	325,000
Thereafter	27,083
	<u>\$ 19,043,686</u>

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 17 - RELATED PARTY TRANSACTIONS

Transactions with the primary government, the City of Cookeville, include payments in lieu of taxes of \$700,000 during each of the years ended June 30, 2020 and 2019. Operating expenses also include \$3,061,952 and \$2,697,577 in 2020 and 2019, respectively, for the purchase of utilities. As of June 30, 2020, the Medical Center has accrued \$802,985 of pension expenses paid by the City of Cookeville on behalf of the Medical Centers' employees and are included within accounts payable on the statement of net position.

The Cookeville Regional Charitable Foundation, Inc. (the "Foundation") is a not-for-profit corporation formed to enhance the quality and availability of healthcare in the Upper Cumberland region of Tennessee by offering charitable assistance to local patients, supporting healthcare service for the community, promoting compassionate programs for the patients and assisting the Medical Center, including the solicitation of gifts, contributions and community support. The Medical Center pays for certain direct expenses incurred by the Foundation, including salaries and benefits for Foundation employees. Estimated amounts related to these services paid by the Medical Center for the year ended June 30, 2020 were approximately \$208,000.

NOTE 18 - FAIR VALUE MEASUREMENT

GASB Statement No. 72 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As such, GASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB describes fair value as an exit price where measurement assumes a transaction takes place in an entity's principal market, or most advantageous market in the absence of a principal market, and the market participants are acting in their economic best interests. GASB Statement No. 72 requires an entity to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques should be applied consistently and maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 18 - FAIR VALUE MEASUREMENT (CONTINUED)

Valuation Hierarchy

GASB Statement No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. The hierarchy has three levels which are defined as follows:

Level 1: Inputs to the valuation technique are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation technique, other than quoted prices within Level 1, that are observable for an asset or liability, either directly or indirectly.

Level 3: Inputs to the valuation technique are unobservable.

In instances where the determination of the fair value hierarchy measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Medical Center's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table presents assets and liabilities reported at fair value on a recurring basis as of June 30, 2020 and 2019, and their respective classification under the GASB Statement No. 72 valuation hierarchy:

June 30, 2020				
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
United States government agency bonds	\$ 6,702,249	\$ -	\$ 6,702,249	\$ -
United States government sponsored enterprise securities	1,000,214	-	1,000,214	-
	<u>\$ 7,702,463</u>	<u>\$ -</u>	<u>\$ 7,702,463</u>	<u>\$ -</u>
June 30, 2019				
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
United States government agency bonds	\$ 5,641,481	\$ -	\$ 5,641,481	\$ -
United States government sponsored enterprise securities	4,244,387	-	4,244,387	-
	<u>\$ 9,885,868</u>	<u>\$ -</u>	<u>\$ 9,885,868</u>	<u>\$ -</u>

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 18 - FAIR VALUE MEASUREMENT (CONTINUED)

United States government agency bonds and sponsored enterprise securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationships to benchmark quoted prices.

NOTE 19 - CUMBERLAND RIVER HOSPITAL SALE OF ASSETS

During 2019, after a history of consistent and continuing losses, the Board of Directors of Cumberland River made the decision to close the facility. Effective March 1, 2019, Cumberland River closed its doors, ceased providing health care services and discontinued its operations. As a result, the statements of revenue, expenses and changes in net position and cash flows for the year ended June 30, 2019 include the operations of Cumberland River through February 28, 2019. Following the closing, the Authority continued efforts to locate a purchaser for certain assets of Cumberland River. On August 2, 2019, Cumberland River entered into two purchase agreements with an entity to sell the land, building and equipment previously used by Cumberland River, as well as the licenses, for a total purchase price of \$500,000. Based on this information, an impairment of Cumberland River's property and equipment of approximately \$1,996,000 was recognized for the year ended June 30, 2019.

NOTE 20 - GASB STATEMENTS ISSUED BUT NOT YET IMPLEMENTED

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, (GASB 84) which addresses the identification and reporting for fiduciary activities of state and local governments. GASB 84 describes four fiduciary funds that should be reported: (1) pension and other employee benefit trust funds, (2) investment trust funds, (3) private trust funds, and (4) custodial trust funds. The requirements of GASB 84 are effective for reporting periods beginning after December 15, 2019, in fiscal year 2021 for the Medical Center. The Medical Center is evaluating the impact that this standard may have on the financial statements and related disclosures. It is expected to further expand the disclosures related to its trust funds.

In June 2017, GASB issued Statement No. 87, *Leases*, (GASB 87) which establishes a single model for lease accounting based on the foundational principles that leases are financing and require lessee to recognize a lease liability and intangible right-to-use asset. The provisions in GASB 87 are effective for reporting periods beginning after June 15, 2021, in fiscal year 2022 for the Medical Center. The Medical Center is evaluating the effects of adoption of GASB 87 on its financial statements.

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, (GASB 95). The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this Statement are effective immediately, and are reflected in the effective dates above.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 21 - BUSINESS COMBINATIONS

Effective December 31, 2019, the Medical Center acquired Upper Cumberland Urology Associates (“Seller”) pursuant to an Asset Purchase Agreement and Real Estate Contract. The Medical Center purchased substantially all assets, including the building and real estate, of the Seller for approximately \$1,150,000. As of the purchase date, a shareholder physician of the Seller entered into an Employment Agreement to become an employed physician of the Medical Center. Also in conjunction with the purchase, the Medical Center and the Seller entered into an Administrative Services Agreement whereas the Medical Center is to provide certain non-clinical business and administrative support services to the Seller until such time that the employed physician became credentialed with the Medical Center’s third-party payers. This agreement was terminated on March 31, 2020.

Effective April 15, 2020, the Medical Center acquired the practice of Dr. Carolyn Ross, D.O. (“Seller”) pursuant to an Asset Purchase Agreement. The Medical Center purchased substantially all assets of the Seller for \$26,600. As of the purchase date, the Seller entered into an Employment Agreement to become an employed physician of the Medical Center.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COOKEVILLE, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in Net Pension Liability(Asset) and Related Ratios
For fiscal year ending June 30, 2020

	2014	2015	2016	2017	2018	2019
Total Pension Liability						
Service Cost	\$ 1,679,057	\$ 1,689,810	\$ 1,702,180	\$ 1,766,958	\$ 1,796,043	\$ 1,795,672
Interest	8,203,522	8,602,992	8,944,486	9,599,570	9,876,153	10,300,593
Changes in benefit terms	-	-	4,282,656	-	-	-
Differences between expected and actual experience	(64,380)	(713,628)	(542,888)	257,036	950,502	755,974
Changes of assumptions	-	-	-	2,798,873	-	-
Benefit Payments, including refunds of employee contributions	(4,427,527)	(4,577,856)	(5,498,724)	(5,934,786)	(6,511,178)	(7,024,788)
Net Change in Total Pension Liability(Asset)	\$ 5,390,672	\$ 5,001,318	\$ 8,887,710	\$ 8,487,651	\$ 6,111,520	\$ 5,827,451
Total Pension Liability (Asset) - beginning	109,915,000	115,305,672	120,306,990	129,194,700	137,682,351	143,793,871
Total Pension Liability (Asset) - ending (a)	<u>\$ 115,305,672</u>	<u>\$ 120,306,990</u>	<u>\$ 129,194,700</u>	<u>\$ 137,682,351</u>	<u>\$ 143,793,871</u>	<u>\$ 149,621,322</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 2,868,403	\$ 3,098,708	\$ 3,230,243	\$ 3,463,073	\$ 3,824,755	\$ 4,403,814
Contributions - employee	21,800	64,305	55,959	12,956	30,229	48,821
Net Investment income	15,179,084	3,248,066	2,834,483	12,162,299	9,703,478	9,229,386
Benefit Payments, including refunds of employee contributions	(4,427,527)	(4,577,856)	(5,498,724)	(5,934,786)	(6,511,178)	(7,024,788)
Administrative expenses	(19,856)	(20,940)	(31,075)	(35,258)	(40,079)	(37,724)
Other	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	13,621,904	1,812,283	590,886	9,668,284	7,007,205	6,619,509
Plan Fiduciary Net Position - beginning	92,555,874	106,177,777	107,990,060	108,580,946	118,249,230	125,256,435
Plan Fiduciary Net Position - ending (b)	<u>\$ 106,177,778</u>	<u>\$ 107,990,060</u>	<u>\$ 108,580,946</u>	<u>\$ 118,249,230</u>	<u>\$ 125,256,435</u>	<u>\$ 131,875,944</u>
Net Pension Liability(Asset) - ending (a) - (b)	<u>\$ 9,127,894</u>	<u>\$ 12,316,930</u>	<u>\$ 20,613,754</u>	<u>\$ 19,433,121</u>	<u>\$ 18,537,436</u>	<u>\$ 17,745,378</u>
Plan Fiduciary Net Position as a% of the Total Pension Liability	92.08%	89.76%	84.04%	85.89%	87.11%	88.14%
Covered-employee payroll	\$ 17,871,672	\$ 19,317,797	\$ 18,760,682	\$ 19,088,349	\$ 19,434,967	\$ 20,291,272
Net Pension Liability(Asset) as a % of covered-employee payroll	51.07%	63.76%	109.88%	101.81%	95.38%	87.45%

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

See assumptions on page 83.

See independent auditor's report

Schedule of Contributions
Based on Participation in the Public Employee Pension Plan of the TCRS
Last Fiscal Year ending June 30, 2020

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contribution	\$ 2,868,403	\$ 3,098,708	\$ 3,230,243	\$ 3,386,719	\$ 3,824,755	\$ 4,403,814	\$ 4,284,343
Contributions in relation to the actuarially determined contribution	<u>2,868,403</u>	<u>3,098,708</u>	<u>3,230,243</u>	<u>3,463,073</u>	<u>3,824,755</u>	<u>4,403,814</u>	<u>4,284,343</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (76,354)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 17,871,672	\$ 19,317,787	\$ 18,760,682	\$ 19,088,349	\$ 19,434,967	\$ 20,291,272	\$ 19,848,989
Contributions as a percentage covered-employee payroll	16.05%	16.04%	17.22%	18.14%	19.68%	21.70%	21.61%

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

See assumptions on page 83.

See independent auditor's report

CITY OF COOKEVILLE, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION

Tennessee Consolidated Retirement System

Valuation date: Actuarially determined contribution rates for fiscal year 2020 were calculated based on the June 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.25 percent

Changes in assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

See independent auditor's report

CITY OF COOKEVILLE, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in OPEB Liability (Asset) and Related Ratios
For fiscal year ending June 30, 2020

	2017	2018	2019
Total OPEB Liability			
Service Cost	\$ 1,922,342	\$ 1,577,408	\$ 1,656,278
Interest	1,597,292	1,345,634	1,319,600
Changes in benefit terms	-	(163,174)	-
Differences between expected and actual experience		(10,758,504)	-
Changes of assumptions	-	7,947,881	-
Benefit Payments, including refunds of employee contributions	<u>(918,016)</u>	<u>(894,178)</u>	<u>(961,241)</u>
Net Change in Total OPEB Liability(Asset)	\$ 2,601,618	\$ (944,933)	\$ 2,014,637
Total OPEB Liability (Asset) - beginning	<u>44,945,786</u>	<u>47,547,404</u>	<u>46,602,471</u>
Total OPEB Liability (Asset) - ending (a)	<u>\$ 47,547,404</u>	<u>\$ 46,602,471</u>	<u>\$ 48,617,108</u>
 Plan Fiduciary Net Position			
Contributions - employer	\$ 918,016	\$ 894,178	\$ 961,241
Contributions - employee			
Net Investment income			
Benefit Payments, including refunds of employee contributions	(918,016)	(894,178)	(961,241)
Administrative expenses			
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 OPEB Liability (Asset) - ending (a) - (b)	<u>\$ 47,547,404</u>	<u>\$ 46,602,471</u>	<u>\$ 48,617,108</u>
 Plan Fiduciary Net Position as a% of the Total OPEB Liability	0.00%	0.00%	0.00%
 Covered-employee payroll	\$ 18,038,717	\$ 19,114,735	\$ 19,974,898
 Net OPEB Liability (Asset) as a % of covered-employee payroll	263.60%	243.80%	243.40%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available. There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

See independent auditor's report

**COMBINING & INDIVIDUAL FUND INFORMATION
AND OTHER SUPPLEMENTARY INFORMATION**

CITY OF COOKEVILLE, TENNESSEE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2020

	Special Revenue Funds						Total Other Governmental Funds
	Drug Fund	State Street Aid Fund	Sanitation Fund	Animal Control Board Fund	Economic Development Fund	Quality of Life Fund	
<u>Assets</u>							
Cash	\$ 493,822	\$ 1,540,693	\$ 1,194,993	\$ 295,987	\$ 1,677,315	\$ 415,411	\$ 5,618,221
Temporary cash investments	-	524,589		1,249,134	-	-	1,773,723
Accounts receivable	-	-	206,407	-	-	-	206,407
Taxes receivable	-	-	376,667	-	282,500	94,166	753,333
Less allowance for bad debts	-	-	(15,754)	-	(4,548)	(1,516)	(21,818)
Other receivables	105	147,081	243	1,490	128,337	88	277,344
Due from other funds	-	-	2,419	-	2,794	699	5,912
Total assets	<u>\$ 493,927</u>	<u>\$ 2,212,363</u>	<u>\$ 1,764,975</u>	<u>\$ 1,546,611</u>	<u>\$ 2,086,398</u>	<u>\$ 508,848</u>	<u>\$ 8,613,122</u>
<u>Liabilities</u>							
Accounts payable	\$ 2,813	\$ 367,543	\$ 21,871	\$ 20,218	\$ 924	\$ 7	\$ 413,376
Due to other funds	2,404	1,745	28,430	1,634	-	-	34,213
Unearned revenue	-	4,677	-	31,287	-	35,056	71,020
Other liabilities	<u>73,237</u>	<u>399,200</u>	<u>105</u>	<u>1,300</u>	<u>10,000</u>	<u>-</u>	<u>483,842</u>
Total liabilities	78,454	773,165	50,406	54,439	10,924	35,063	1,002,451
<u>Deferred Inflows of Resources</u>							
Unavailable revenue property taxes	-	-	370,603	-	277,952	92,650	741,205
Total deferred inflows of resources	-	-	370,603	-	277,952	92,650	741,205
Restricted fund balances	415,473	1,439,198	1,343,966	-	-	-	3,198,637
Committed fund balances	-	-	-	1,492,172	1,797,522	381,135	3,670,829
Total fund balances	<u>415,473</u>	<u>1,439,198</u>	<u>1,343,966</u>	<u>1,492,172</u>	<u>1,797,522</u>	<u>381,135</u>	<u>6,869,466</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 493,927</u>	<u>\$ 2,212,363</u>	<u>\$ 1,764,975</u>	<u>\$ 1,546,611</u>	<u>\$ 2,086,398</u>	<u>\$ 508,848</u>	<u>\$ 8,613,122</u>

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CITY OF COOKEVILLE, TENNESSEE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED June 30, 2020

	Special Revenue Funds						Total Other Governmental Funds
	Drug Fund	State Street Aid Fund	Sanitation Fund	Animal Control Board Fund	Economic Development Fund	Quality of Life Fund	
Revenues:							
Local taxes	\$ -	\$ -	\$ 368,019	\$ -	\$ 369,623	\$ 92,406	\$ 830,048
Intergovernmental	-	1,221,302	-	102,750	116,600	-	1,440,652
Charges for services	-	-	1,810,219	171,079	-	-	1,981,298
Fines, forfeitures and penalties	182,460	-	-	-	-	-	182,460
Rent	-	-	-	-	27,649	-	27,649
Interest	5,587	23,984	12,337	23,106	20,004	5,051	90,069
Other	-	17,660	3,093	58,896	-	9,500	89,149
Total revenues	<u>188,047</u>	<u>1,262,946</u>	<u>2,193,668</u>	<u>355,831</u>	<u>533,876</u>	<u>106,957</u>	<u>4,641,325</u>
Expenditures:							
Economic development	-	-	-	-	93,282	-	93,282
Public safety	53,654	-	-	373,895	-	-	427,549
Public works	-	1,037,464	1,665,688	-	-	-	2,703,152
Culture and recreation	-	-	-	-	-	6,734	6,734
Capital outlay	74,967	18,706	243,933	4,312	-	36,988	378,906
Total expenditures	<u>128,621</u>	<u>1,056,170</u>	<u>1,909,621</u>	<u>378,207</u>	<u>93,282</u>	<u>43,722</u>	<u>3,609,623</u>
Excess (deficiency) of revenues over (under) expenditures	<u>59,426</u>	<u>206,776</u>	<u>284,047</u>	<u>(22,376)</u>	<u>440,594</u>	<u>63,235</u>	<u>1,031,702</u>
Other financing sources (uses):							
Operating transfers in	-	-	-	88,000	-	-	88,000
Operating transfers out	-	-	-	-	(100,000)	(15,745)	(115,745)
Sale of assets	1,675	-	-	-	-	-	1,675
Total other financing sources (uses)	<u>1,675</u>	<u>-</u>	<u>-</u>	<u>88,000</u>	<u>(100,000)</u>	<u>(15,745)</u>	<u>(26,070)</u>
Net change in fund balances	61,101	206,776	284,047	65,624	340,594	47,490	1,005,632
Fund balances, July 1, 2019	<u>354,372</u>	<u>1,232,422</u>	<u>1,059,919</u>	<u>1,426,548</u>	<u>1,456,928</u>	<u>333,645</u>	<u>5,863,834</u>
Fund balances, June 30, 2020	<u>\$ 415,473</u>	<u>\$ 1,439,198</u>	<u>\$ 1,343,966</u>	<u>\$ 1,492,172</u>	<u>\$ 1,797,522</u>	<u>\$ 381,135</u>	<u>\$ 6,869,466</u>

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CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED June 30, 2020

	<u>Budgeted Amounts</u>		<u>Total</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Taxes:				
Current property taxes	\$ 345,670	\$ 345,670	\$ 360,861	\$ 15,191
Delinquent property taxes	8,000	8,000	7,286	(714)
Penalty & Interest	3,000	3,000	2,398	(602)
In-lieu of taxes	700,000	700,000	700,000	-
Total taxes	<u>1,056,670</u>	<u>1,056,670</u>	<u>1,070,545</u>	<u>13,875</u>
Intergovernmental:				
State shared sales tax	2,710,398	2,710,398	2,821,557	111,159
Other intergovernmental	53,988	53,988	54,647	659
	<u>2,764,386</u>	<u>2,764,386</u>	<u>2,876,204</u>	<u>111,818</u>
Rent	26,172	26,172	26,172	-
Interest	260,000	260,000	197,964	(62,036)
Total revenues	<u>4,107,228</u>	<u>4,107,228</u>	<u>4,170,885</u>	<u>63,657</u>
Expenditures:				
Debt service - principal	2,580,000	2,580,000	2,580,000	-
Debt service - interest	960,787	960,787	532,025	428,762
Administrative expenditures	20,800	20,800	5,430	15,370
Total expenditures	<u>3,561,587</u>	<u>3,561,587</u>	<u>3,117,455</u>	<u>444,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>545,641</u>	<u>545,641</u>	<u>1,053,430</u>	<u>507,789</u>
Net change in fund balance	<u>\$ 545,641</u>	<u>\$ 545,641</u>	1,053,430	<u>\$ 507,789</u>
Fund balance, July 1, 2019			<u>13,019,778</u>	
Fund balance, June 30, 2020			<u>\$ 14,073,208</u>	

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CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL IMPROVEMENT BOND FUND
FOR THE YEAR ENDED June 30, 2020

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance-Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenue	\$ -	\$ -	\$ -	\$ -
Interest	10,000	10,000	3,802	(6,198)
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>3,802</u>	<u>(6,198)</u>
Expenditures:				
Parks & Recreation - Capital Outlay	218,386	218,386	14,262	204,124
Public Safety - Capital Outlay	15,560,082	758,082	392,670	365,412
Public Works - Capital Outlay	200,000	240,000	90,456	149,544
Administrative expenditures	200	200	101	99
Bond issue costs	198,000	-	-	-
Total expenditures	<u>16,176,668</u>	<u>1,216,668</u>	<u>497,489</u>	<u>719,179</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,166,668)</u>	<u>(1,206,668)</u>	<u>(493,687)</u>	<u>712,981</u>
Other financing sources:				
Proceeds of Bond issue	<u>15,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources:	<u>15,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,166,668)</u>	<u>\$ (1,206,668)</u>	<u>(493,687)</u>	<u>\$ 712,981</u>
Fund balance, July 1, 2019			<u>2,155,153</u>	
Fund balance, June 30, 2020			<u>\$ 1,661,466</u>	

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CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STATE STREET AID
FOR THE YEAR ENDED June 30, 2020

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental				
State gasoline & motor fuel	1,199,429	1,199,429	567,103	(632,326)
State - 3 cent tax			166,217	166,217
State - Gas 1989			89,705	89,705
State - Gas 2017			279,281	279,281
Surface Transportation Grants	504,721	504,721	13,510	(491,211)
TDOT Grants	989,553	989,553	66,709	(922,844)
Other Grants	-	38,777	38,777	-
Total Intergovernmental	<u>2,693,703</u>	<u>2,732,480</u>	<u>1,221,302</u>	<u>(1,511,178)</u>
Other revenue			17,660	17,660
Interest	16,000	16,000	23,984	7,984
Total revenues	<u>2,709,703</u>	<u>2,748,480</u>	<u>1,262,946</u>	<u>(1,485,534)</u>
Expenditures:				
Paving & street maintenance	896,981	914,711	885,995	28,716
Sidewalk improvements	1,788,486	1,788,486	106,403	1,682,083
Intersection improvements	60,000	60,000	15,432	44,568
Street maintenance supplies	50,000	-	-	-
Professional services	95,360	95,360	20,233	75,127
Other	18,700	28,700	28,107	593
Total expenditures	<u>2,909,527</u>	<u>2,887,257</u>	<u>1,056,170</u>	<u>1,831,087</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(199,824)</u>	<u>(138,777)</u>	<u>206,776</u>	<u>345,553</u>
Net change in fund balance	<u>\$ (199,824)</u>	<u>\$ (138,777)</u>	206,776	<u>\$ 345,553</u>
Fund balance, July 1, 2019			<u>1,232,422</u>	
Fund balance, June 30, 2020			<u>\$ 1,439,198</u>	

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CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DRUG FUND
FOR THE YEAR ENDED June 30, 2020

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, forfeitures & penalties	\$ 45,000	\$ 45,000	\$ 182,460	\$ 137,460
Interest	5,000	5,000	5,587	587
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>188,047</u>	<u>138,047</u>
Expenditures:				
Investigative	20,000	20,000	8,000	12,000
Seized property expense	2,500	2,500	1,599	901
Equipment & materials	69,000	69,000	43,789	25,211
Travel training	2,500	2,500	-	2,500
Other expenses	500	500	266	234
Capital outlay	77,000	77,000	74,967	2,033
Total expenditures	<u>171,500</u>	<u>171,500</u>	<u>128,621</u>	<u>42,879</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(121,500)</u>	<u>(121,500)</u>	<u>59,426</u>	<u>180,926</u>
Other financing sources:				
Sale of assets	-	-	1,675	1,675
Net other financing sources:	<u>-</u>	<u>-</u>	<u>1,675</u>	<u>1,675</u>
Net change in fund balance	<u>\$ (121,500)</u>	<u>\$ (121,500)</u>	61,101	<u>\$ 182,601</u>
Fund balance, July 1, 2019			<u>354,372</u>	
Fund balance, June 30, 2020			<u>\$ 415,473</u>	

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CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SANITATION FUND
FOR THE YEAR ENDED June 30, 2020

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 354,170	\$ 363,670	\$ 368,019	\$ 4,349
Intergovernmental	-	-	-	-
Charges for services	1,703,000	1,753,000	1,810,219	57,219
Interest	10,000	10,000	12,337	2,337
Other revenue	-	-	3,093	3,093
Total revenues	<u>2,067,170</u>	<u>2,126,670</u>	<u>2,193,668</u>	<u>66,998</u>
Expenditures:				
Personnel	631,500	631,500	610,000	21,500
Taxes & fringes	318,570	318,570	281,155	37,415
Materials & supplies	15,400	15,400	4,945	10,455
Vehicle expense	452,000	452,000	394,126	57,874
Fixed charges	23,260	33,260	19,513	13,747
Other operating expense	127,315	127,315	116,170	11,145
Landfill services	50,000	70,000	69,577	423
Other equipment	160,500	170,500	170,202	298
Capital outlay-vehicles	275,000	285,000	243,933	41,067
Total expenditures	<u>2,053,545</u>	<u>2,103,545</u>	<u>1,909,621</u>	<u>193,924</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,625</u>	<u>23,125</u>	<u>284,047</u>	<u>260,922</u>
Net change in fund balance	<u>\$ 13,625</u>	<u>\$ 23,125</u>	284,047	<u>\$ 260,922</u>
Fund balance, July 1, 2019			<u>1,059,919</u>	
Fund balance, June 30, 2020			<u>\$ 1,343,966</u>	

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CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ANIMAL CONTROL FUND
FOR THE YEAR ENDED June 30, 2020

	<u>Budgeted Amounts</u>		<u>Total</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Intergovernmental:				
Putnam County Allocation	\$ 88,000	\$ 88,000	\$ 88,000	\$ -
City of Algood Allocation	8,100	8,100	5,000	(3,100)
Town of Baxter Allocation	3,150	3,150	3,150	-
Town of Monterey Allocation	6,600	6,600	6,600	-
Total intergovernmental	<u>105,850</u>	<u>105,850</u>	<u>102,750</u>	<u>(3,100)</u>
Charges for services	165,500	165,500	171,079	5,579
Interest	24,500	24,500	23,106	(1,394)
Other revenue	35,000	70,000	58,896	(11,104)
Total revenues	<u>330,850</u>	<u>365,850</u>	<u>355,831</u>	<u>(10,019)</u>
Expenditures:				
Personnel	180,800	180,800	165,935	14,865
Taxes & fringes	46,771	46,771	40,047	6,724
Utility expense	30,000	30,000	22,842	7,158
Supplies & maintenance	57,700	92,700	49,817	42,883
Spay & neuter services	105,000	105,000	86,341	18,659
Other expense	11,330	11,330	8,913	2,417
Capital outlay	-	60,000	4,312	55,688
Total expenditures	<u>431,601</u>	<u>526,601</u>	<u>378,207</u>	<u>148,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100,751)</u>	<u>(160,751)</u>	<u>(22,376)</u>	<u>138,375</u>
Other financing sources:				
Operating transfers in	<u>88,000</u>	<u>88,000</u>	<u>88,000</u>	<u>-</u>
Net other financing sources:	<u>88,000</u>	<u>88,000</u>	<u>88,000</u>	<u>-</u>
Net change in fund balance	<u>\$ (12,751)</u>	<u>\$ (72,751)</u>	65,624	<u>\$ 138,375</u>
Fund balance, July 1, 2019			<u>1,426,548</u>	
Fund balance, June 30, 2020			<u>\$ 1,492,172</u>	

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CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT FUND
FOR THE YEAR ENDED June 30, 2020

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Property taxes current	\$ 345,670	\$ 345,670	\$ 360,861	\$ 15,191
Property taxes delinquent	5,000	5,000	6,790	1,790
Property taxes penalty & interest	1,000	1,000	1,972	972
Total property taxes	<u>351,670</u>	<u>351,670</u>	<u>369,623</u>	<u>17,953</u>
Intergovernmental:				
TDOT	-	-	116,600	116,600
Economic Development Grant	26,000	26,000	-	(26,000)
Rental income	3,000	3,000	27,649	24,649
Interest	20,000	20,000	20,004	4
Total revenues	<u>400,670</u>	<u>400,670</u>	<u>533,876</u>	<u>133,206</u>
Expenditures:				
Grant expense	52,000	52,000	7,691	44,309
Capital Outlay	50,000	50,000	-	50,000
Economic development	45,000	45,000	25,306	19,694
Industrial Recruitment	120,000	120,000	60,000	60,000
Miscellaneous	1,200	1,200	285	915
Total expenditures	<u>268,200</u>	<u>268,200</u>	<u>93,282</u>	<u>174,918</u>
Excess (deficiency) of revenues over (under) expenditures	<u>132,470</u>	<u>132,470</u>	<u>440,594</u>	<u>308,124</u>
Other financing sources (uses):				
Sale of assets	-	-	-	-
Operating transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net other financing sources:	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ 32,470</u>	<u>\$ 32,470</u>	340,594	<u>\$ 308,124</u>
Fund balance, July 1, 2019			<u>1,456,928</u>	
Fund balance, June 30, 2020			<u>\$ 1,797,522</u>	

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CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
QUALITY OF LIFE FUND
FOR THE YEAR ENDED June 30, 2020

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Property taxes current	\$ 86,420	\$ 86,420	\$ 90,215	\$ 3,795
Property taxes delinquent	1,400	1,400	1,698	298
Property taxes penalty & interest	400	400	493	93
Total property taxes	<u>88,220</u>	<u>88,220</u>	<u>92,406</u>	<u>4,186</u>
Interest	5,000	5,000	5,051	51
Other revenues	12,500	12,500	9,500	(3,000)
Total revenues	<u>105,720</u>	<u>105,720</u>	<u>106,957</u>	<u>1,237</u>
Expenditures:				
Parks & recreation				-
Improvements	241,000	241,000	36,988	204,012
Materials & supplies	33,000	33,000	6,653	26,347
Other expense	100	100	81	19
Total expenditures	<u>274,100</u>	<u>274,100</u>	<u>43,722</u>	<u>230,378</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(168,380)</u>	<u>(168,380)</u>	<u>63,235</u>	<u>231,615</u>
Other financing sources:				
Operating transfers(out)	<u>(15,745)</u>	<u>(15,745)</u>	<u>(15,745)</u>	<u>-</u>
Net other financing sources:	<u>(15,745)</u>	<u>(15,745)</u>	<u>(15,745)</u>	<u>-</u>
Net change in fund balance	<u>\$ (184,125)</u>	<u>\$ (184,125)</u>	47,490	<u>\$ 231,615</u>
Fund balance, July 1, 2019			<u>333,645</u>	
Fund balance, June 30, 2020			<u>\$ 381,135</u>	

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CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

June 30, 2020

<u>Tax Year</u>	<u>Balance July 1,</u>	<u>Property Tax Levied</u>	<u>Anticipated Levy</u>	<u>Abatements & Adjustments</u>	<u>Collections</u>	<u>Balance June 30,</u>	<u>Delinquent Taxes Filed*</u>
2020			\$ 9,322,499			\$ 9,322,499	
2019		\$ 9,209,518	-	\$ (10,455)	\$ (8,931,306)	267,757	
2018	\$ 139,801	-	-	4,367	(100,799)	43,369	\$ 43,369
2017	41,318	-	-	(1,894)	(16,108)	23,316	23,316
2016	29,413	-	-	(3,554)	(6,853)	19,006	19,006
2015	22,913	-	-	(2,881)	(6,194)	13,838	13,838
2014	16,267	-	-	(8.00)	(7,869)	8,390	8,390
2013	8,030	-	-	(7)	(3,132)	4,891	4,891
2012	11,295	-	-	(3,043)	(2,650)	5,602	5,602
2011	11,939	-	-	(2,299)	(10)	9,630	9,630
2010	10,749	-	-	(2,161)	-	8,588	8,588
	<u>\$ 291,725</u>	<u>\$ 9,209,518</u>	<u>\$ 9,322,499</u>	<u>\$ (21,935)</u>	<u>\$ (9,074,921)</u>	<u>\$ 9,726,886</u>	<u>\$ 136,630</u>

* Outstanding Delinquent Taxes filed with clerk and master.

See independent auditor's report

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF TAX RATES AND ASSESSMENTS

JUNE 30, 2020

<u>Tax Year</u>	<u>Tax rate</u>	<u>Assessed Value</u>
2020	.99 per 100	\$ 918,473,528
2019	.99 per 100	906,755,137
2018	.84 per 100	876,476,137
2017	.84 per 100	845,819,639
* 2016	.84 per 100	822,493,881
2015	.90 per 100	745,993,796
2014	.90 per 100	738,211,161
2013	.90 per 100	718,327,143
2012	.90 per 100	699,534,122
* 2011	.85 per 100	691,237,550

* reappraisal year

See independent auditor's report

CITY OF COOKEVILLE, TENNESSEE
GENERAL LONG-TERM DEBT
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY ISSUE
CLASSIFIED BY MATURITY DATE
JUNE 30, 2020

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Balance July 1, 2019	Issued During Period	Paid and/or Matured	Refunded During Period	Balance June 30, 2020
Governmental Activities:									
Bonds payable:									
Build America Bonds	\$ 7,200,000	1.55%-5.05% (1)	12/15/2010	6/1/2026	\$ 3,695,000		\$ (480,000)		\$ 3,215,000
General Obligation, Series 2013	\$ 4,300,000	2.0%-3.2%	12/19/2013	6/1/2029	2,840,000		(250,000)		2,590,000
General Obligation, Series 2015	\$ 9,815,000	2.0%-2.75%	11/10/2015	6/1/2031	7,925,000		(585,000)		7,340,000
General Obligation, Series 2017	\$ 2,800,000	2.0%-3.0%	11/15/2017	6/1/2027	2,105,000		(445,000)		1,660,000
Total bonds payable through Debt Service Fund					<u>16,565,000</u>		<u>(1,760,000)</u>		<u>14,805,000</u>
Notes payable:									
General Improvement, TMBF 2005	\$ 4,500,000	variable	11/21/2005	5/25/2020	397,000		(397,000)		-
General Improvement, TMBF 2007	\$ 3,200,000	variable	10/18/2007	5/25/2023	1,044,000		(246,000)		798,000
General Improvement, TMBF 2008	\$ 2,350,000	variable	12/29/2008	5/25/2024	980,000		(177,000)		803,000
Total notes payable through Debt Service Fund					<u>2,421,000</u>		<u>(820,000)</u>		<u>1,601,000</u>
Total bonds and notes payable through Debt Service Fund					<u>\$ 18,986,000</u>	<u>\$ -</u>	<u>\$ (2,580,000)</u>	<u>\$ -</u>	<u>\$ 16,406,000</u>
Business-Type Activities:									
Notes payable:									
Payable through Water Fund									
State Revolving Loan	\$ 2,074,887	2.50%	9/3/2009	2/1/2031	\$ 1,336,268		\$ (99,900)		\$ 1,236,368
General Improvement, TMBF	\$ 10,500,000	variable	2/28/2000	5/25/2020	802,000		(802,000)		-
					<u>2,138,268</u>		<u>(901,900)</u>		<u>1,236,368</u>
Payable through Electric Fund									
General Improvement, TMBF	\$ 6,000,000	variable	10/30/2008	5/25/2024	2,503,000		(453,000)		2,050,000
Total Notes Payable					<u>4,641,268</u>	<u>-</u>	<u>(1,354,900)</u>	<u>-</u>	<u>3,286,368</u>
Bonds payable:									
Payable through Electric Fund									
System Revenue & Tax Bonds	\$ 4,000,000	2.0%-3.0%	2/15/2012	12/1/2026	2,310,000		(260,000)		2,050,000
Total bonds payable					<u>2,310,000</u>		<u>(260,000)</u>		<u>2,050,000</u>
Total bonds and notes payable through Business-Type Activities					<u>\$ 6,951,268</u>	<u>\$ -</u>	<u>\$ (1,614,900)</u>	<u>\$ -</u>	<u>\$ 5,336,368</u>

See independent auditor's report

CITY OF COOKEVILLE, TENNESSEE
GENERAL LONG-TERM DEBT
SUMMARY OF BOND DEBT SERVICE REQUIREMENTS
CLASSIFIED BY MATURITY DATE
JUNE 30, 2020

<u>Fiscal Year Maturity</u>	<u>2010 General Obligation Bonds</u>	<u>2013 General Obligation Bonds</u>	<u>2015 General Obligation Bonds</u>	<u>2017 General Obligation Bonds</u>	<u>Total Bonds</u>	<u>Future Interest Requirements</u>
2021	\$ 495,000	\$ 255,000	\$ 600,000	\$ 230,000	\$ 1,580,000	\$ 438,406
2022	510,000	260,000	610,000	230,000	1,610,000	391,809
2023	525,000	270,000	625,000	235,000	1,655,000	343,234
2024	545,000	275,000	635,000	235,000	1,690,000	294,571
2025	560,000	285,000	650,000	240,000	1,735,000	243,579
2026	580,000	295,000	660,000	245,000	1,780,000	188,086
2027	-	305,000	675,000	245,000	1,225,000	128,381
2028	-	315,000	695,000		1,010,000	96,465
2029	-	330,000	710,000		1,040,000	69,010
2030	-	-	730,000		730,000	40,700
2031	-	-	750,000		750,000	20,625
	<u>\$ 3,215,000</u>	<u>\$ 2,590,000</u>	<u>\$ 7,340,000</u>	<u>\$ 1,660,000</u>	<u>\$ 14,805,000</u>	<u>\$ 2,254,866</u>

See independent auditor's report

CITY OF COOKEVILLE, TENNESSEE
GENERAL LONG-TERM DEBT
SUMMARY OF NOTES PAYABLE
DEBT SERVICE REQUIREMENTS
CLASSIFIED BY MATURITY DATE
JUNE 30, 2020

Fiscal Year Maturity	2007 Tennessee Municipal Bond Fund Variable Interest*	2008 Tennessee Municipal Bond Fund Variable Interest*	Total Notes Payable	Future Interest Requirements
2021	\$ 256,000	\$ 186,000	\$ 442,000	\$ 4,323
2022	266,000	196,000	462,000	3,129
2023	276,000	205,000	481,000	1,882
2024	<u>-</u>	<u>216,000</u>	<u>216,000</u>	<u>583</u>
	<u>\$ 798,000</u>	<u>\$ 803,000</u>	<u>\$ 1,601,000</u>	<u>\$ 9,917</u>

*Principal and interest requirements based on current debt and interest rate. The current interest rate at June 30, 2020 is .27% on the variable rate Tennessee Municipal Bond Fund debt.

See independent auditor's report

CITY OF COOKEVILLE, TENNESSEE
WATER QUALITY CONTROL DEPARTMENT - PROPRIETARY FUND
BONDS AND NOTES PAYABLE DEBT SERVICE REQUIREMENTS
CLASSIFIED BY MATURITY DATE
JUNE 30, 2020

<u>Fiscal Year Maturity</u>	<u>State of Tennessee 2.50% Revolving</u>	<u>Total Bonds and Notes Payable</u>	<u>Future Interest Requirements</u>
2021	\$ 102,432	\$ 102,432	\$ 29,736
2022	105,024	105,024	27,144
2023	107,676	107,676	24,492
2024	110,400	110,400	21,768
2025	113,184	113,184	18,984
2026	116,052	116,052	16,116
2027	118,980	118,980	13,188
2028	121,992	121,992	10,176
2029	125,076	125,076	7,092
2030	128,244	128,244	3,924
2031	87,308	87,308	721
	<u>\$ 1,236,368</u>	<u>\$ 1,236,368</u>	<u>\$ 173,341</u>

See independent auditor's report

CITY OF COOKEVILLE, TENNESSEE
DEBT SERVICE REQUIREMENTS - PROPRIETARY FUND
ELECTRIC DEPARTMENT
JUNE 30, 2020

Tennessee Municipal Bond Fund - Notes and Bonds Payable

Fiscal Year <u>Maturity</u>	2008 Principal Requirements*	Revenue and Tax Bonds Series 2012 Principal	Total Notes and Bonds Payable	Interest Requirements*
2021	\$ 476,000	\$ 270,000	\$ 746,000	\$ 83,153
2022	499,000	275,000	774,000	65,790
2023	524,000	285,000	809,000	49,186
2024	551,000	290,000	841,000	33,321
2025	-	300,000	300,000	16,788
2026	-	310,000	310,000	10,494
2027	-	320,000	320,000	3,600
	<u>\$ 2,050,000</u>	<u>\$ 2,050,000</u>	<u>\$ 4,100,000</u>	<u>\$ 262,332</u>

*The note has a variable rate of interest, so the interest paid will differ from the projected amount. The current interest rate at June 30, 2020 is .270%.

See independent auditor's report

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF INVESTMENTS

JUNE 30, 2020

	State of Tennessee Local Government <u>Investment Pool</u>
Governmental Activities:	
Major Funds	
General	\$ 2,521,302
Debt Service	3,267,576
Capital Projects	4
Non-major funds	<u>1,773,723</u>
Total Governmental Activities	<u>7,562,605</u>
Business-type Activities:	
Major Funds	
Cookeville Electric Department	2,628,911
Cookeville Gas Department	4,588,182
Cookeville Water Quality Control Department	<u>3,174,899</u>
Total Business-type Activities	<u>10,391,992</u>
Internal Service Fund:	
Employee Health Insurance Fund	<u>1,958,625</u>
Total Internal Service Fund	<u>1,958,625</u>
 Total Temporary Cash Investments	 <u>\$ 19,913,222</u>

See independent auditor's report

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2020

Grant/Contract Number	CFDA Number	Program	Grantor Agency	(Receivable) Deferred at 07/01/19	Receipts	Expenditures	(Receivable) Deferred at 06/30/20
<u>FEDERAL AWARDS</u>							
Z20THSO59	20.600	State and Community Highway Safety - Nw Coord	State of Tennessee, Department of Safety and Homeland Security Pass-through from National Highway Traffic Safety Administration	\$ -	\$ 15,870	\$ 17,192	\$ (1,322)
Z20THSO60	20.600	State and Community Highway Safety	State of Tennessee, Department of Safety and Homeland Security Pass-through from National Highway Traffic Safety Administration	-	5,781	5,781	-
Z19THSO64	20.600	State and Community Highway Safety	State of Tennessee, Department of Safety and Homeland Security Pass-through from National Highway Traffic Safety Administration	(1,745)	2,469	724	-
Z19THSO65	20.600	State and Community Highway Safety	State of Tennessee, Department of Safety and Homeland Security Pass-through from National Highway Traffic Safety Administration	<u>(1,941)</u>	<u>3,639</u>	<u>1,698</u>	<u>-</u>
Highway Safety Cluster - Department of Transportation - Total CFDA # 20.600				\$ (3,686)	\$ 27,759	\$ 25,395	\$ (1,322)
Z20THSO58	20.607	Alcohol Open Container Requirements	State of Tennessee, Department of Safety and Homeland Security Pass-through from National Highway Traffic Safety Administration	\$ -	\$ 13,740	\$ 15,465	\$ (1,725)
Z18THSO66	20.607	Alcohol Open Container Requirements	State of Tennessee, Department of Safety and Homeland Security Pass-through from National Highway Traffic Safety Administration	<u>\$ (4,734)</u>	<u>\$ 6,662</u>	<u>\$ 1,928</u>	<u>\$ -</u>
Department of Transportation- Total CFDA # 20.607				\$ (4,734)	\$ 20,402	\$ 17,393	\$ (1,725)
10052537	16.607	Bulletproof Vest Partnership	U.S. Department of Justice	<u>\$ (2,880)</u>	<u>\$ 5,552</u>	<u>\$ 4,624</u>	<u>\$ (1,952)</u>
Total CFDA # 16.607				\$ (2,880)	\$ 5,552	\$ 4,624	\$ (1,952)
2015-DJ-BX-0018	16.575	Victims of Crime Act Grant	Tennessee Office of Criminal Justice Programs pass-through from U.S. Department of Justice's Office of Justice Programs	<u>\$ (9,185)</u>	<u>\$ 63,595</u>	<u>\$ 59,791</u>	<u>\$ (5,381)</u>
Total CFDA # 16.575				\$ (9,185)	\$ 63,595	\$ 59,791	\$ (5,381)
2017-AR-BX-K003	16.838	Comprehensive Opioid, Stimulant, and Substance Abuse Program	Upper Cumberland Human Resource Agency pass-through from U.S. Department of Justice's Office of Justice Programs	<u>\$ -</u>	<u>\$ 2,016</u>	<u>\$ 2,016</u>	<u>\$ -</u>
Total CFDA # 16.838				\$ -	\$ 2,016	\$ 2,016	\$ -
2019-BC-BX-0071	16.835	Body Worn Camera Policy and Implementation Policy	U.S. Department of Justice	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ (120,000)</u>
Total CFDA # 16.835				\$ -	\$ -	\$ 120,000	\$ (120,000)

See independent auditor's report

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2020

Grant/Contract Number	CFDA Number	Program	Grantor Agency	(Receivable) Deferred at 07/01/19	Receipts	Expenditures	(Receivable) Deferred at 06/30/20
STP-M-9204(12)	20.205	Highway Planning and Construction	State of Tennessee, Department of Transportation Pass-through from U.S. Department of Transportation	\$ (20,388)	\$ 22,739	\$ 13,510	\$ (11,159)
STP-M-9204(14)	20.205	Highway Planning and Construction	State of Tennessee, Department of Transportation Pass-through from U.S. Department of Transportation	(60,104)	76,288	16,184	-
060010	20.205	Highway Planning and Construction	Rails to Trails Conservancy, Washington D.C.	606	-	-	606
Highway Planning and Construction Cluster - Department of Transportation - Total CFDA # 20.205				\$ (79,886)	\$ 99,027	\$ 29,694	\$ (10,553)
G19AP0001A	95.001	High Intensity Drug Trafficking Area (HIDTA) Program	Laurel County Fiscal Court Pass-through from Office of National Drug Control Policy	\$ -	\$ 1,204	\$ 2,500	\$ (1,296)
G20AP0001A	95.001	High Intensity Drug Trafficking Area (HIDTA) Program	Laurel County Fiscal Court Pass-through from Office of National Drug Control Policy	\$ -	\$ 5,969	\$ 7,139	\$ (1,170)
Executive Office of the President - Total CFDA # 95.001				\$ -	\$ 7,173	\$ 9,639	\$ (2,466)
TN # = 34101-00621 FEMA-4476-DR-TN	97.036	Federal Disaster	Tennessee Emergency Management Agency Pass-through from Dept. of Homeland Security - FEMA	\$ -	\$ -	\$ 22,523	\$ (22,523)
TN # = 34101-31720 FEMA-4476-DR-TN	97.036	Federal Disaster	Tennessee Emergency Management Agency Pass-through from Dept. of Homeland Security - FEMA	-	-	28,051	(28,051)
TN # = 34101-15921 FEMA-4476-DR-TN	97.036	Federal Disaster	Tennessee Emergency Management Agency Pass-through from Dept. of Homeland Security - FEMA	-	-	368,387	(368,387)
TN # = 34101-17221 FEMA-4476-DR-TN	97.036	Federal Disaster	Tennessee Emergency Management Agency Pass-through from Dept. of Homeland Security - FEMA	-	-	3,750	(3,750)
Total CFDA # 97.036				\$ -	\$ -	\$ 422,711	\$ (422,711)
EMW-2017-FO-01565	97.044	Assistance to Firefighters Grants	Federal Emergency Management Agency	\$ (70,281)	\$ 70,281	\$ -	\$ -
Total CFDA # 97.044				\$ (70,281)	\$ 70,281	\$ -	\$ -
16-DG-11083147-001	10.675	Urban and Community Forestry Program	State of Tennessee, Department of Agriculture Pass-through from USDA Forest Service	\$ (1,884)	\$ 5,456	\$ 3,572	\$ -
Total CFDA # 10.664				\$ (1,884)	\$ 5,456	\$ 3,572	\$ -

See independent auditor's report

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2020

Grant/Contract Number	CFDA Number	Program	Grantor Agency	(Receivable) Deferred at 07/01/19	Receipts	Expenditures	(Receivable) Deferred at 06/30/20
NR204741xxxxC003	10.923	Emergency Watershed Protection Program	U.S. Department of Agriculture, Natural Resources Conservation Svc	\$ -	\$ 38,777	\$ 38,777	\$ -
Total CFDA # 10.923				\$ -	\$ 38,777	\$ 38,777	\$ -
TOTAL FEDERAL AWARDS				\$ (172,536)	\$ 340,038	\$ 733,612	\$ (566,110)
<u>STATE FINANCIAL ASSISTANCE</u>							
71LPLM-S3-025	N/A	Multi-Modal Access	State of Tennessee, Department of Transportation	\$ (31,293)	32,363	50,525	\$ (49,455)
71LPLM-S3-015	N/A	Local Interstate Connector Program	State of Tennessee, Department of Transportation	(112,352)	112,342	(10)	-
32510-01919/57822	N/A	Tennessee Agriculture Enhancement Program	State of Tennessee, Department Of Agriculture	(1,964)	1,964		-
50740	N/A	Local Park and Recreation Fund Grant	State of Tennessee, Department Of Environment and Conservation, Recreation Education Services	(293,329)	293,329		-
65194	N/A	Population Census Services	State of Tennessee, Office of Criminal Justice Programs	-	1,398	1,398	-
60630	N/A	Waste Reduction Grant	State of Tennessee, Department Of Environment and Conservation, Recreation Education Services	-	484,273	484,273	-
49530	N/A	Internet Crimes Against Children	Nashville Police Department	-	-	15,000	(15,000)
	N/A	Overdose Death and Violent Crime Task Force	Tennessee Bureau of Investigation	-	-	1,202	(1,202)
1806-06220	N/A	Arts Build Communities Grant	Upper Cumberland Development District Pass-through from Tennessee Arts Commission	(1,500)	1,500	-	-
TOTAL STATE FINANCIAL ASSISTANCE				\$ (440,438)	\$ 927,169	\$ 552,388	\$ (65,657)
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE				\$ (612,974)	\$ 1,267,207	\$ 1,286,000	\$ (631,767)

Notes:

All expenditures reported are under the modified accrual basis of accounting whereby revenues are recorded when measurable and available and expenditures are recorded when the liability is incurred.

The City has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

See independent auditor's report

MISCELLANEOUS INFORMATION - UNAUDITED

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES - UNAUDITED
JUNE 30, 2020

Electric Department	Retail Rate 1-Jun-20 w/wholesale FCA .01201 (standard) .01290 (large)
Residential Customer Charge	\$10.00
Alternate Usage Blocks Block1 kWh (1st 800 kwh)	\$0.09221
Block2 kWh (additional kwh)	\$0.08735
GSA1 Customer Charge	\$20.00
All kWh	\$0.10197
GSA2 Customer Charge	\$50.00
1st 15,000 kWh	\$0.10259
Additional kWh	\$0.05595
kW, 0-50	\$0.00
kW, 51-1,000	\$13.83
GSA3 Customer Charge	\$100.00
All kWh	\$0.06003
kW, 0-1,000	\$12.71
kW,1,001 - 5,000	\$12.69
SDE-General Power Customer Charge	\$1,500.00
SGSB Demand Charge	
Onpeak	\$10.87
Maximum	\$5.21
Excess Over Contract	\$10.87
Energy Charge	
Onpeak	\$0.07842
Offpeak First 200 hours	\$0.05351
Offpeak Next 200 hours	\$0.01893
Offpeak Additional kWh	\$0.01552
SDE-Manufacturing Customer Charge	\$1,500.00
SMSB Demand Charge	
Onpeak	\$10.24
Maximum	\$2.26
Excess Over Contract	\$10.24
Energy Charge	
Onpeak	\$0.07016
Offpeak First 200 hours	\$0.04516
Offpeak Next 200 hours	\$0.01547
Offpeak Additional kWh	\$0.01292
Outdoor Lighting Customer Charge	\$2.50
All kWh	\$0.06007

Charges for Outdoor Lighting for Individual Customers

	KWH	FAC Rental	1-Jun-20 Energy	Total
			\$0.06007	
100 WHPS	42	5.13	2.52	7.65
250 LED-VERD	51	8.78	3.06	11.84
252 LED-FLOOD	91	18.68	5.47	24.15
250 WHPS	105	7.10	6.31	13.41
250 WHPS-FLOOD	105	11.09	6.31	17.40
400 WHPS	165	7.10	9.91	17.01
400 WHPS-FLOOD	165	11.09	9.91	21.00
175 WMV	70	4.21	4.20	8.41
400 WMV	155	5.49	9.31	14.80
250 WMHD	105	7.74	6.31	14.05
350 WMHD-FLOOD	140	8.14	8.41	16.55
350 WMHD-SHOE	140	9.84	8.41	18.25
400 WMHD	165	7.78	9.91	17.69
1000 WMHD	398	9.42	23.91	33.33
LED 50 CARETAKER	17	6.73	1.02	7.75
LED 75 CARETAKER	27	6.16	1.62	7.78
LED TYPE 3 REGULAR	130	18.99	7.81	26.80
LED TYPE 5 REGULAR	130	18.72	7.81	26.53
LED TYPE 5 SHOE	130	15.97	7.81	23.78

See independent auditor's report

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES - UNAUDITED (CONTINUED)
JUNE 30, 2020

Gas Department

Residential Rate - Rate 645 & 651 at July 1, 2020

Monthly rate (inside): First 5,000 cu. ft. for \$.689 per 100 cu. ft.
Next 5,000 cu. ft. for \$.645 per 100 cu. ft.
All additional for \$.636 per 100 cu. ft.

Minimum bill for residential consumers - \$7.00 per month.

Monthly rate (outside): First 5,000 cu. ft. for \$.798 per 100 cu. ft.
Next 5,000 cu. ft. for \$.744 per 100 cu. ft.
All additional for \$.733 per 100 cu. ft.

Minimum bill for residential consumers - \$7.00 per month.

Commercial Rate - Rates 647 and 652 at July 1, 2020

Monthly rate (inside): First 5,000 cu. ft. for \$.733 per 100 cu. ft.
Next 10,000 cu. ft. for \$.685 per 100 cu. ft.
All additional for \$.675 per 100 cu. ft.

Minimum bill for commercial consumers - \$15.00 per month.

Monthly rate (outside): First 5,000 cu. ft. for \$.853 per 100 cu. ft.
Next 10,000 cu. ft. for \$.793 per 100 cu. ft.
All additional for \$.781 per 100 cu. ft.

Minimum bill for commercial consumers - \$15.00 per month.

Industrial Rate - Rate 648 & 653 at July 1, 2020

Monthly rate (inside): First 10,000 cu. ft. for \$.747 per 100 cu. ft.
Next 20,000 cu. ft. for \$.697 per 100 cu. ft.
All additional for \$.688 per 100 cu. ft.

Minimum bill for industrial consumers - \$50.00 per month.

Monthly rate (outside): First 10,000 cu. ft. for \$.871 per 100 cu. ft.
Next 20,000 cu. ft. for \$.809 per 100 cu. ft.
All additional for \$.796 per 100 cu. ft.

Minimum bill for industrial consumers - \$50.00 per month.

Interruptible Rate - Rate Code 690

\$.2978 per 100 cu. ft. (inside)

Minimum bill for interruptible consumers - \$120.00 per month.

See independent auditor's report

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES - UNAUDITED (CONTINUED)
JUNE 30, 2020

Water Quality Control Department

Inside Water Rates

Zero Usage (Base Charge)	\$6.10 (minimum bill)
All gallons over zero usage	\$3.56 per 1,000 gallons

Outside Water Rates

Zero Usage (Base Charge)	\$9.15 (minimum bill)
All gallons over zero usage	\$5.34 per 1,000 gallons

Water Storage Rate

Each 1,000 gallons per month	\$0.19 per 1,000 gallons
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Sewer Rates

Inside - Residential/Commercial/Industrial	\$5.46 per 1,000 gallons \$8.60 (minimum bill)
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See independent auditor's report

CITY OF COOKEVILLE, TENNESSEE WATER LOSS SCHEDULE (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2020

AWWA

Free Water Audit Software:
Reporting Worksheet

WAS v5.0
American Water Works Association.
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Water Audit Report for: **City of Cookeville Water Quality Control (0000133)**
 Reporting Year: **2020** / 7/2019 - 6/2020

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

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

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

WATER SUPPLIED

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

Volume from own sources:	+ ?	9	4,116.782	MG/Yr
Water imported:	+ ?	n/a		MG/Yr
Water exported:	+ ?			MG/Yr
WATER SUPPLIED:			4,116.782	MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:		Value:		MG/Yr
	+ ?		⊖ ⊕	MG/Yr
	+ ?		⊖ ⊕	MG/Yr
	+ ?		⊖ ⊕	MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered:	+ ?	9	2,895.118	MG/Yr
Billed unmetered:	+ ?	n/a		MG/Yr
Unbilled metered:	+ ?	n/a		MG/Yr
Unbilled unmetered:	+ ?		51.460	MG/Yr
AUTHORIZED CONSUMPTION:			2,946.578	MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

Click here: ?
for help using option buttons below

Pcnt: 1.25% Value: MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: 0.25% Value: MG/Yr

1.00% Value: 0.250 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

1,170.204 MG/Yr

Apparent Losses

Unauthorized consumption: + ? 10.292 MG/Yr

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

Customer metering inaccuracies: + ? 9 29.244 MG/Yr

Systematic data handling errors: + ? 7 0.250 MG/Yr

Apparent Losses: 39.786 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 1,130.419 MG/Yr

WATER LOSSES: 1,170.204 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 1,221.664 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ?	10	397.7	miles
Number of <u>active AND inactive</u> service connections:	+ ?	9	18,867	
Service connection density:	?		47	conn./mile main
Are customer meters typically located at the curbstop or property line?				
Average length of customer service line:	+ ?	10	30.0	ft (length of service line, beyond the property boundary, that is the responsibility of the utility)
Average operating pressure:	+ ?	6	78.5	psi

COST DATA

Total annual cost of operating water system:	+ ?	10	\$9,951,787	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ?	8	\$8.59	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ?	8	\$630.08	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 85 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

See independent auditor's report.

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CITY OF COOKEVILLE, TENNESSEE WATER LOSS SCHEDULE (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2020

🏠

AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
American Water Works Association.
Copyright © 2014. All Rights Reserved.

Water Audit Report for: City of Cookeville Water Quality Control (0000133)

Reporting Year: 2020 7/2019 - 6/2020

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 85 out of 100 ***

System Attributes:

	Apparent Losses:	39.786	MG/Yr	
	+ Real Losses:	1,130.419	MG/Yr	
	= <u>Water Losses:</u>	1,170.204	MG/Yr	
? Unavoidable Annual Real Losses (UARL): 165.71 MG/Yr				
	Annual cost of Apparent Losses:	\$341,758		
	Annual cost of Real Losses:	\$712,254	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:	29.7%	
		Non-revenue water as percent by cost of operating system:	10.9%	Real Losses valued at Variable Production Cost
Operational Efficiency:	{	Apparent Losses per service connection per day:	5.78	gallons/connection/day
		Real Losses per service connection per day:	164.15	gallons/connection/day
		Real Losses per length of main per day*:	N/A	
		Real Losses per service connection per day per psi pressure:	2.09	gallons/connection/day/psi
		From Above, Real Losses = Current Annual Real Losses (CARL):	1,130.42	million gallons/year
		? Infrastructure Leakage Index (ILI) [CARL/UARL]:	6.82	

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

See independent auditor's report.

CITY OF COOKEVILLE, TENNESSEE
PRINCIPAL CITY OFFICIALS - UNAUDITED
JUNE 30, 2020

Official Title	Name	Bond*
City Council:		
Mayor	Ricky Shelton	\$150,000
Vice-Mayor	Laurin Wheaton	\$150,000
Councilman	William Eric Walker	\$150,000
Councilman	Charles Womack	\$150,000
Councilman	Mark Miller	\$150,000
City Manager	James Mills	\$150,000
Finance Director**	Brenda Imel, CPA	\$150,000
City Clerk	Darian Coons	\$150,000

* Bond coverage originates from the City's Public Employee coverage provided by Tennessee Municipal League Risk

**Designated with financial oversight responsibility

See independent auditor's report

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF UTILITY CUSTOMERS - UNAUDITED

JUNE 30, 2020

At June 30, 2020, the utility departments serviced the following number of customers:

<u>Department</u>	<u>Number of Customers</u>
Electric	18,651
Gas	10,137
Water	14,937
Sewer	15,345
Sanitation	1,140

See independent auditor's report

COMPLIANCE AND INTERNAL CONTROL

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards - NOT APPLICABLE

Internal control over major programs:

Material weakness(es) identified? Yes No
Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major programs N/A

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)? Yes No (None)

Identification of major programs:

CFDA Number Name of Federal Program

Dollar threshold used to distinguish between Type A and Type B
programs: N/A

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

None reported

Section III - Federal Audit Findings and Questioned Costs

None reported

Section IV - Summary of Prior Audit Findings

The City of Cookeville, Tennessee had no prior year audit findings.



**Independent Auditors' 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***

City Council
City of Cookeville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Cookeville, Tennessee (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 24, 2021. Our report includes a reference to other auditors who audited the financial statements of Cookeville Regional Medical Center Authority, as described in our report on the City'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's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC

Goodlettsville, Tennessee

June 24, 2021