

City of Cookeville, Tennessee

Annual Financial Report
For the Year Ended June 30, 2021

City of Cookeville, Tennessee
 Annual Financial Report
 For the Year Ended June 30, 2021

Contents

Introductory Section

Roster of Officials (Unaudited)	i
---------------------------------	---

Financial Section

Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Balance Sheet - Governmental Funds	19
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund	23
Statement of Net Position - Proprietary Funds	26
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28
Notes to Financial Statements	29
Notes to Financial Statements - Cookeville Regional Medical Center Authority	60
Required Supplementary Information (Unaudited)	
TCRS Pension Plan (Legacy)	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	97
Schedule of Employer Contributions	98
TCRS Pension Plan (Hybrid)	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	99
Schedule of Employer Contributions	100
OPEB Plan	
Schedule of Changes in OPEB Liability and Related Ratios	101
Schedule of Employer Contributions	102
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	103
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	104

City of Cookeville, Tennessee
Annual Financial Report
For the Year Ended June 30, 2021

Contents

Financial Section

Combining and Individual Fund Financial Statements and Schedules	
Schedules of Revenues, Expenditures, and Changes in Fund Balance -	
Budget (GAAP Basis) and Actual	
Drug	105
State Street Aid	106
Sanitation	107
Animal Control Board	108
Economic Development	109
Quality of Life	110
Debt Service	111
General Improvement Bond	112
Transportation	113
Other Schedules	
Schedule of Changes in Property Taxes Receivable	114
Schedule of Tax Rates and Assessments	115
Schedule of Changes in Long-term Debt by Individual Issue	116
General Long-term Debt Summary of Bonds Payable	
Debt Service Requirements	117
Electric Department - Proprietary Fund Bonds Payable	
Debt Service Requirements	118
Water Quality Control Department - Proprietary Fund Notes Payable	
Debt Service Requirements	119
Schedule of Expenditures of Federal Awards and State Financial Assistance	120

Internal Control and Compliance Section

Schedules of Utility Rates (Unaudited)	
Electric Department	122
Gas Department	123
Water Quality Control Department	124
Schedule of Utility Customers	125
Schedule of Unaccounted for Water	126
List of Official Bonds of Principal Officials and Bonded Amounts	128
Independent Auditor's Report on Internal Control Over Financial Reporting and	
on Compliance and Other Matters Based on an Audit of Financial Statements	
Performed in Accordance with <i>Government Auditing Standards</i>	129
Independent Auditor's Report on Compliance for Each Major Federal Program	
and on Internal Control Over Compliance Required by the Uniform Guidance	131
Schedule of Findings and Questioned Costs	133
Schedule of Prior Year Findings	134

Introductory Section

City of Cookeville, Tennessee
Roster of Officials (Unaudited)
As of June 30, 2021

Elected

Ricky Shelton	Mayor
Laurin Wheaton	Vice Mayor
Mark Miller	City Council
Charles Womack	City Council
Eric Walker	City Council

Appointed

James Mills	City Manager
Brenda Imel, CPA	Finance Director*

* Designated with financial oversight responsibility

Financial Section



Independent Auditor's 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, 2021, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Cookeville Regional Medical Center Authority (the Medical Center) and The Public Building Authority of the City of Cookeville, Tennessee (the Building Authority), whose statements reflect total assets and deferred outflows of resources of \$337,889,156 and total revenues of \$374,136,618. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Medical Center and the Building Authority, is based solely on the reports 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 reports 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, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-16 and the schedules of changes in net pension liability (asset) and OPEB liability and related ratios and contributions on pages 97-102 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, which 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, combining financial statements – nonmajor governmental funds on pages 103-110, the schedules on pages 111-121 (including the schedule of expenditures of federal awards and state financial assistance on pages 120-121, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*), and the other schedules on pages 122-128 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 103-110 and the schedules on pages 111-121 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 103-110 and the schedules on pages 111-121 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 122-128 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 January 24, 2022 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 the City's internal control over financial reporting and compliance.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Goodlettsville, Tennessee
January 24, 2022

City of Cookeville, Tennessee
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

As management of the City of Cookeville, 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, 2021. 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.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Please consider the information presented here in conjunction with the City's financial statements (beginning on page 17).

Financial Highlights

- The assets and deferred outflows of the City of Cookeville exceeded its liabilities and deferred inflows at June 30, 2021 by \$205,076,459 (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 (\$172,660,449) and unrestricted resources available to continue City operations into the next fiscal year (\$32,416,010).
- The government's total net position increased this year by \$15,458,921. Net position of the governmental activities increased by \$8,859,278 and those of the City's business type activities (utilities) increased by \$6,599,643.
- As of June 30, 2021, the City of Cookeville's governmental funds reported combined ending fund balances of \$54,216,105 an increase of \$6,421,640 in comparison with the prior year. Approximately 58% of this total amount, \$31,183,808 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 \$31,183,808 or 111% of total general fund expenditures.
- The City of Cookeville's total bonds and notes payable decreased by \$43,432 (16.2 percent) during the current fiscal year. The City retired (principal payments) \$8,918,432 of previously outstanding debt. The City issued \$8,875,000 in new debt in 2021.
- The actuarially determined net pension liability increased by \$347,095 to \$18,092,473 at June 30, 2021. 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, 2021 is \$61,658,584 of which \$50,594,641 represents the liability for governmental activities and \$11,063,943 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 17-18 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 nonmajor governmental funds is provided in the form of combining statements found on pages 103-104 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 23.

The basic governmental fund financial statements can be found on pages 19-22 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 proprietary fund financial statements can be found on pages 26-28 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 \$205,076,459 at fiscal year end June 30, 2021.

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:

Net Position – Primary Government June 30, 2021 and 2020 (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 70,994	\$ 64,190	\$ 55,826	\$ 53,125	\$ 126,819	\$ 117,315
Capital assets	66,313	55,736	119,664	117,783	185,977	173,518
Other assets	<u>3,892</u>	<u>3,763</u>	<u>1,709</u>	<u>1,620</u>	<u>5,602</u>	<u>5,383</u>
Total assets	<u>141,199</u>	<u>123,689</u>	<u>177,199</u>	<u>172,527</u>	<u>318,398</u>	<u>296,216</u>
Deferred outflows of resources	<u>15,629</u>	<u>9,008</u>	<u>4,495</u>	<u>3,060</u>	<u>20,125</u>	<u>12,068</u>
Current liabilities	3,276	4,660	5,519	6,818	8,795	11,479
Long-term debt	18,373	14,384	3,940	4,488	22,313	18,872
Other liabilities	<u>68,297</u>	<u>56,281</u>	<u>16,689</u>	<u>14,879</u>	<u>84,986</u>	<u>71,160</u>
Total liabilities	<u>89,946</u>	<u>75,325</u>	<u>26,148</u>	<u>26,185</u>	<u>116,094</u>	<u>101,511</u>
Deferred inflows of resources	15,713	16,826	1,637	2,095	17,351	18,920
Net position						
Net investment in capital assets	48,426	40,626	116,675	112,446	165,101	153,073
Restricted	7,538	7,344	21	-	7,559	7,344
Unrestricted	<u>(4,795)</u>	<u>(7,435)</u>	<u>37,211</u>	<u>34,862</u>	<u>32,416</u>	<u>27,437</u>
Total net position	\$ 51,169	\$ 40,545	\$ 153,907	\$ 147,308	\$ 205,076	\$ 187,854

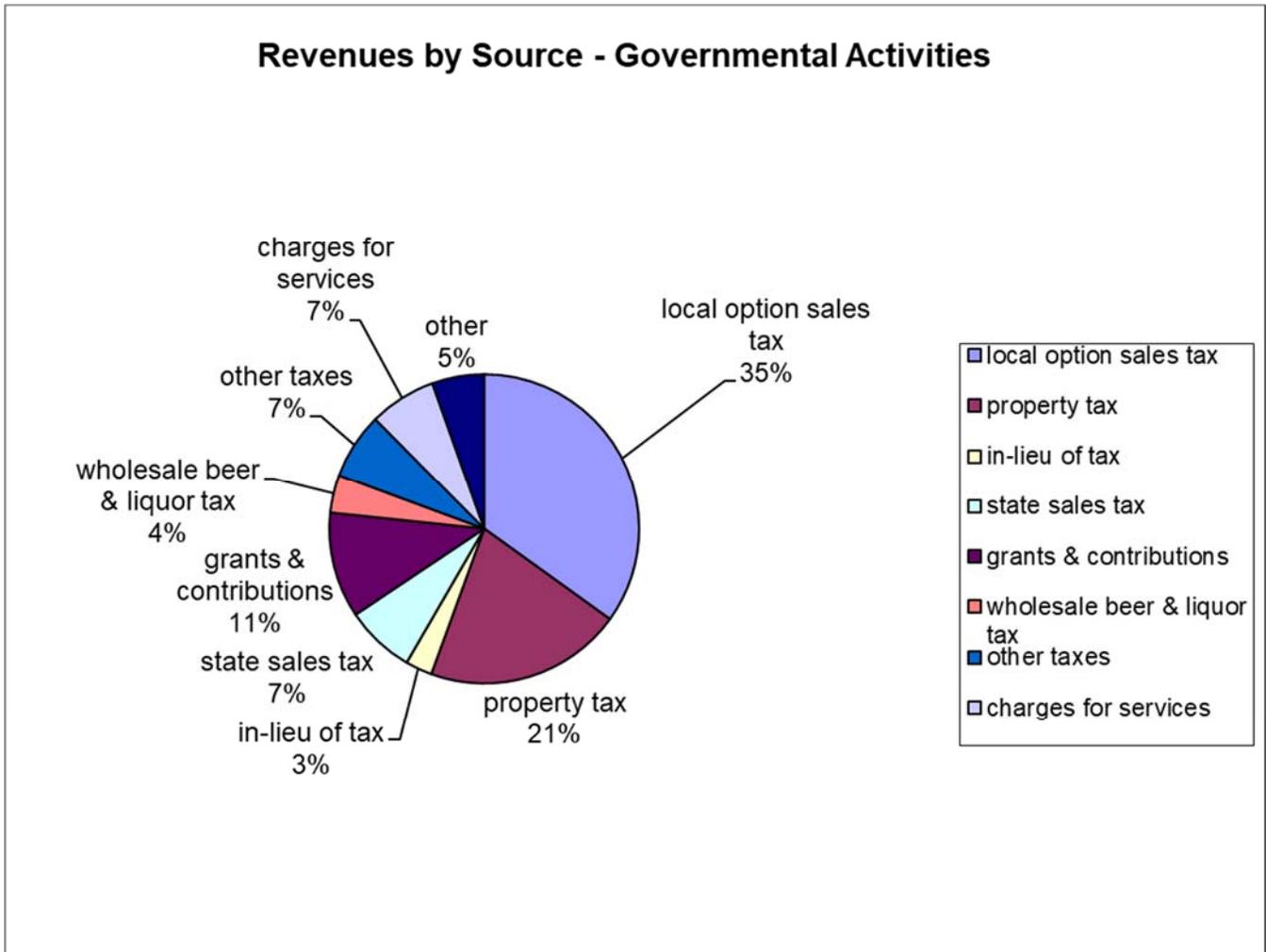
An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used and are restricted for various purposes. The remaining balance of unrestricted net position, \$32,416,010, may be used to meet the government's ongoing obligations to citizens and creditors, however, the net assets of the internal service fund are for the purposes of paying health related claims. At June 30, 2021, the amount available for health related claims was \$3,578,937.

At June 30, 2021, the City of Cookeville is reporting a negative unrestricted net position on governmental activities due primarily to the approximately \$50.6 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 \$4,978,636. All other categories of net position have positive balances. Net position increased \$8,859,278 for governmental activities and increased \$6,599,642 for business-type activities.

Governmental Activities

Governmental activities increased the City of Cookeville's net position by \$8,859,278 thereby accounting for 57 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, 2021.

The City's Changes in Net Position
For the years ended June 30, 2021 and 2020
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Charges for services	\$ 3,181	\$ 3,141	\$ 83,687	\$ 79,665	\$ 86,868	\$ 82,806
Operating grants and contributions	3,667	1,702	-	-	3,667	1,702
Capital grants and contributions	1,308	812	-	375	1,308	1,187
General revenues						
Local option sales tax	15,921	13,915	-	-	15,921	13,915
Property taxes	9,399	9,099	-	-	9,399	9,099
TVA in-lieu of tax	1,275	1,316	-	-	1,275	1,316
State sales tax	3,305	2,822	-	-	3,305	2,822
Wholesale beer tax	1,218	1,127	-	-	1,218	1,127
Wholesale liquor tax	595	490	-	-	595	490
Other taxes	3,216	2,897	-	-	3,216	2,897
Miscellaneous	<u>854</u>	<u>1,271</u>	<u>96</u>	<u>527</u>	<u>950</u>	<u>1,798</u>
Total revenues	43,939	38,592	83,783	80,567	127,723	119,159
Expenses						
General government	3,656	3,791	-	-	3,656	3,791
Economic development	27	93	-	-	27	93
Planning and codes	1,679	1,442	-	-	1,679	1,442
Public safety	16,700	15,916	-	-	16,700	15,916
Parks and maintenance	1,636	1,564	-	-	1,636	1,564
Public works	9,491	9,506	-	-	9,491	9,506
Culture and recreation	2,280	2,098	-	-	2,280	2,098
Community support	721	781	-	-	721	781
Interest on debt	519	533	-	-	519	533
Electric	-	-	49,851	50,162	49,851	50,162
Gas	-	-	10,071	8,845	10,071	8,845
Water quality control	<u>-</u>	<u>-</u>	<u>15,633</u>	<u>15,069</u>	<u>15,633</u>	<u>15,069</u>
Total expenses	36,709	35,724	75,555	74,076	112,264	109,800
Increase in net position before transfers	7,231	2,868	8,228	6,491	15,459	9,359
Transfers	<u>1,628</u>	<u>1,709</u>	<u>(1,628)</u>	<u>(1,709)</u>	<u>-</u>	<u>-</u>
Increase in net position	8,859	4,577	6,600	4,782	15,459	9,359
Net position - beginning	40,545	36,201	147,308	142,526	187,853	178,727
Prior period adjustment	<u>1,764</u>	<u>(233)</u>	<u>-</u>	<u>-</u>	<u>1,764</u>	<u>(233)</u>
Net position - ending	\$ 51,168	\$ 40,545	\$ 153,908	\$ 147,308	\$ 205,076	\$ 187,853

Business-type Activities

Business-type activities increased the City of Cookeville's net position by \$6,599,642 accounting for 43 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 \$2,658,872 with operating revenues of \$53,449,260 and operating expenses of \$49,231,397. Non-operating net expenses totaled \$375,290 and transfers to the general government were \$1,183,701. 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 rehabilitation project at Briargate Subdivision which consisted of replacing old direct buried conductor to more efficient newer underground facilities for a total project cost of \$241,307 along with an underground project at Stevens Street for a total cost of \$73,794. The electric department also purchased a new 47' digger derrick for \$253,899; along with four new utility vehicles for a total cost of \$115,295. The department also continued a project of changing out streetlights to a more energy efficient LED light in numerous areas for approximately \$475,000; this project will continue until all streetlights have been changed to LED. During fiscal year 2021, approximately \$103,500 was expended for a road widening project at South Jefferson Avenue from I-40 to Hwy 111 which will most likely be completed in FY2023. In September 2020, the electric department paid off the balance of their variable rate debt of \$2,050,000 with the Tennessee Municipal Bond Fund that had an original maturity date of May 2024.

Net assets increased \$3,939,576 for the water/sewer department. Operating revenues were \$19,705,895 and operating expenses were \$15,430,518. The water/sewer department had non-operating net expense totaling \$37,474 and transfers to the general government were \$298,327. The water department entered an engineering design contract to expand the water treatment plant by 7.5 million gallons per day (MGD). Design is complete and ready for bidding as soon as SRF Loan is approved. 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 continued work on the wastewater treatment plant solids handling replacement project and completed the water treatment plant rehab project. The department completed the rehabilitation of water and sewer lines in Cedar Ave., ahead of the 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 fiscal year 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 2021, the department paid \$457,697 to the Corp for a portion of the dam repair project. At June 30th the amount due the Corp for water storage rights was \$1,447,083. 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 continued to be under construction. A design contract has been awarded to replace the Deberry Heights Pump Station.

The gas department's net assets increased by \$286,556. Operating revenues were \$10,428,918 and operating expenses were \$10,032,909. Non-operating income totaled \$36,239 and transfers to the general government were

\$145,692. 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 10,200 customers and maintain over 330 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, industrial, or interruptible. 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 five years which has helped renew consumer confidence in natural gas as an energy source. Operating revenues increased by \$1,486,330; associated to the increase in gas cost from previous year. The department continued to work with TDOT on the utility relocation project for the West Cemetery Road intersection with Burgess Falls Road. Project costs for West Cemetery totaled \$74,851 this fiscal year. The gas department added three new utility vehicles for a total cost of \$97,866. 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 of Comparison of Charges for Services for Fiscal Years 2021 and 2020

	2021	2020	Amount change	% change
Electric	\$ 53,449,260	\$ 53,717,863	\$ (268,603)	(0.5)%
Gas	10,428,918	8,942,651	1,486,267	16.6%
Water quality control	<u>19,705,895</u>	<u>17,004,038</u>	<u>2,701,857</u>	15.8%
Charges for services	\$ 83,584,073	\$ 79,664,552	\$ 3,919,521	4.9%

Summary of Comparison of Expenses for Services for Fiscal Years 2021 and 2020

	2021	2020	Amount change	% change
Electric	\$ 49,231,397	\$ 50,089,630	\$ (858,233)	(1.7)%
Gas	10,032,609	8,845,609	1,187,000	13.4%
Water quality control	<u>15,430,518</u>	<u>14,978,309</u>	<u>452,209</u>	3.0%
Expenses	\$ 74,694,824	\$ 73,913,548	\$ 780,976	1.1%

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, 2021, the City of Cookeville's governmental funds reported combined ending fund balances of \$54,216,105 an increase of \$6,421,640 in comparison to prior year. There is \$3,645,561 in restricted fund balances which must be used for specific purposes \$1,637,891 restricted for street maintenance, \$371,564 restricted for police drug enforcement programs, \$470,911 restricted for economic development/tourism, \$1,106,872 restricted for sanitation operations and \$58,323 restricted for pensions. There is \$19,382,581 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, 2021, the unassigned fund balance of the general fund was \$31,183,808 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 111 percent of total general fund expenditures during fiscal year 21.

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 70% of the general fund revenues. The sales tax collections for fiscal year 2021 were \$15,921,122, an increase of \$2,006,425 from fiscal year 2020. The COVID-19 pandemic impacted this revenue stream for March, April and May of 2020. The sales tax collections came back strong after those 3 months of COVID-19 impact. The city's total property tax rate for fiscal year 2021 (2020 property tax) remained at \$.99 per \$100 of assessed value. This tax rate remains relatively low compared to other cities across the state. The property tax rate allocated to the general fund was increased by \$.01 for fiscal year 21 to \$.72 and accounted for \$6,657,255 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. Because of the strong rebound in sales tax, we implemented salary increases mid-year.

The debt service fund has a total fund balance of \$11,771,565, 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 \$3,682,874 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 fiscal year 2021. During the fiscal year, the city paid off early \$1,601,000 in variable rate notes payable and \$3,215,000 in bonds payable. The 2010 General Obligation Build America Bonds were call and paid off in August, 2020. New debt was issued in the fiscal year. General Obligation Bonds, Series 2020 in the amount of \$8,875,000 were issued in September, 2020. The proceeds intended for beginning construction of the new police headquarters and the purchase of 2 fire apparatus. The overall decrease in the fund balance was \$2,563,276 for Fiscal Year 2021.

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 2020 for \$8,875,000 are being used toward the construction of a new police headquarters and the purchase of 2 fire apparatus. As of June 30, 2021, unspent bond proceeds totaled \$898,195.

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.

General Fund 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 23. 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, the payoff of general obligation debt and to cover the estimated expenditures for a mid-year cost of living adjustment for employees.

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, 2021 was \$66,312,848 and \$119,663,736, respectively. The net investment decreased 19% for governmental 1.6% for business-type activities.

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

- Two fire apparatus being a 2021 pumper truck \$832,261 and a 2021 ladder truck \$1,133,433
- Construction in process on the new police headquarters is at \$8,367,129 at June 30, 2021
- The purchase of land for expansion of the Cane Creek Park \$351,573

This year's major capital asset additions for business-type activities included:

- Construction in process on the WWTP project is at \$4,560,571 at June 30, 2021
- Construction in process for the Little Creek pump station project is at \$1,163,681 at June 30, 2021

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

Capital Assets (net of depreciation)
June 30, 2021 and 2020
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 14,616	\$ 14,232	\$ 3,857	\$ 3,857	\$ 18,473	\$ 18,089
Buildings and improvements	8,141	8,363	1,644	1,739	9,785	10,102
Utility plant in service	-	-	92,223	93,563	92,223	93,563
Improvements other than buildings	2,137	1,735	-	-	2,137	1,735
Vehicles	4,627	2,313	-	-	4,627	2,313
Machinery and equipment	1,528	1,156	5,989	6,058	7,517	7,214
Software	49	68	-	-	49	68
Infrastructure	25,193	26,779	-	-	25,193	26,779
Furniture and equipment	-	-	111	89	111	89
Plant acquisition adjustment	-	-	6,028	6,466	6,028	6,466
Construction in progress	<u>10,022</u>	<u>1,090</u>	<u>9,812</u>	<u>6,011</u>	<u>19,834</u>	<u>7,101</u>
Net capital assets	\$ 66,313	\$ 55,736	\$ 119,664	\$ 117,783	\$ 185,977	\$ 173,519

Additional information on the City's capital assets can be found in note 4 of this report.

Long-term Liabilities

At the end of the fiscal year, the Primary Government had total long-term liabilities of \$26,220,345. Of this amount, \$21,045,949 relates to governmental activities while the remaining \$5,174,396 relates to business type activities. Of the \$21,045,949 of long-term liabilities of governmental activities, \$18,785,000 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. During 2021, the City paid off the 2 remaining variable rate notes with the Tennessee Municipal Bond Fund as well as the 2010 General Obligation Build America Bonds. General obligation bonds, Series 2020 for \$8,875,000 were issued in September, 2020. An additional issue is planned for summer of 2021 for final construction costs of the new police facility and road projects. Additional information on the City's long-term debt can be found in the notes to the financial statements.

Outstanding Debt
June 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 18,785	\$ 14,805	\$ -	\$ -	\$ 18,785	\$ 14,805
Revenue bonds	-	-	1,780	2,050	1,780	2,050
Direct borrowing notes	-	1,601	1,134	3,286	1,134	4,887
Unamortized (discount) premium	<u>1,283</u>	<u>254</u>	<u>74</u>	<u>88</u>	<u>1,357</u>	<u>342</u>
Total	\$ 20,068	\$ 16,660	\$ 2,988	\$ 5,424	\$ 23,056	\$ 22,084

Additional information on the City's long-term debt can be found in note 5 of this report.

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 2020 Census data was recently released and the City's population increased 3,688 to 34,842. Cookeville is also 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.

Cookeville's economy was performing strong prior to the COVID-19 pandemic. The unemployment rate for Putnam County was 5.4% in June 2021. The rate had spiked to 14.5% in April, 2020 during the COVID-19 economic shut-down. It has trended downward since then. 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 and a temporary decline in the local economy. The months subsequent have exceeded expectations. Construction of new single family and multi-family homes remains strong. Building permits issued for single family homes are at record levels. The property tax base has seen growth and continues to increase. New to market restaurants have opened or have been announced. A new retail development is underway on the east side of Cookeville to include a new grocery store. The City has planned road improvements around the development. The Putnam County Commission has approved the construction of a new K-8 school to be built inside the Cookeville city limits.

Cookeville's 5th interstate interchange on Interstate 40 was completed in 2018. It provided improved access to the Highlands Business Park, Academy Sport and Outdoors Distribution Center, and other developable properties. Putnam County has planned to build a new expo center and fairgrounds just north of the interchange. Other development projects are also planned for the area. The City's Water Quality Control Department is working on plans to provide sewer service to properties north and south of the interchange.

The City is also planning major street improvements. Plans to widen 10th street are in engineering & design phase.

The City purchased 3.55 acres of property on Neal Street in January 2018 in preparation for the construction of a new police headquarters. Construction is underway with completion anticipated in early 2022. The city plans to issue additional general obligation bonds to complete construction obligations.

The Water Quality Control Department is planning a project to increase capacity at the water treatment plant by 7.5 million gallons per day. This infrastructure capacity is critical for the continued growth of the area.

The City, along with the City of Algood and Town of Baxter and the more highly populated areas of unincorporated Putnam County have reached a population density threshold of over 50,000 and anticipate a transition to an urbanized area as classified by the Federal Highway Administration in the next two years.

All these factors were considered in adopting the general fund budget for fiscal year 2022. The City remains conservative in revenue forecasts and budgeted an increase in revenues over the 2021 original budget driven by estimated growth in local option sales tax. Revenues and transfers in total \$29,549,321 in the fiscal year 22 budget. The City also budgeted an increase in operating expenditures for fiscal year 2022 over the 2021 budget. The appropriation for operating expenditures and transfers out is \$29,543,649. The majority of operating expenditures for the general fund are personnel costs. The 2022 budget includes a merit increase of up to 3% and a cost of living adjustment of \$1,460. The pay scales were adjusted upward 4%. Property taxes allocated to the various funds will remain unchanged. The property tax rate for the fiscal year 2022 (2021 tax year) will be adjusted based on the certified tax rate as it is a reappraisal year. No increase in the rate was budgeted as the certified tax rate is adopted. The operating portion of the budget is balanced with a small surplus of \$5,672. With budgeted capital purchases, the budget includes a planned use of fund balance in the amount of \$1,471,185. The general fund at June 30, 2021 has an unassigned fund balance of \$31,183,808.

Requests for Information

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, 2021

	Primary Government			Component Units		Total Reporting Entity
	Governmental activities	Business-type activities	Total	Cookeville Regional Medical Center	Public Building Authority	
Assets						
Cash and cash equivalents	\$ 56,669,659	\$ 41,242,725	\$ 97,912,384	\$ 93,972,940	\$ 47,449	\$ 191,932,773
Accounts receivable, net	211,041	10,123,488	10,334,529	31,781,994	1,522	42,118,045
Taxes receivable, net	9,650,957	-	9,650,957	-	-	9,650,957
Other receivables	4,713,360	36,995	4,750,355	1,814,748	-	6,565,103
Internal balances	(313,587)	313,587	-	-	-	-
Inventories	-	1,999,352	1,999,352	11,997,102	-	13,996,454
Prepaid expenses and other current assets	4,155	1,047,102	1,051,257	4,966,050	909	6,018,216
Restricted cash and cash equivalents	58,323	1,062,318	1,120,641	10,000,000	-	11,120,641
Notes receivable, net	-	199,718	199,718	-	-	199,718
Water storage rights	-	1,220,647	1,220,647	-	-	1,220,647
Equity interest in joint venture	3,892,159	-	3,892,159	-	-	3,892,159
Long-term investments	-	-	-	13,805,570	-	13,805,570
Net pension asset	-	-	-	15,198,046	-	15,198,046
Other assets	-	288,997	288,997	1,556,629	-	1,845,626
Capital assets not being depreciated	24,637,567	13,669,229	38,306,796	19,067,283	-	57,374,079
Capital assets, net	41,675,281	105,994,507	147,669,788	131,984,293	165,133	279,819,214
Total assets	141,198,915	177,198,665	318,397,580	336,144,655	215,013	654,757,248
Deferred Outflows of Resources	15,629,337	4,495,185	20,124,522	1,529,488	-	21,654,010
Liabilities						
Accounts payable	1,941,014	5,473,544	7,414,558	17,236,342	1,500	24,652,400
Claims payable	286,807	-	286,807	-	-	286,807
Accrued expenses	956,671	-	956,671	18,547,583	5,019	19,509,273
Unearned revenues	91,973	45,333	137,306	-	-	137,306
Other liabilities	-	-	-	-	58,811	58,811
Noncurrent liabilities						
Compensated absences	978,106	545,510	1,523,616	-	-	1,523,616
Net pension liabilities	14,106,668	3,985,805	18,092,473	-	-	18,092,473
OPEB liability	50,594,641	11,063,943	61,658,584	-	-	61,658,584
Other liabilities	922,911	598,742	1,521,653	1,529,928	-	3,051,581
Refundable advances due within one year	-	-	-	37,717,712	-	37,717,712
Debt due within one year	1,695,000	495,122	2,190,122	3,440,057	-	5,630,179
Refundable advances due in more than one year	-	-	-	11,915,241	-	11,915,241
Debt due in more than one year	18,372,842	3,940,341	22,313,183	55,353,685	-	77,666,868
Total liabilities	89,946,633	26,148,340	116,094,973	145,740,548	65,330	261,900,851
Deferred Inflows of Resources	15,713,242	1,637,428	17,350,670	1,338,658	-	18,689,328
Net Position						
Net investment in capital assets	48,426,043	116,675,356	165,101,399	92,257,834	165,133	257,524,366
Restricted for						
Pensions	58,322	21,331	79,653	-	-	79,653
Drug education and investigations	371,564	-	371,564	-	-	371,564
Highways and streets	1,637,891	-	1,637,891	-	-	1,637,891
Sanitation	1,106,872	-	1,106,872	-	-	1,106,872
Economic development and tourism	470,911	-	470,911	-	-	470,911
Equity interest in joint venture	3,892,159	-	3,892,159	-	-	3,892,159
Cookeville Regional Medical Center	-	-	-	15,198,046	-	15,198,046
Unrestricted (deficit)	(4,795,385)	37,211,395	32,416,010	83,139,057	(15,450)	115,539,617
Total net position	\$ 51,168,377	\$ 153,908,082	\$ 205,076,459	\$ 190,594,937	\$ 149,683	\$ 395,821,079

City of Cookeville, Tennessee
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program revenues				Net (expenses) revenues and changes in net position				
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			Component units	
					Governmental activities	Business-type activities	Total	Cookeville Regional Medical Center	Public Building Authority
Primary Government									
Governmental Activities									
General government	\$ 3,655,659	\$ 139,424	\$ 849,015	\$ 287,438	\$ (2,379,782)	\$ -	\$ (2,379,782)		
Economic development	27,665	-	-	-	(27,665)	-	(27,665)		
Planning and codes	1,678,852	579,005	2,054	-	(1,097,793)	-	(1,097,793)		
Public safety	16,699,632	506,285	1,134,339	493,000	(14,566,008)	-	(14,566,008)		
Parks and maintenance	1,636,364	-	3,457	88,242	(1,544,665)	-	(1,544,665)		
Public works	9,490,907	1,814,339	1,668,857	439,788	(5,567,923)	-	(5,567,923)		
Culture and recreation	2,279,657	141,921	9,342	-	(2,128,394)	-	(2,128,394)		
Community support	721,064	-	-	-	(721,064)	-	(721,064)		
Interest	518,749	-	-	-	(518,749)	-	(518,749)		
Total governmental activities	36,708,549	3,180,974	3,667,064	1,308,468	(28,552,043)	-	(28,552,043)		
Business-type Activities									
Electric	49,759,804	53,449,260	-	-	-	3,689,456	3,689,456		
Gas	10,071,062	10,428,918	-	-	-	357,856	357,856		
Water quality control	15,633,052	19,705,895	-	-	-	4,072,843	4,072,843		
Total business-type activities	75,463,918	83,584,073	-	-	-	8,120,155	8,120,155		
Total primary government	\$ 112,172,467	\$ 86,765,047	\$ 3,667,064	\$ 1,308,468	(28,552,043)	8,120,155	(20,431,888)		
Component Units									
Cookeville Regional Medical Center	\$ 364,283,298	\$ 353,361,940	\$ 20,081,588	\$ -			\$ 9,160,230	\$ -	
Public Building Authority	144,556	123,011	-	-			-	(21,545)	
Total component units	\$ 364,427,854	\$ 353,484,951	\$ 20,081,588	\$ -			9,160,230	(21,545)	
General Revenues									
Taxes									
Property tax					9,398,938	-	9,398,938	-	-
Local option sales tax					15,921,122	-	15,921,122	-	-
Hotel/motel tax					632,814	-	632,814	-	-
Wholesale beer and liquor taxes					1,813,423	-	1,813,423	-	-
Unrestricted intergovernmental taxes									
State sales and use tax					3,305,328	-	3,305,328	-	-
State income tax					106,133	-	106,133	-	-
State franchise tax					286,543	-	286,543	-	-
Business tax					1,622,035	-	1,622,035	-	-
Payments in lieu of tax					1,274,523	-	1,274,523	-	-
Mixed drink and beer tax					222,387	-	222,387	-	-
Petroleum special tax					61,851	-	61,851	-	-
Other intergovernmental					284,375	-	284,375	-	-
Investment earnings					257,458	107,208	364,666	570,077	2
Gain (loss) on disposal of capital assets					13,258	-	13,258	(175,530)	-
Miscellaneous revenues					583,413	-	583,413	-	-
Transfers					1,627,720	(1,627,720)	-	-	-
Total general revenues					37,411,321	(1,520,512)	35,890,809	394,547	2
Change in net position					8,859,278	6,599,643	15,458,921	9,554,777	(21,543)
Net position, beginning of year					40,545,226	147,308,439	187,853,665	181,040,160	171,226
Prior period adjustment					1,763,873	-	1,763,873	-	-
Net position, end of year					\$ 51,168,377	\$ 153,908,082	\$ 205,076,459	\$ 190,594,937	\$ 149,683

City of Cookeville, Tennessee
Balance Sheet - Governmental Funds
June 30, 2021

	General	Debt service	Capital projects	Transportation	Other governmental	Total governmental
Assets						
Cash and cash equivalents	\$ 29,241,625	\$ 11,157,674	\$ 2,386,362	\$ 2,588,456	\$ 7,551,847	\$ 52,925,964
Receivables, net						
Accounts	-	-	-	-	220,731	220,731
Property taxes	7,046,632	385,524	-	1,446,588	762,523	9,641,267
Other	3,517,436	610,112	-	-	453,064	4,580,612
Due from other funds	276,847	3,889	230	6,760	5,499	293,225
Prepaid items	4,155	-	-	-	-	4,155
Restricted cash and cash equivalents	58,323	-	-	-	-	58,323
Total assets	\$ 40,145,018	\$ 12,157,199	\$ 2,386,592	\$ 4,041,804	\$ 8,993,664	\$ 67,724,277
Liabilities						
Accounts payable	\$ 578,106	\$ 55	\$ 1,287,948	\$ 11,786	\$ 60,173	\$ 1,938,068
Accrued expenses	913,889	-	-	-	-	913,889
Due to other funds	16,368	55	12,098	15	43,051	71,587
Unearned revenues	-	-	42,885	-	41,410	84,295
Other liabilities	375,466	-	-	-	547,446	922,912
Total liabilities	1,883,829	110	1,342,931	11,801	692,080	3,930,751
Deferred Inflows of Resources						
Property taxes	6,973,096	385,524	-	1,446,588	772,213	9,577,421
Fund Balances						
Nonspendable	4,155	-	-	-	-	4,155
Restricted for						
Pensions	58,323	-	-	-	-	58,323
Drug education and investigations	-	-	-	-	371,564	371,564
State street aid	-	-	-	-	1,637,891	1,637,891
Sanitation	-	-	-	-	1,106,872	1,106,872
Economic development and tourism	41,807	-	-	-	429,104	470,911
Committed	-	11,771,565	1,043,661	2,583,415	3,983,940	19,382,581
Unassigned	31,183,808	-	-	-	-	31,183,808
Total fund balances	31,288,093	11,771,565	1,043,661	2,583,415	7,529,371	54,216,105
Total liabilities, deferred inflows of resources, and fund balances	\$ 40,145,018	\$ 12,157,199	\$ 2,386,592	\$ 4,041,804	\$ 8,993,664	\$ 67,724,277

City of Cookeville, Tennessee
 Reconciliation of the Balance Sheet of
 Governmental Funds to the Statement of Net Position
 For the Year Ended June 30, 2021

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

Total governmental fund balances		\$ 54,216,105
Capital assets of \$124,830,263, net of accumulated depreciation of \$58,517,415, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		66,312,848
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.		
Deferred outflows - pension related	\$ 3,768,691	
Deferred outflows - OPEB related	11,860,646	
Deferred inflows - pension related	(735,554)	
Deferred inflows - OPEB related	<u>(5,400,268)</u>	9,493,515
Other long-term assets that are not available to pay for current period expenditures and, therefore, are either deferred or not reported in the funds.		
Equity interest in joint venture		3,892,159
Internal service funds are used by management to charge the cost of fleet management and risk management to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.		3,043,790
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.		
General obligation bonds payable	(18,785,000)	
Compensated absences	(978,106)	
Accrued interest payable on long-term debt	(42,782)	
Net pension liabilities	(14,106,668)	
OPEB liability	<u>(50,594,641)</u>	(84,507,197)
Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Premium on general obligation bonds		(1,282,843)
Net position of governmental activities		\$ 51,168,377

City of Cookeville, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General	Debt service	Capital projects	Transportation	Other governmental	Total governmental
Revenues						
Taxes	\$ 27,079,275	\$ 1,077,547	\$ -	\$ 1,404,299	\$ 1,388,278	\$ 30,949,399
Licenses and permits	649,692	-	-	-	-	649,692
Fines and forfeitures	215,313	-	-	-	145,172	360,485
Charges for services	154,981	-	-	-	1,960,140	2,115,121
Intergovernmental	2,974,833	3,313,738	-	-	1,298,105	7,586,676
Uses of money and property	66,301	25,596	1,001	4,877	17,579	115,354
Other	1,341,964	26,172	54,242	-	167,791	1,590,169
Total revenues	<u>32,482,359</u>	<u>4,443,053</u>	<u>55,243</u>	<u>1,409,176</u>	<u>4,977,065</u>	<u>43,366,896</u>
Expenditures						
Current						
General government	3,169,748	2,111	203	95	-	3,172,157
Public safety	13,950,710	-	-	-	417,643	14,368,353
Planning and codes	1,470,845	-	-	-	-	1,470,845
Parks and maintenance	1,433,445	-	-	-	-	1,433,445
Public works	3,448,395	-	-	-	2,839,025	6,287,420
Culture and recreation	1,659,283	-	-	-	172,032	1,831,315
Community support	721,064	-	-	-	-	721,064
Economic development	-	-	-	-	27,665	27,665
Debt service						
Principal	-	6,496,000	-	-	-	6,496,000
Interest	-	508,218	-	-	-	508,218
Issuance costs	-	-	109,767	-	-	109,767
Capital outlay	<u>2,250,355</u>	<u>-</u>	<u>10,551,127</u>	<u>182,356</u>	<u>1,036,538</u>	<u>14,020,376</u>
Total expenditures	<u>28,103,845</u>	<u>7,006,329</u>	<u>10,661,097</u>	<u>182,451</u>	<u>4,492,903</u>	<u>50,446,625</u>
Excess (deficiency) of revenues over expenditures	4,378,514	(2,563,276)	(10,605,854)	1,226,725	484,162	(7,079,729)
Other Financing Sources (Uses)						
Bonds issued	-	-	8,875,000	-	-	8,875,000
Premium on bonds issued	-	-	1,113,049	-	-	1,113,049
Transfers in	1,708,985	-	-	-	88,000	1,796,985
Transfers out	(88,000)	-	-	-	(81,265)	(169,265)
Insurance proceeds	25,594	-	-	-	54,010	79,604
Sale of capital assets	24,626	-	-	-	17,497	42,123
Total other financing sources (uses)	<u>1,671,205</u>	<u>-</u>	<u>9,988,049</u>	<u>-</u>	<u>78,242</u>	<u>11,737,496</u>
Net change in fund balances	6,049,719	(2,563,276)	(617,805)	1,226,725	562,404	4,657,767
Fund balances, beginning of year	23,833,635	14,073,208	1,661,466	1,356,690	6,869,466	47,794,465
Prior period adjustment	1,404,739	261,633	-	-	97,501	1,763,873
Fund balances, end of year	<u>\$ 31,288,093</u>	<u>\$ 11,771,565</u>	<u>\$ 1,043,661</u>	<u>\$ 2,583,415</u>	<u>\$ 7,529,371</u>	<u>\$ 54,216,105</u>

City of Cookeville, Tennessee
 Reconciliation of Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2021

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

Net change in fund balances, total governmental funds	\$	4,657,767	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>			
			10,232,057
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>			
Grants	\$	(3,750)	
Equity in current year earnings of joint venture		<u>142,104</u>	138,354
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) and other long-term assets is to increase net position.</p>			
Donation of capital assets		374,100	
(Gain) loss on sale of assets		<u>(13,258)</u>	360,842
<p>Bond and other debt 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 other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>			
Issuance of bonds		(8,875,000)	
Premium		(1,113,049)	
Principal paid on bonds and notes		<u>6,496,000</u>	(3,492,049)
<p>The internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>			
			(698,986)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>			
Accrued interest on long-term debt		(10,532)	
Amortization of bond premiums and discounts and deferred amounts of refunding		84,636	
Other long-term assets		(28,876)	
Compensated absences		9,729	
Changes in pension liabilities and related deferred outflows and inflows of resources		(222,054)	
Changes in OPEB liabilities and related deferred outflows and inflows of resources		<u>(2,171,610)</u>	(2,338,707)
Change in net position of governmental activities	\$		8,859,278

City of Cookeville, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2021

	Budgeted amounts		Actual amounts	Variance from final budget +/-
	Original	Final		
Revenues				
Taxes				
Property taxes current	\$ 6,422,000	\$ 6,422,000	\$ 6,657,255	\$ 235,255
Property taxes delinquent	115,000	115,000	159,696	44,696
Property taxes penalty and interest	35,000	35,000	44,681	9,681
PILOT Highlands Residential	50,000	50,000	53,689	3,689
PILOT Laurel Creek	500	500	1,936	1,436
PILOT Academy LTD	75,000	75,000	93,399	18,399
PILOT Ficosa North America	62,500	62,500	62,500	-
PILOT Automation Tool Company	6,890	6,890	6,890	-
PILOT TVA	370,000	370,000	356,108	(13,892)
Local option sales tax	13,396,560	14,846,560	15,921,121	1,074,561
Wholesale beer tax	1,120,000	1,170,000	1,218,086	48,086
Wholesale liquor tax	420,000	520,000	595,336	75,336
Business tax	1,045,787	1,045,787	1,622,035	576,248
Cable TV franchise tax	308,000	308,000	286,543	(21,457)
Licenses and permits				
Beer permits	4,626	4,626	3,250	(1,376)
Beer license	12,230	12,230	13,192	962
Liquor license	32,351	32,351	32,661	310
Building permits	210,000	210,000	308,227	98,227
Electrical permits	63,750	63,750	99,740	35,990
Plumbing permits	17,500	17,500	44,380	26,880
Mechanical permits	27,750	27,750	36,030	8,280
Plan review fees	69,000	69,000	66,372	(2,628)
Fireworks permits	7,000	7,000	13,000	6,000
Miscellaneous permits	32,563	32,563	32,840	277
Intergovernmental revenues				
State excise tax	80,000	160,000	186,191	26,191
State income tax	75,000	75,000	106,134	31,134
State beer tax	15,000	15,000	14,749	(251)
Mixed drink tax	160,000	160,000	222,387	62,387
Gasoline inspection fee	62,881	62,881	61,850	(1,031)
Telecommunications sales tax	30,000	30,000	65,395	35,395
State sports gaming	-	-	18,041	18,041
Training supplement	106,000	106,000	91,200	(14,800)
State direct appropriation grant	780,438	780,438	780,438	-
Grants-other	57,000	1,348,425	1,428,448	80,023
Fines, forfeitures and penalties				
Court fines and fees	237,085	237,085	186,948	(50,137)
Parking violations	2,697	2,697	316	(2,381)
Other	25,145	25,145	28,049	2,904
Charges for services				
Clerk's fee	13,328	13,328	13,061	(267)
Recreation concessions	49,859	49,859	32,555	(17,304)
Recreational rentals/admissions	128,802	128,802	72,070	(56,732)
Day camp fees	63,526	63,526	37,375	(26,151)
Miscellaneous	-	-	(80)	(80)
Miscellaneous				
Uses of money and property	231,070	231,070	66,301	(164,769)
Rent	-	-	1,300	1,300
Contributions	4,000	820,500	820,025	(475)
Admin charges to other funds	430,191	430,191	425,320	(4,871)
Other	31,760	31,760	95,319	63,559
Total revenues	26,487,789	30,275,714	32,482,359	2,206,645

Continued

City of Cookeville, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2021

	Budgeted amounts		Actual amounts	Variance from final budget + / (-)
	Original	Final		
Expenditures				
General government				
Salaries and wages	\$ 1,249,500	\$ 1,261,500	\$ 1,160,169	\$ 101,331
Payroll taxes and fringes	633,180	633,180	545,703	87,477
Contractual services	185,000	205,700	203,301	2,399
Utilities	1,069,000	1,069,000	998,099	70,901
Supplies and maintenance	262,650	272,150	197,533	74,617
Fixed charges	22,000	22,000	19,989	2,011
Miscellaneous	41,780	56,280	44,954	11,326
Public safety - police				
Salaries and wages	5,338,300	5,409,521	5,062,667	346,854
Payroll taxes and fringes	2,781,500	2,809,300	2,445,350	363,950
Supplies and maintenance	1,015,620	1,057,454	880,343	177,111
Fixed charges	146,500	211,500	227,343	(15,843)
Miscellaneous	15,500	15,500	84,629	(69,129)
Public safety - fire				
Salaries and wages	3,086,400	3,330,520	3,253,325	77,195
Payroll taxes and fringes	1,729,360	1,749,560	1,637,574	111,986
Supplies and maintenance	414,800	414,800	330,505	84,295
Fixed charges	89,000	89,000	22,735	66,265
Miscellaneous	5,000	5,000	6,239	(1,239)
Planning and codes				
Salaries and wages	1,005,000	1,047,170	979,433	67,737
Payroll taxes and fringes	421,090	434,530	379,996	54,534
Supplies and maintenance	134,800	134,800	72,743	62,057
Fixed charges	7,900	38,650	35,918	2,732
Miscellaneous	3,500	3,500	2,755	745
Parks and maintenance				
Salaries and wages	918,150	938,490	881,683	56,807
Payroll taxes and fringes	385,690	390,990	359,611	31,379
Supplies and maintenance	234,850	234,850	183,197	51,653
Fixed charges	21,100	21,100	8,732	12,368
Miscellaneous	500	500	222	278
Public works				
Salaries and wages	1,949,000	1,993,235	1,946,319	46,916
Payroll taxes and fringes	994,780	1,005,980	913,339	92,641
Supplies and maintenance	531,800	641,800	551,890	89,910
Fixed charges	39,900	39,900	21,093	18,807
Miscellaneous	21,250	21,250	15,754	5,496
Capital outlay	2,178,408	2,460,408	2,250,355	210,053
Culture and recreation				
Salaries and wages	1,003,100	1,026,844	989,636	37,208
Payroll taxes and fringes	455,780	461,780	394,740	67,040
Supplies and maintenance	379,675	379,675	241,050	138,625
Fixed charges	46,500	46,500	23,781	22,719
Miscellaneous	19,700	19,700	10,076	9,624

Continued

City of Cookeville, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2021

	<u>Budgeted amounts</u>		Actual amounts	Variance from final budget + / (-)
	<u>Original</u>	<u>Final</u>		
Expenditures				
Community support - non-profit 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	28,000	28,000	28,000	-
Chamber of Commerce	14,750	14,750	14,750	-
Chamber of Commerce-Highlands	50,000	50,000	50,000	-
Chamber of Commerce- Workforce Development	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	25,000	15,306
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	6,265	6,265	6,265	-
Thirteenth Judicial District				
Recovery Courts	15,000	15,000	15,000	-
UCHRA - CASA	4,000	4,000	4,000	-
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
Veterans Honor Guard	1,000	1,000	1,000	-
Biz Foundry (UCEF)	7,200	7,200	7,200	-
Total expenditures	<u>29,576,183</u>	<u>30,692,237</u>	<u>28,103,845</u>	<u>2,588,392</u>
Excess (deficiency) of revenues over expenditures	(3,088,394)	(416,523)	4,378,514	(381,747)
Other Financing Sources (Uses)				
Transfers in	1,788,951	1,788,951	1,708,985	(79,966)
Transfers out	(88,000)	(88,000)	(88,000)	-
Notes issued	500,000	500,000	-	(500,000)
Insurance proceeds	-	25,500	25,594	94
Sale of capital assets	-	-	24,626	24,626
Total other financing sources (uses)	<u>2,200,951</u>	<u>2,226,451</u>	<u>1,671,205</u>	<u>(555,246)</u>
Net change in fund balance	(887,443)	1,809,928	6,049,719	4,239,791
Fund balance, beginning of year	23,833,635	23,833,635	23,833,635	-
Prior period adjustment	1,404,739	1,404,739	1,404,739	-
Fund balance, end of year	\$ 24,350,931	\$ 27,048,302	\$ 31,288,093	\$ 4,239,791

City of Cookeville, Tennessee
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-type Activities - Enterprise funds				Governmental Activities - Internal service fund
	Electric department	Gas department	Water quality control department	Total	
Assets					
Current assets					
Cash and cash equivalents	\$ 13,868,904	\$ 16,999,753	\$ 10,374,068	\$ 41,242,725	\$ 3,743,698
Receivables					
Accounts, net	3,209,964	145,137	1,156,524	4,511,625	-
Due from other funds	11,407	-	-	11,407	-
Other	8,903	28,092	-	36,995	132,748
Unbilled utility revenues	3,346,249	589,433	1,676,181	5,611,863	-
Inventories	915,516	507,897	575,939	1,999,352	-
Prepaid expenses and other current assets	413,195	-	633,907	1,047,102	-
Restricted cash and cash equivalents	971,171	76,079	15,068	1,062,318	-
Total current assets	<u>22,745,309</u>	<u>18,346,391</u>	<u>14,431,687</u>	<u>55,523,387</u>	<u>3,876,446</u>
Noncurrent assets					
Capital assets, net of accumulated depreciation	46,268,832	7,185,279	66,209,625	119,663,736	-
Other assets	213,715	-	1,495,647	1,709,362	-
Total noncurrent assets	<u>46,482,547</u>	<u>7,185,279</u>	<u>67,705,272</u>	<u>121,373,098</u>	<u>-</u>
Total assets	<u>69,227,856</u>	<u>25,531,670</u>	<u>82,136,959</u>	<u>176,896,485</u>	<u>3,876,446</u>
Deferred Outflows of Resources					
Pension related items	801,727	291,679	778,033	1,871,439	-
OPEB related items	1,406,353	357,993	859,400	2,623,746	-
Total deferred outflows of resources	<u>2,208,080</u>	<u>649,672</u>	<u>1,637,433</u>	<u>4,495,185</u>	<u>-</u>
Liabilities					
Current liabilities					
Accounts payable and other payables	4,239,813	603,126	630,605	5,473,544	2,943
Claims payable	-	-	-	-	286,807
Due to other funds	129,899	30,687	72,375	232,961	84
Unearned revenues	-	45,333	-	45,333	7,675
Long-term debt, current maturities	287,407	-	207,715	495,122	-
Total current liabilities	<u>4,657,119</u>	<u>679,146</u>	<u>910,695</u>	<u>6,246,960</u>	<u>297,509</u>
Noncurrent liabilities					
Customer deposits	329,710	75,609	-	405,319	-
Compensated absences	238,979	88,921	217,610	545,510	-
Other noncurrent liabilities	193,423	-	-	193,423	-
Long-term debt, net of current maturities	1,567,037	-	2,373,304	3,940,341	-
Net pension liabilities	1,854,285	485,530	1,645,990	3,985,805	-
OPEB liability	4,912,248	1,851,474	4,300,221	11,063,943	-
Total noncurrent liabilities	<u>9,095,682</u>	<u>2,501,534</u>	<u>8,537,125</u>	<u>20,134,341</u>	<u>-</u>
Total liabilities	<u>13,752,801</u>	<u>3,180,680</u>	<u>9,447,820</u>	<u>26,381,301</u>	<u>297,509</u>
Deferred Inflows of Resources					
Pension related items	141,098	44,084	128,447	313,629	-
OPEB related items	491,380	171,202	661,217	1,323,799	-
Total deferred inflows of resources	<u>632,478</u>	<u>215,286</u>	<u>789,664</u>	<u>1,637,428</u>	<u>-</u>
Net Position					
Net investment in capital assets	44,414,388	7,185,279	65,075,689	116,675,356	-
Restricted	5,793	470	15,068	21,331	-
Unrestricted	12,630,476	15,599,627	8,446,151	36,676,254	3,578,937
Total net position	<u>\$ 57,050,657</u>	<u>\$ 22,785,376</u>	<u>\$ 73,536,908</u>	<u>153,372,941</u>	<u>\$ 3,578,937</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				535,141	
Net position of business-type activities				<u>\$ 153,908,082</u>	

City of Cookeville, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Business-type Activities - Enterprise funds				Governmental Activities - Internal service fund
	Electric department	Gas department	Water quality control department	Total	
Operating Revenues					
Charges for services	\$ 52,251,310	\$ 10,159,336	\$ 18,896,192	\$ 81,306,838	\$ 5,010,097
Other revenues from operations	<u>1,197,950</u>	<u>269,582</u>	<u>809,703</u>	<u>2,277,235</u>	<u>45,216</u>
Total operating revenues	53,449,260	10,428,918	19,705,895	83,584,073	5,055,313
Operating Expenses					
Purchased electricity and gas	40,453,313	7,207,057	-	47,660,370	-
Operations	2,911,197	1,136,834	4,645,387	8,693,418	-
General and administrative	1,634,020	1,026,776	4,170,161	6,830,957	688,766
Maintenance	1,383,530	60,533	800,883	2,244,946	-
Utilities	-	-	1,913,159	1,913,159	-
Claims	-	-	-	-	5,359,350
Depreciation	<u>2,849,337</u>	<u>601,709</u>	<u>3,900,928</u>	<u>7,351,974</u>	<u>-</u>
Total operating expenses	49,231,397	10,032,909	15,430,518	74,694,824	6,048,116
Operating income (loss)	4,217,863	396,009	4,275,377	8,889,249	(992,803)
Nonoperating Revenues (Expenses)					
Uses of money and property	36,291	36,239	34,678	107,208	8,456
Capital grants	(375,324)	-	-	(375,324)	-
Interest expense	<u>(36,257)</u>	<u>-</u>	<u>(72,152)</u>	<u>(108,409)</u>	<u>-</u>
Total nonoperating revenues (expenses)	(375,290)	36,239	(37,474)	(376,525)	8,456
Income (loss) before transfers	3,842,573	432,248	4,237,903	8,512,724	(984,347)
Transfers out	(1,183,701)	(145,692)	(298,327)	(1,627,720)	-
Change in net position	2,658,872	286,556	3,939,576	6,885,004	(984,347)
Net position, beginning of year	<u>54,391,785</u>	<u>22,498,820</u>	<u>69,597,332</u>		<u>4,563,284</u>
Net position, end of year	\$ 57,050,657	\$ 22,785,376	\$ 73,536,908		\$ 3,578,937
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(285,361)</u>	
Change in net position of business-type activities				\$ 6,599,643	

City of Cookeville, Tennessee
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Business-type Activities - Enterprise funds				Governmental Activities - Internal service fund
	Electric department	Gas department	Water quality control department	Total	
Cash flows from operating activities					
Cash received from customers	\$ 53,604,018	\$ 10,295,939	\$ 19,539,798	\$ 83,439,755	\$ 5,003,967
Cash paid to suppliers for goods and services	(42,943,034)	(8,138,588)	(8,207,868)	(59,289,490)	(687,668)
Cash paid to employees for services	(3,320,768)	(1,049,414)	(3,217,327)	(7,587,509)	-
Cash paid for claims	-	-	-	-	(5,440,516)
Cash received from (paid to) other City funds	(27,794)	(2,180)	5,949	(24,025)	-
Net cash provided (used) by operating activities	<u>7,312,422</u>	<u>1,105,757</u>	<u>8,120,552</u>	<u>16,538,731</u>	<u>(1,124,217)</u>
Cash flows from noncapital financing activities					
Transfers out	(1,183,701)	(145,692)	(298,327)	(1,627,720)	-
Capital contributions made	(375,324)	-	-	(375,324)	-
Net cash provided (used) by noncapital financing activities	<u>(1,559,025)</u>	<u>(145,692)</u>	<u>(298,327)</u>	<u>(2,003,044)</u>	<u>-</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(2,400,990)	(324,677)	(6,413,541)	(9,139,208)	-
Principal payments on debt	(2,320,000)	-	(202,253)	(2,522,253)	-
Interest payments on debt	(49,610)	-	(72,152)	(121,762)	-
Net cash provided (used) by capital and related financing activities	<u>(4,770,600)</u>	<u>(324,677)</u>	<u>(6,687,946)</u>	<u>(11,783,223)</u>	<u>-</u>
Cash flows from investing activities					
Acquisition of other property	-	-	(275,000)	(275,000)	-
Interest received	36,291	36,239	34,678	107,208	8,456
Net cash provided (used) by investing activities	<u>36,291</u>	<u>36,239</u>	<u>(240,322)</u>	<u>(167,792)</u>	<u>8,456</u>
Net change in cash and cash equivalents	1,019,088	671,627	893,957	2,584,672	(1,115,761)
Cash and cash equivalents, beginning of year	13,820,987	16,404,205	9,495,179	39,720,371	4,859,459
Cash and cash equivalents, end of year	\$ 14,840,075	\$ 17,075,832	\$ 10,389,136	\$ 42,305,043	\$ 3,743,698

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of net position that sum to the total of the same such amounts shown in the statement of cash flows:

Cash and cash equivalents	\$ 13,868,904	\$ 16,999,753	\$ 10,374,068	\$ 41,242,725	\$ 3,743,698
Restricted cash and cash equivalents	971,171	76,079	15,068	1,062,318	-
	\$ 14,840,075	\$ 17,075,832	\$ 10,389,136	\$ 42,305,043	\$ 3,743,698

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	\$ 4,217,863	\$ 396,009	\$ 4,275,377	\$ 8,889,249	\$ (992,803)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	2,849,337	601,709	3,900,928	7,351,974	-
Change in:					
Accounts receivable, net	168,118	(137,388)	(166,097)	(135,367)	(50,172)
Inventories	(80,953)	(47,453)	53,605	(74,801)	-
Due from other City funds	(10,922)	-	-	(10,922)	-
Prepaid expenses and other current assets	(170,834)	-	-	(170,834)	602
TVA heat pump notes receivable	81,462	-	-	81,462	-
Other assets	5,653	2,464	1,430	9,547	-
Accounts payable and other payables	(133,473)	138,494	(362,114)	(357,093)	496
Accrued expenses	(662)	-	(2,057)	(2,719)	(82,424)
Due to other City funds	(16,872)	(2,180)	5,949	(13,103)	84
Other current liabilities	1,205	4,324	3,223	8,752	-
Compensated absences	13,952	6,793	7,871	28,616	-
TVA heat pump notes payable	(94,822)	-	-	(94,822)	-
Net pension and OPEB assets and liabilities	1,523,425	342,452	1,020,797	2,886,674	-
Deferred outflows of resources related to pensions and OPEB	(868,012)	(161,936)	(399,052)	(1,429,000)	-
Deferred inflows of resources related to pensions and OPEB	(197,503)	(41,940)	(219,308)	(458,751)	-
Customer deposits and other noncurrent liabilities	25,460	4,409	-	29,869	-
Net cash provided (used) by operating activities	\$ 7,312,422	\$ 1,105,757	\$ 8,120,552	\$ 16,538,731	\$ (1,124,217)

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

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.

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, need to be included in its 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 City's financial statements.

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 (the Medical Center), its affiliates, and all other hospital, clinical, and related health care facilities of the City. 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 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 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 any and all amounts necessary to retire indebtedness at the date of the creation of the Authority. The Authority also has the obligation to repay debt of the City with respect to which 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 City Council is required for all borrowings and purchases of any real property by the Authority. The 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.

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1. Summary of Significant Accounting Policies

Reporting Entity

Due to the significant relationship between the City and the Authority, we have included as part of the notes of these financial statements the notes of the Cookeville Regional Medical Center Authority (beginning on page 60), as audited by other auditors.

The City has recorded \$700,000 in payments in lieu of taxes and \$2,854,000 for utilities services from the Medical Center during the year ended June 30, 2021.

The financial statements for the Authority can be obtained by contacting the organization.

The Public Building Authority (PBA) of the City was established as a public non-profit corporation and public instrumentality of the City 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. 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 nonmajor, 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.

Government-wide and Fund 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 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 by 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 may 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 are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor funds.

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1. Summary of Significant Accounting Policies

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 those 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 nonoperating in the financial statements.

Payments in lieu of taxes were reported as transfers out of the proprietary funds and transfers into 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.

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1. Summary of Significant Accounting Policies

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.

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

The nonmajor funds are combined in a single column in the fund financial statements and are detailed in the combining section.

The City reports the following major governmental funds:

General – 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 – The debt service fund is used to account for the accumulation of resources for the payment of principal, interest, and related costs on long-term general obligation debt of the governmental funds.

Capital Projects – The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities of the City, other than those financed by proprietary funds. Budgetary restriction is achieved through the bond issues and grant restrictions.

Transportation – The transportation fund is used to account for financial resources to be used for the acquisition or construction of transportation infrastructure of the City, with financing provided mostly by property taxes.

The City reports the following major proprietary funds:

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

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

Water Quality Control Department – The water quality control department accounts for the operating activities of the City's water and sewer utilities services.

Additionally, the City reports the following fund types:

Internal Service – The internal service fund accounts 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.

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1. **Summary of Significant Accounting Policies**

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 budgets for the governmental type funds are prepared on a basis consistent with generally accepted accounting principles of the United States of America (GAAP), except that depreciation, certain capital expenses, and 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 2021 fiscal budget, which approved such additional expenditures/expenses.

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.

Use of Estimates

The preparation of the City's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term (original maturities of three months or less) certificates of deposit.

Statutes authorize the City to invest in: (1) securities and obligations guaranteed by the US Government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; and (3) the Local Government Investment Pool of the State of Tennessee. During the current fiscal year, the City invested funds that were not immediately needed in savings. Deposits in financial institutions are required by state statute to be secured and collateralized by the institutions holding the deposits. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the state of Tennessee's collateral pool.

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, 2021.

Unbilled Revenues

The practice of the utility funds is to record revenues on the basis of meter readings. Unbilled revenues, representing utility usage from the date of the last meter reading to June 30, was recognized in the amount of approximately \$5,355,000 as of June 30, 2021.

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1. Summary of Significant Accounting Policies

Interfund Receivable/Payables

During the year, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if any, are classified as due to/from other funds. Other activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are also referred to as due to/from other funds.

Inventories and Prepaid Expenses

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.

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

Restricted Assets

Certain assets of the general fund and the electric, gas, and water quality control departments are classified as restricted assets because their use is limited by applicable debt or other agreements. Additionally, amounts held in pension stabilization reserve trusts and any unspent bond proceeds are included in this classification.

Capital Assets

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 funds 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 of, 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 years
Plant and distribution system	5 – 50 years
Improvements	2 – 50 years
Vehicles	3 – 30 years
Furniture, machinery, and equipment	3 – 40 years
Software	3 – 5 years
Infrastructure	30 years

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1. Summary of Significant Accounting Policies

Capital Assets

Water storage rights are recorded at historical cost and amortized over 30 years using the straight-line method. See note 5 for detail capital assets disclosures.

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, 2021, the liability for accrued vacation leave is approximately \$1,524,000.

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.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are expensed in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 improvement of those assets, after adding back unspent proceeds.

Net position is reported as restricted when there are limitations imposed on its use, either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, 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 net position.

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1. Summary of Significant Accounting Policies

Net Position and Fund Balances

Governmental funds utilize a fund balance presentation for equity. 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 the resources (e.g., by 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element 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 the following items that qualify for reporting in this category: (1) deferred charge on bond refunding resulting from the difference in the carrying amount of refunded debt and its requisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt; (2) amounts relating to pensions and other postretirement benefits which may result from differences between expected and actual actuarial experience, differences between expected and actual investment earnings of the pension plan, certain changes in actuarial assumptions, and amounts of employer contributions to the plans made subsequent to the measurement date.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

The City has the following types of deferred inflows of resources: the unavailable revenues reported in the governmental funds balance sheet, which arise under a modified accrual basis of accounting, representing amounts that are deferred and recognized as an inflow of resources in the periods in which the amounts become available.

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1. Summary of Significant Accounting Policies

Deferred Outflows/Inflows of Resources

These amounts relate primarily to unavailable property taxes and other receivables not within the collection period. The deferred inflows of resources reported in the statement of net position arise from imposed nonexchange revenues (property taxes) which are assessed prior to the end of the fiscal year, but levied in the subsequent year. Pension and other postretirement benefit-related deferred inflows of resources may result from actuarial gains related to the difference between expected and actual experience for the plan's adopted economic and demographic assumptions, and differences between expected and actual earnings on plan investments.

Joint Ventures

The Upper Cumberland Regional Airport (UCRA) was established as a joint venture between Putnam County, White County, the City, 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% ownership in the airport. The City contributed \$28,000 to the UCRA for the year ended June 30, 2021.

The Cookeville – Putnam County Emergency Management Agency (the Agency) was established in 1951 as a joint venture between the City and Putnam County. The purpose of the Agency is to plan and prepare for emergency operations and to assist other emergency services during emergencies or disasters. The City contributed \$25,400 to the Agency for the year ended June 30, 2021. An interlocal agreement has been approved that transfers sole responsibility for the Agency to Putnam County. Under this agreement, the City 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, the City, and the cities of Algood and Monterey. The Town of Monterey has subsequently withdrawn from this agreement. The agreement created a 10-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 contributed \$6,265 to the Rail Trail Authority for the year ended June 30, 2021.

The Putnam County Library has been in existence for a number of years but was formally recognized as a joint venture between the City 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 contributed \$330,000 to the Putnam County Library for the year ended June 30, 2021.

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

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1. Summary of Significant Accounting Policies

Property Tax

Property taxes attach as an enforceable lien on property as of January 1, and taxes receivable and deferred revenues are recorded at that time. Taxes are levied on October 1 and are payable by February 28, with this five-month period being the primary collection period.

Assessed values are established by the state of Tennessee at the following rates of assessed market value:

Public utility property	55%
Industrial and commercial property	
Real property	40%
Personal property	30%
Residential, agricultural, home belt, forest, and farm property	25%

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 \$278,000 for the year ended June 30, 2021.

Pensions – TCRS Legacy and Hybrid Plans

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the District'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 the TCRS. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

Postemployment healthcare benefits other than pension benefits are accounted for under GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which establishes standards for the measurement, recognition, and presentation of postemployment healthcare benefits expense and related liabilities, assets, note disclosures, and, if applicable, required supplementary information.

Note 2. Deposits and Investments

The City's amounts reported for cash and cash equivalents consist of cash on hand or in demand deposit accounts with financial institutions located in the City and deposits with the State of Tennessee Local Government Investment Pool (LGIP). All deposits are stated at fair value and are 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 whose deposits are insured through the Tennessee Bank Collateral Pool or who have 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 LGIP. An annual report of the LGIP may be obtained from the Treasury Department of the State of Tennessee. The City's financial statements include restricted cash and investments held in pension stabilization reserve trusts. The City has omitted the related disclosures as the amounts are immaterial.

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 3. Interfund Balances and Transactions

Interfund receivables and payables are attributable to charges between funds that are outstanding as of June 30, 2021, and are as follows:

	Interfund receivable	Interfund payable
Governmental Activities		
General	\$ 276,847	\$ 16,368
Debt service	3,889	55
Capital projects	230	12,098
Transportation	6,760	15
Nonmajor	5,499	43,051
Internal service	-	84
Internal payable created by internal service fund elimination	-	547,669
	<u>293,225</u>	<u>619,340</u>
Net governmental activities payable		\$ 326,115
Business-type Activities		
Electric department	\$ 11,407	\$ 129,899
Gas department	-	30,687
Water quality control department	-	72,375
Internal receivable created by internal service fund elimination	547,669	-
	<u>559,076</u>	<u>232,961</u>
Net business-type activities receivable	\$ 326,115	

Interfund transfers for the year ended June 30, 2021 are attributable to the budgeted allocation of resources from one fund to another, and consist of the following:

	Transfers in		Total
	General	Nonmajor	
Transfers out			
General	\$ -	\$ 88,000	\$ 88,000
Nonmajor	81,265	-	81,265
Electric department	1,183,701	-	1,183,701
Gas department	145,692	-	145,692
Water quality control department	298,327	-	298,327
Total transfers	\$ 1,708,985	\$ 88,000	\$ 1,796,985

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2021, was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 14,231,841	\$ 383,852	\$ -	\$ 14,615,693
Construction in progress	<u>1,089,749</u>	<u>9,542,719</u>	<u>(610,594)</u>	<u>10,021,874</u>
Total capital assets not being depreciated	15,321,590	9,926,571	(610,594)	24,637,567
Capital assets being depreciated				
Buildings and structures	13,491,165	60,448	-	13,551,613
Improvements other than buildings	3,611,121	599,448	-	4,210,569
Vehicles	12,362,443	3,307,537	(454,907)	15,215,073
Machinery and equipment	4,694,016	722,215	(105,230)	5,311,001
Software	282,821	-	-	282,821
Infrastructure	<u>61,247,519</u>	<u>374,100</u>	<u>-</u>	<u>61,621,619</u>
Total capital assets being depreciated	95,689,085	5,063,748	(560,137)	100,192,696
Less: accumulated depreciation				
Buildings and structures	(5,128,474)	(281,570)	-	(5,410,044)
Improvements other than buildings	(1,876,064)	(197,493)	-	(2,073,557)
Vehicles	(10,049,278)	(821,133)	282,096	(10,588,315)
Machinery and equipment	(3,538,037)	(350,557)	105,230	(3,783,364)
Software	(214,320)	(19,572)	-	(233,892)
Infrastructure	<u>(34,468,946)</u>	<u>(1,959,297)</u>	<u>-</u>	<u>(36,428,243)</u>
Total accumulated depreciation	<u>(55,275,119)</u>	<u>(3,629,622)</u>	<u>387,326</u>	<u>(58,517,415)</u>
Governmental activities capital assets, net	\$ 55,735,556	\$ 11,360,697	\$ (783,405)	\$ 66,312,848

Depreciation expense was charged to functions/programs for the year ended June 30, 2021, as follows:

General government	\$ 114,310
Planning and codes	23,294
Public safety	618,296
Public works	2,612,708
Parks and maintenance	18,442
Culture and recreation	<u>242,572</u>
Total depreciation expense, governmental activities	\$ 3,629,622

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 4. **Capital Assets**

	Beginning balance	Increases	Decreases	Ending balance
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 3,857,353	\$ -	\$ -	\$ 3,857,353
Construction in progress	<u>6,010,574</u>	<u>6,544,203</u>	<u>(2,742,901)</u>	<u>9,811,876</u>
Total capital assets not being depreciated	9,867,927	6,544,203	(2,742,901)	13,669,229
Capital assets being depreciated				
Utility plant in service	193,953,070	4,553,703	(802,145)	197,704,628
Buildings, structures, and improvements	4,707,028	-	-	4,707,028
Machinery and equipment	15,424,126	683,497	(407,249)	15,700,374
Furniture and equipment	662,978	40,720	(47,908)	655,790
Plant acquisition adjustment	<u>6,466,205</u>	<u>-</u>	<u>(438,264)</u>	<u>6,027,941</u>
Total capital assets being depreciated	221,213,407	5,277,920	(1,695,566)	224,795,761
Less: accumulated depreciation				
Utility plant in service	(100,390,223)	(6,003,589)	911,575	(105,482,237)
Buildings, structures, and improvements	(2,968,153)	(95,088)	-	(3,063,241)
Machinery and equipment	(9,366,294)	(741,170)	396,372	(9,711,092)
Furniture and equipment	<u>(574,058)</u>	<u>(18,535)</u>	<u>47,909</u>	<u>(544,684)</u>
Total accumulated depreciation	<u>(113,298,728)</u>	<u>(6,858,382)</u>	<u>1,355,856</u>	<u>(118,801,254)</u>
Business-type activities capital assets, net	\$ 117,782,606	\$ 4,963,741	\$ (3,082,611)	\$ 119,663,736

Depreciation expense was charged to funds for the year ended June 30, 2021, as follows:

Electric department	\$ 2,449,641
Gas department	601,709
Water quality control department	<u>3,807,032</u>
Total depreciation expense, business-type activities	\$ 6,858,382

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 5. Long-term Liabilities

During the year ended June 30, 2021, the changes in long-term liabilities were as follows:

	Beginning balance	Additions	Retirements	Ending balance	Due within one year
Governmental Activities					
General obligation bonds	\$ 14,805,000	\$ 8,875,000	\$ (4,895,000)	\$ 18,785,000	\$ 1,695,000
Direct borrowing notes	1,601,000	-	(1,601,000)	-	-
Bond premium	254,429	1,113,049	(84,635)	1,282,843	-
Total bonds and notes	16,660,429	9,988,049	(6,580,635)	20,067,843	1,695,000
Compensated absences	987,835	-	(9,729)	978,106	-
Total governmental activities long-term liabilities	\$ 17,648,264	\$ 9,988,049	\$ (6,590,364)	\$ 21,045,949	\$ 1,695,000
Business-type Activities					
Revenue bonds	\$ 2,050,000	\$ -	\$ (270,000)	\$ 1,780,000	\$ 275,000
Direct borrowing notes	3,286,368	-	(2,152,432)	1,133,936	105,024
Bond premium	87,797	-	(13,353)	74,444	-
Total bonds and notes	5,424,165	-	(2,435,785)	2,988,380	380,024
Compensated absences	516,894	28,616	-	545,510	-
TVA heat pump notes	288,245	12,198	(107,020)	193,423	-
Water storage rights	1,546,904	-	(99,821)	1,447,083	102,691
Total business-type activities long-term liabilities	\$ 7,776,208	\$ 40,814	\$ (2,642,626)	\$ 5,174,396	\$ 482,715

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 5. Long-term Liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 6 to 30 years. General obligation bonds outstanding at June 30, 2021, are as follows:

	Original borrowing	Interest rates	Final maturity	Outstanding at year-end
Governmental activities				
Series 2013	\$ 4,300,000	2.00% - 3.20%	2029	\$ 2,335,000
Series 2015	9,815,000	2.00% - 2.75%	2031	6,740,000
Series 2017	2,800,000	2.00% - 3.00%	2027	1,430,000
Series 2020	8,875,000	3.00%	2035	<u>8,280,000</u>
Total governmental activities				\$ 18,785,000
Business-type activities				
Electric system revenue and tax bonds, Series 2013	\$ 4,000,000	2.00% - 3.00%	2027	\$ 1,780,000

The above bonds contain provisions that, in the event of default, the lenders can exercise one or more of the following options: 1) make the outstanding bond payable due and payable immediately, with accrued interest, or 2) use any other remedy permitted by state or federal law.

Direct Borrowings

In 2009 the City issued a note payable in the amount of \$2,074,887 to the State of Tennessee through its state revolving loan fund. The note pays interest at a rate of 2.50% and matures in 2031. The outstanding balance at year-end is \$1,133,936.

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 5. Long-term Liabilities

Debt Service Requirements

The annual debt service requirements to maturity for all long-term obligations outstanding as of June 30, 2021 are as follows:

Year	Governmental Activities					
	Bonds					
	Principal	Interest				
2022	\$ 1,695,000	\$ 513,379				
2023	1,725,000	468,629				
2024	1,740,000	425,479				
2025	1,770,000	381,979				
2026	1,790,000	335,796				
2027-2031	7,705,000	974,681				
2032-2035	<u>2,360,000</u>	<u>177,000</u>				
	\$ 18,785,000	\$ 3,276,943				

Year	Business-type Activities		Business-type Activities		Total Business-type Activities	
	Bonds		Direct borrowing notes			
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 275,000	\$ 35,413	\$ 105,024	\$ 27,144	\$ 380,024	\$ 62,557
2023	285,000	28,438	107,676	24,492	392,676	52,930
2024	290,000	22,687	110,400	21,768	400,400	44,455
2025	300,000	16,787	113,184	18,984	413,184	35,771
2026	310,000	10,493	116,052	16,116	426,052	26,609
2027-2031	320,000	3,600	581,600	35,101	2,681,600	156,119
2032-2035	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ 1,780,000	\$ 117,418	\$ 1,133,936	\$ 143,605	\$ 4,693,936	\$ 378,441

Year	Total Primary Government	
	Principal	Interest
2022	\$ 2,075,024	\$ 575,936
2023	2,117,676	521,559
2024	2,140,400	469,934
2025	2,183,184	417,750
2026	2,216,052	362,405
2027-2031	10,386,600	1,130,800
2032-2035	<u>2,360,000</u>	<u>177,000</u>
	\$ 23,478,936	\$ 3,655,384

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 5. Long-term Liabilities

Water Storage Rights Payable

The City has entered into an agreement with the US Army Corps of Engineers to purchase water storage rights at the Center Hill Reservoir. The purchase price was \$2,816,877 to be paid over a period of 30 years. The contract will be payable in annual installments of \$144,295 which includes interest based on an adjusted interest rate of 2.875%. 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.

Principal and interest payments to be made according to the agreement are as follows:

Year ended June 30,	Principal	Interest
2022	\$ 102,691	\$ 41,604
2023	105,644	38,651
2024	108,681	35,614
2025	111,806	32,489
2026	115,020	29,275
2027-2031	626,635	94,840
2032-2033	<u>276,606</u>	<u>11,984</u>
Totals	\$ 1,447,083	\$ 284,457

Note 6. Deferred Outflows and Inflows of Resources

Deferred outflows of resources consist of the following at June 30, 2021:

	Governmental Activities	Business-type Activities
Deferred outflows of resources		
Pension related items	\$ 3,768,691	\$ 1,871,439
OPEB related items	<u>11,860,646</u>	<u>2,623,746</u>
	\$ 15,629,337	\$ 4,495,185

Deferred inflows of resources consist of the following at June 30, 2021:

	Governmental Activities	Business-type Activities
Deferred inflows of resources		
Property taxes		
2021 estimated levy	\$ 9,550,741	\$ -
Other	26,680	-
Pension related items	735,554	313,629
OPEB related items	<u>5,400,267</u>	<u>1,323,799</u>
	\$ 15,713,242	\$ 1,637,428

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 7. **Pension Plans**

General Information

Plan Description

Employees of the City 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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reportingand-Investment-Policies>.

Benefits Provided – TCRS Legacy

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 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 nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Benefits Provided – TCRS Hybrid

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 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. 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 nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% 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%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than .50%. A 1% COLA is granted if the CPI change is between .50% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 7. Pension Plans

General Information

Employees Covered by Benefit Terms

At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

TCRS Legacy

Inactive employees or beneficiaries currently receiving benefits	621
Inactive employees entitled to but not yet receiving benefits	597
Active employees	376
	1,594

TCRS Hybrid

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	8
Active employees	42
	50

The TCRS Legacy plan is closed to new entrants.

Contributions – TCRS Legacy

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2021, employer contributions for the City were \$4,052,011 based on a rate of 21.56% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City'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.

Contributions – TCRS Hybrid

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2021, the employer contributions for the City were \$44,375 based on a rate of 2.03% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City'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.

Contributions are paid from the general and sanitation funds and the electric, gas, and water quality control departments.

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 7. Pension Plans

Net Pension Liabilities (Assets)

The City's net pension liabilities (assets) were measured as of June 30, 2020, and the total pension liabilities used to calculate net pension liabilities (assets) were determined by actuarial valuations as of that date.

Actuarial Assumptions

The total pension liabilities as of the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2020 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%. 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:

Asset class	Long-term expected real rate of return	Target allocation
US 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%
US 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% based on a blending of the factors described above.

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 7. Pension Plans

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 City 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 Pension Liability (Asset)

TCRS Legacy

	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a)-(b)
Balance, June 30, 2019	\$ 149,621,322	\$ 131,875,944	\$ 17,745,378
Service cost	1,785,579	-	1,785,579
Interest	10,707,004	-	10,707,004
Experience differences	(1,398,911)	-	(1,398,911)
Changes in assumptions	-	-	-
Contributions, employer	-	4,284,343	(4,284,343)
Contributions, employee	-	28,553	(28,553)
Net investment income	-	6,462,533	(6,462,533)
Benefit payments, including refunds of employee contributions	(7,448,169)	(7,448,169)	-
Administrative expenses	-	(35,305)	35,305
Net change	<u>3,645,503</u>	<u>3,291,955</u>	<u>353,548</u>
Balance, June 30, 2020	\$ 153,266,825	\$ 135,167,899	\$ 18,098,926

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 7. **Pension Plans**

Changes in the Net Pension Liability (Asset)

TCRS Hybrid

	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a)-(b)
Balance, June 30, 2019	\$ -	\$ -	\$ -
Service cost	-	-	-
Interest	-	-	-
Experience differences	-	-	-
Changes in benefit terms	77,937	-	77,937
Contributions, employer	-	17,001	(17,001)
Contributions, employee	-	68,166	(68,166)
Net investment income	-	2,042	(2,042)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expenses	-	(2,819)	2,819
Net change	<u>77,937</u>	<u>84,390</u>	<u>(6,453)</u>
Balance, June 30, 2020	\$ 77,937	\$ 84,390	\$ (6,453)

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%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current rate (7.25%)	1% Increase (8.25%)
TCRS Legacy net pension liability (asset)	\$ 36,781,290	\$ 18,098,926	\$ 2,452,464
TCRS Hybrid net pension liability (asset)	16,940	(6,453)	(23,712)

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

Pension Expense (Negative Pension Expense)

For the year ended June 30, 2021, the City recognized pension expense (negative pension expense) of \$4,301,732 for the Legacy plan and \$9,794 for the Hybrid plan.

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 7. Pension Plans

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

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the Legacy pension plan from the following sources:

TCRS Legacy Plan

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 615,610	\$ 1,049,183
Net difference between projected and actual earnings on pension plan investments	927,381	-
Contributions subsequent to the measurement date of June 30, 2020	<u>4,052,010</u>	<u>-</u>
	\$ 5,595,001	\$ 1,049,183

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2020," 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 the Legacy pension plan will be recognized in pension expense as follows:

Year ended June 30,	
2022	\$ (443,062)
2023	141,763
2024	198,399
2025	596,708
2026	-
Thereafter	-

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

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 7. Pension Plans

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

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the Hybrid pension plan from the following sources:

TCRS Hybrid Plan

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	754	-
Contributions subsequent to the measurement date of June 30, 2020	44,375	-
	\$ 45,129	\$ -

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2020," 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 the Hybrid pension plan will be recognized in pension expense as follows:

Year ended June 30,	
2022	\$ 189
2023	189
2024	188
2025	188
2026	-
Thereafter	-

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

Payable to the Pension Plans

At June 30, 2021, the City had no payables relating to required contributions to the plans.

Allocation of Pension-related Activity

The pension-related activity has been allocated to the governmental activities and respective business-type activities by use of an allocation ratio derived from the fiscal year 2021 pension contributions. A summary of the pension-related activity follows:

	Governmental Activities	Business-type Activities
Net pension liabilities	\$ 14,106,668	\$ 3,985,805
Deferred outflows	3,768,691	1,871,439
Deferred inflows	735,554	313,629

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 8. OPEB Plan

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 ranges anywhere from 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 retiree's 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. 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 GASB Statement No. 75, paragraph 4.

Employees Covered by the Benefit Terms

At June 30, 2021, the following were covered by the benefit terms:

Active in valuation (with medical, dental, or life coverage)	409
Active employees with medical coverage	382
Active employees with dental coverage	390
Active employees with life insurance coverage	291
Retirees, beneficiaries, and spouses in valuation (with any coverage)	233
Retirees and beneficiaries with medical coverage	144
Spouses with medical coverage	62
Retirees and beneficiaries with dental coverage	139
Spouses with dental coverage	66
Retirees with life insurance coverage	135

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 8. OPEB Plan

General Information about the OPEB Plan

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2021 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	2.18% per annum
Salary increases	4.50% per annum
Healthcare cost trend rates	6.25% graded uniformly to 5.75% over 3 years
Annual projected payroll	\$ 19,320,161
Average projected earnings	\$ 47,238

Summary of Assumptions

TCRS Local Government Mortality Rates (projected to 2020)

Age	Actives		Retirees		Disabled	
	Male	Female	Male	Female	Male	Female
20	0.0380%	0.0167%	0.0484%	0.0176%	0.8345%	0.6369%
25	0.0492%	0.0187%	0.0627%	0.0198%	1.0138%	0.7904%
30	0.0507%	0.0251%	0.0646%	0.0249%	1.2309%	0.9796%
35	0.0607%	0.0330%	0.0776%	0.0352%	1.4763%	1.1974%
40	0.0699%	0.0454%	0.0898%	0.0485%	1.7574%	1.3900%
45	0.0991%	0.0671%	0.1290%	0.0724%	2.1176%	1.5859%
50	0.1667%	0.1081%	0.4063%	0.2665%	2.5986%	1.8145%
55	0.2803%	0.1768%	0.6112%	0.4095%	3.2396%	2.1054%
60	0.4908%	0.2706%	0.8963%	0.6111%	3.9804%	2.4883%

TCRS Local Government Disability Rates

Age	Unisex
20	0.0322%
25	0.0322%
30	0.0319%
35	0.0332%
40	0.0843%
45	0.1987%
50	0.3750%
55	0.4935%
60	0.0000%

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 8. **OPEB Plan**

Summary of Assumptions

TCRS Local Government Retirement Rates

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

TCRS Local Government Withdrawal Rates – Estimated Experience

Age	1st year unisex	2nd year unisex	Ultimate male	Ultimate female
20	26.2414%	21.7724%	13.7344%	19.6101%
25	23.0283%	19.1397%	10.2858%	15.0742%
30	21.8333%	17.8592%	7.3626%	11.0655%
35	20.6697%	17.0009%	5.0962%	7.7157%
40	19.1985%	15.8558%	3.4720%	5.4122%
45	17.6822%	14.0507%	2.7525%	4.1474%
50	16.9848%	13.0430%	2.7752%	3.7905%
55	17.4370%	13.0389%	3.6002%	4.3322%
60	20.4066%	14.8832%	4.6200%	5.3201%

Plan Participation

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

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 8. OPEB Plan

Summary of Assumptions

Discount Rate

The discount rate used to measure the total OPEB liability was 2.18%. This rate reflects the interest rate derived from yields on the S&P 500 High Grade 20 Year Rate Index as of June 30, 2021.

The actuarial demographic assumptions used in the June 30, 2021 valuation were developed from results of an actuarial experience study of plan data as of July 1, 2021, 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 level of personnel expected 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 2.18% based on the S&P 500 High Grade 20 Year Rate Index as of June 30, 2021, compared to prior discount rate of 2.79% based on the S&P Municipal Bond 20 Year High Grade Rate Index; (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 7.50% grading uniformly over 3 years and following the Getzen Model thereafter to an ultimate rate of 3.94% in the year 2075 to 6.25% graded uniformly to 5.75% over 3 years and following the Getzen Model thereafter to an ultimate rate of 4.04% 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's OPEB liability of \$61,658,584 was measured as of July 1, 2021, and was determined by an actuarial valuation as of that date.

	Total OPEB liability (a)	Plan net position (b)	OPEB liability (a)-(b)
Balance, June 30, 2020	\$ 48,617,108	\$ -	\$ 48,617,108
Service cost	2,194,805	-	2,194,805
Interest	1,078,596	-	1,078,596
Changes in benefits	-	-	-
Experience losses (gains)	5,271,598	-	5,271,598
Changes in assumptions	5,831,529	-	5,831,529
Contributions, employer	-	1,335,052	(1,335,052)
Contributions, employees	-	-	-
Net investment income	-	-	-
Benefits paid	<u>(1,335,052)</u>	<u>(1,335,052)</u>	<u>-</u>
Net change	<u>13,041,476</u>	<u>-</u>	<u>13,041,476</u>
Balance, June 30, 2021	\$ 61,658,584	\$ -	\$ 61,658,584

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 8. OPEB Plan

Sensitivity of OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following represents the OPEB liability calculated using the stated healthcare 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% lower or 1% higher than the assumed trend rate:

	1% Decrease in trend rates	Assumed trend rates	1% Increase in trend rates
OPEB liability	\$ 51,136,418	\$ 61,658,584	\$ 75,711,329

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% lower or 1% higher than the current rate:

	1% Decrease (1.18%)	Current rate (2.18%)	1% Increase (3.18%)
OPEB liability	\$ 73,632,328	\$ 61,658,584	\$ 52,251,958

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

OPEB Expense

For the fiscal year ended June 30, 2021, the City recognized OPEB expense of \$4,508,234, as follows:

	Year ended June 30, 2021
Service cost	\$ 2,194,805
Interest	1,078,596
Experience losses (gains)	753,085
Changes in assumptions	833,076
Amortization of or change in beginning balances	<u>(351,328)</u>
	\$ 4,508,234

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 4,518,513	\$ 6,724,065
Changes in assumptions	<u>9,965,879</u>	<u>-</u>
	\$ 14,484,392	\$ 6,724,065

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 8. OPEB Plan

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Year ended June 30,	\$	
2022	\$	1,234,833
2023		1,234,833
2024		1,234,833
2025		1,234,833
2026		1,234,834
Thereafter		1,586,161

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

Amounts Payable to the OPEB Plan

At June 30, 2021, the City had no payables relating to contributions to the Plan.

Allocation of OPEB-related Activity

The OPEB-related activity has been allocated to the governmental activities and respective business-type activities of the City according to the actuarial study. A summary of the OPEB-related activity follows:

	Governmental Activities	Business-type Activities
OPEB liability	\$ 50,594,641	\$ 11,063,943
Deferred outflows	11,860,646	2,623,746
Deferred inflows	5,400,268	1,323,799

Note 9. Risk Management

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

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

Workers' compensation liability, with a \$50,000 deductible per incident and statutory limits on coverage

General liability, with a \$410,000 deductible in aggregate

City of Cookeville, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 9. Risk Management

Claims expensed during the year ended June 30, 2021 totaled approximately \$139,000 for general liability and \$222,000 for workers' compensation. Liabilities for claims incurred but not reported as of June 30, 2021 are not calculated by an actuary. The plan administrator reported claims payable of approximately \$245,000 as of June 30, 2021, 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, 2021 are not calculated by an actuary. The plan administrator reported health claims payable of approximately \$287,000 as of June 30, 2021. 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, 2021, 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. Contingent Liabilities

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that expenditures have been made in accordance with the agreements and any required reimbursements would not be significant. Accordingly, no provision has been made for any potential reimbursements to grantors.

Note 11. Prior Period Adjustment

A prior period adjustment of \$1,763,873, \$1,404,739, \$261,633, and \$97,501 was made to the governmental activities, general fund, debt service fund, and other governmental funds, respectively, to increase previously stated net positions/fund balances of \$40,545,226, \$23,833,635, \$14,073,208, and \$6,869,466, respectively. The correction of an error was made to properly state various taxes collected by the state and remitted to the City.

Note 12. Subsequent Events

Subsequent to June 30, 2021, the City requested TCRS to transfer TCRS assets in the amount of \$27,586,317 from the City's TCRS legacy plan account to the Medical Center's TCRS account, and to transfer the TCRS legacy plan liabilities with respect to service rendered through employment with Cookeville General Hospital prior to December 1, 1999, provided that the funds will consist only of employer contributions and that any associated employee contributions will be transferred separately. The net pension asset and liability and deferred outflows and inflows related to the TCRS amounts noted earlier have not been adjusted to reflect this change in TCRS reporting.

On July 30, 2021, the City issued \$6,570,000 General Obligation Refunding Bonds, Series 2021A to refinance the City's outstanding General Obligation Bonds, Series 2015.

On August 13, 2021, the City issued \$9,175,000 General Obligation Bonds, Series 2021B to fund certain capital projects and acquire certain public works and public safety equipment.

Notes to Financial Statements – Cookeville Regional Medical Center Authority
(Audited by Other Auditors)

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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 269-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)

JUNE 30, 2021 AND 2020

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 20). Accordingly, Cumberland River has no assets or liabilities reported on the statements of net position as of June 30, 2021 and 2020. 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)

JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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, 2021 and 2020, the Medical Center had \$101,579 and \$44,799, 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)

JUNE 30, 2021 AND 2020

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)

JUNE 30, 2021 AND 2020

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 was accounted for under the equity method of accounting and the Medical Center recognized its share in the results of the underlying activities in the joint venture (See Note 8).

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

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 (Accrued) Advances

Refundable (accrued) advances represent non-reciprocal, non-exchange transactions with 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 the amounts as follows:

- Department of Health and Human Services ("HHS") Provider Relief Funds, COVID-19 Hospital Staffing Assistance Program and Tennessee Hospital Association and other grants are reported as grant income as nonoperating revenue on the statements of revenues, expenses and changes in net position. Interest earned on HHS Provider Relief Funds totaled \$58,912 and \$0 for the years ended June 30, 2021 and 2020, respectively, and is reported as investment income on the statement of revenue, expenses and changes in net position.
- Medicare Accelerated and Advance Payments and U.S. Health Resources & Services Administration ("HRSA") COVID-19 Uninsured Program are included within net patient service 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. The portion of conditional grants that the Medical Center has reasonably met at the end of a reporting period, however, have not yet been received from the governmental agency are reported as accrued advances and are included within other receivables 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.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CRMG and MSO Sub 1 are for-profit corporations and are taxed under Subchapter "C" of the Internal Revenue Code. These for-profit corporations have incurred significant tax losses. Due to the uncertainty of future taxable income, net deferred tax assets of approximately \$40,715,000 at June 30, 2021 and \$35,690,000 at June 30, 2020 have been fully reserved. The most significant deferred items relate to net operating loss carryforwards and the allowance for doubtful accounts. These entities have federal and state net operating loss carryforwards available to the federal and state carryforwards expire in various years beginning in 2024 and 2021, respectively. offset future taxable income. As of June 30, 2021, CRMG has federal and state net operating loss carryforwards of approximately \$92,806,000 and \$92,684,000, respectively, and MSO Sub 1 has federal and state net operating loss carryforwards of approximately \$55,307,000 and \$55,188,000, respectively. The federal and state carryforwards expire in various years beginning in 2024 and 2021, respectively.

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.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$1,328,000 and \$1,658,000 in 2021 and 2020, respectively.

Events Occurring after Report Date

The Medical Center has evaluated events and transactions that occurred between June 30, 2021 and December 20, 2021, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

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>2021</u>	<u>2020</u>
Gross patient accounts receivable	\$ 82,864,653	\$ 75,763,207
Less estimated allowance for uncollectible accounts	<u>(51,082,659)</u>	<u>(49,030,669)</u>
Patient accounts receivable, net	<u>\$ 31,781,994</u>	<u>\$ 26,732,538</u>

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 3 - PATIENT ACCOUNTS RECEIVABLE (CONTINUED)

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 receivable 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 were as follows:

	<u>2021</u>	<u>2020</u>
Medicare and Medicare Advantage	39 %	42 %
Medicaid/TennCare	14	7
Blue Cross and commercial	31	31
Patients, including self-insured	16	20
	<u>100 %</u>	<u>100 %</u>

NOTE 4 - OTHER RECEIVABLES

Other current and long-term receivables at June 30, 2021 include \$729,858 and \$1,260,490, respectively, (\$467,996 and \$1,029,700, respectively, at June 30, 2020) in receivables from agreements with 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.

NOTE 5 - INVENTORIES

Inventories consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Medical and surgical supplies	\$ 9,067,870	\$ 7,085,780
General store supplies	417,068	280,198
Pharmacy and drugs	2,472,448	2,692,276
Dietary foods	39,716	43,741
	<u>\$ 11,997,102</u>	<u>\$ 10,101,995</u>

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

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.

	<u>2021</u>	<u>2020</u>
Carrying amount:		
Cash and cash equivalents	\$ 38,839,258	\$ 44,495,700
Investments	<u>13,805,570</u>	<u>7,702,463</u>
Total deposits and investments	<u>\$ 52,644,828</u>	<u>\$ 52,198,163</u>
Included in the following statement of net position captions:		
Cash and cash equivalents	\$ 28,839,258	\$ 34,495,700
Long-term investments	13,805,570	7,702,463
Assets internally designated for capital acquisitions	<u>10,000,000</u>	<u>10,000,000</u>
	<u>\$ 52,644,828</u>	<u>\$ 52,198,163</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)

JUNE 30, 2021 AND 2020

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 is as follows:

	June 30, 2021				
	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Undesignated	\$ 13,805,570	\$ -	\$ 5,035,440	\$ 1,089,062	\$ 7,681,068
Assets internally designated for capital acquisitions	10,000,000	10,000,000	-	-	-
Cash and cash equivalents	28,839,258	28,839,258	-	-	-
Total	\$ 52,644,828	\$ 38,839,258	\$ 5,035,440	\$ 1,089,062	\$ 7,681,068

	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	\$ 52,198,163	\$ 44,495,700	\$ 1,329,383	\$ 662,630	\$ 5,710,450

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, 2021 and 2020, \$8,971,803 and \$6,702,249, respectively, of the Medical Center's investments were backed by the full faith of the U.S. Government and \$4,833,767 and \$1,000,214, 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)

JUNE 30, 2021 AND 2020

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, 2021 and 2020, no more than \$1,500,000 is invested in any one investment security. As of June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Interest income and net realized gains/losses	\$ 609,320	\$ 1,232,151
Unrealized loss on investments	<u>(87,802)</u>	<u>(15,951)</u>
	<u>\$ 521,518</u>	<u>\$ 1,216,200</u>

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

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 is as follows:

	2021				Balance at June 30, 2021
	Balance at June 30, 2020	Additions	Retirements	Transfers	
<u>Capital assets not being depreciated:</u>					
Land	\$ 16,717,688	\$ -	\$ -	\$ -	\$ 16,717,688
Construction in progress	1,209,541	3,938,753	(26,230)	(2,772,469)	2,349,595
Total capital assets not being depreciated	<u>17,927,229</u>	<u>3,938,753</u>	<u>(26,230)</u>	<u>(2,772,469)</u>	<u>19,067,283</u>
<u>Capital assets being depreciated:</u>					
Land improvements	6,019,466	-	-	-	6,019,466
Buildings	201,583,273	2,522,469	-	1,596,103	205,701,845
Automobiles	278,043	49,318	-	-	327,361
Equipment	115,919,477	6,664,576	(12,985,954)	1,176,366	110,774,465
Equipment under capitalized leases	1,993,341	-	(1,993,341)	-	-
Total capital assets being depreciated	<u>325,793,600</u>	<u>9,236,363</u>	<u>(14,979,295)</u>	<u>2,772,469</u>	<u>322,823,137</u>
<u>Less accumulated depreciation and amortization:</u>					
Land improvements	4,184,223	257,167	-	-	4,441,390
Buildings	97,045,665	7,091,715	-	-	104,137,380
Automobiles	241,199	27,638	-	-	268,837
Equipment	87,647,201	6,658,731	(12,836,654)	-	81,469,278
Equipment under capitalized leases	2,473,543	41,757	(1,993,341)	-	521,959
Total accumulated depreciation and amortization:	<u>191,591,831</u>	<u>14,077,008</u>	<u>(14,829,995)</u>	<u>-</u>	<u>190,838,844</u>
	<u>\$ 152,128,998</u>	<u>\$ (901,892)</u>	<u>\$ (175,530)</u>	<u>\$ -</u>	<u>\$ 151,051,576</u>

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 7 - PROPERTY AND EQUIPMENT, NET (CONTINUED)

	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	2,779,966	6,034,732	(30,000)	(7,575,157)	1,209,541
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	1,993,341	-	-	-	1,993,341
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	2,076,855	41,757	-	354,931	2,473,543
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>

Construction in progress at June 30, 2021 consists of renovations of the 4th floor professional office building and cath lab rooms. Estimated costs to complete the projects amounted to approximately \$2,514,000 at June 30, 2021 and all projects are anticipated to be completed during the year ended June 30, 2022.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

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 is as follows (unaudited):

	2020 <u>(unaudited)</u>
Assets	\$ <u>2,185,000</u>
Liabilities	\$ 525,000
Member's equity	<u>1,660,000</u>
	<u>\$ 2,185,000</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 effective May 1, 2021 the Medical Center operates the Surgery Center as a department of the Medical Center, and accordingly, as of June 30, 2021, the accounts of the Surgery Center are included within the statement of net position. The components of the purchase price allocation are summarized in the table below, based on the information available to management through the issuance date of the financial statements:

Cash	\$ 37,974
Patient accounts receivable	690,268
Property and equipment	1,623,610
Accounts payable	<u>(541,120)</u>
Net purchase consideration	<u>\$ 1,810,732</u>

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

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:

	2021				Amounts Due Within One Year
	Balance at June 30, 2020	Additions	Reductions	Balance at June 30, 2021	
Series 2009 Bonds	\$ 22,863,628	\$ -	\$ (874,292)	\$ 21,989,336	\$ 896,427
Series 2010-A Bonds	7,254,624	-	(675,834)	6,578,790	692,944
Series 2010-B Bonds	9,786,747	-	(910,631)	8,876,116	933,686
Series 2010-C Bonds	22,211,500	-	(862,000)	21,349,500	917,000
	<u>\$ 62,116,499</u>	<u>\$ -</u>	<u>\$ (3,322,757)</u>	<u>\$ 58,793,742</u>	<u>\$ 3,440,057</u>

	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>

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)

JUNE 30, 2021 AND 2020

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 1.52% at June 30, 2021.

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 pro rata basis, and applied to future scheduled principal payments in reverse chronological order.

The debt service requirements at June 30, 2021 related to long-term debt are as follows:

Year Ending	Bonds	
	Principal	Interest
June 30,		
2022	\$ 3,440,057	\$ 920,638
2023	3,523,933	865,674
2024	3,609,424	811,549
2025	3,696,574	751,702
2026	3,785,427	692,643
2027 - 2031	17,527,121	2,536,500
2032 - 2036	11,879,157	1,430,536
2037 - 2040	11,332,049	415,803
	<u>\$ 58,793,742</u>	<u>\$ 8,425,045</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, 2021 and 2020.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENT

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. Changes in the fair value of the interest rate swap are recorded as either deferred inflows or deferred outflows in the statements of net position (deferred inflow as of June 30, 2021). 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.

At June 30, 2021 and 2020, derivative financial instruments consisted of the following:

Designated for hedging:

2021					
Description	Balance at Notional	Maturity	Pay Index	Receive Index	Fair Value
Fixed payor	\$ 58,793,742	May 22, 2025	1.83%	82.5% of 1-month LIBOR + 1.44%	\$ 257,947

2020					
Description	Balance at Notional	Maturity	Pay Index	Receive Index	Fair Value
Fixed payor	\$ 62,116,499	May 22, 2025	1.83%	82.5% of 1-month LIBOR + 1.44%	-

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 11 - REFUNDABLE (ACCRUED) ADVANCES

Refundable (accrued) advances on the statements of net position consist of the following at June 30:

Grantor Agency	2021				
	Beginning Refundable (Accrued) Advances	Grant Received	Grant Expended	Ending Refundable (Accrued) Advances	Amounts Due Within One Year
Department of Health and Human Services ("HHS")					
Provider Relief Funds	\$ 20,467,996	\$ 58,912	\$ 17,444,415	\$ 3,082,493	\$ 3,082,493
Medicare Accelerated and Advance Payments	52,158,133	-	5,607,673	46,550,460	34,635,219
HRSA COVID-19 Uninsured Program	-	739,764	739,764	-	-
COVID-19 Hospital Staffing Assistance Program	-	2,307,628	2,376,164	(68,536)	-
Tennessee Hospital Association ASPR and other	-	1,849	1,849	-	-
	<u>\$ 72,626,129</u>	<u>\$ 3,108,153</u>	<u>\$ 26,169,865</u>	<u>\$ 49,564,417</u>	<u>\$ 37,717,712</u>

Grantor Agency	2020				
	Beginning Refundable Advances	Grant Received	Grant Expended	Ending Refundable Advances	Amounts Due Within One Year
Department of Health and Human Services ("HHS")					
Provider Relief Funds	\$ -	\$ 25,485,128	\$ 5,017,132	\$ 20,467,996	\$ 20,467,996
Medicare Accelerated and Advance Payments	-	52,158,133	-	52,158,133	13,039,533
Tennessee Hospital Association ASPR and other	-	21,030	21,030	-	-
	<u>\$ -</u>	<u>\$ 77,664,291</u>	<u>\$ 5,038,162</u>	<u>\$ 72,626,129</u>	<u>\$ 33,507,529</u>

Subsequent to June 30, 2021, the Medical Center has received additional HHS Provider Relief Funds of \$13,169,195 and COVID-19 uninsured program funds of \$155,621.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 12 - 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. Effective March 15, 2021, the Hospital became a sole community hospital for purposes of Medicare reimbursement.

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 \$1,646,000 and \$3,809,000 for the years ended June 30, 2021 and 2020, respectively.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 12 - PATIENT SERVICE REVENUE (CONTINUED)

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

	<u>2021</u>	<u>2020</u>
Gross patient service revenue	\$ 1,035,836,253	\$ 970,535,552
Less provisions for contractual adjustments	(653,286,530)	(611,047,764)
Less provisions for bad debt	(28,315,355)	(28,021,225)
Less charity care	<u>(4,751,812)</u>	<u>(5,467,253)</u>
Net patient service revenue	<u>\$ 349,482,556</u>	<u>\$ 325,999,310</u>

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

	<u>2021</u>	<u>Ratio</u>	<u>2020</u>	<u>Ratio</u>
Medicare and				
Medicare Advantage	\$ 597,052,300	58 %	\$ 576,623,769	60 %
Medicaid/TennCare	123,000,711	12	114,339,201	12
Blue Cross and commercial	272,431,623	26	236,171,588	24
Patients, including self-insured	<u>43,351,619</u>	<u>4</u>	<u>43,400,994</u>	<u>4</u>
Total	<u>\$ 1,035,836,253</u>	<u>100 %</u>	<u>\$ 970,535,552</u>	<u>100 %</u>

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 13 - OPERATING LEASES

The Medical Center leases equipment and office space primarily under operating lease agreements expiring at various dates through June 2026. Future minimum lease payments under noncancelable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2021 are as follows:

<u>Years Ending June 30,</u>	
2022	\$ 375,171
2023	180,203
2024	180,203
2025	180,203
2026	<u>67,143</u>
	<u>\$ 982,923</u>

Total rental expense was \$2,501,067 and \$1,964,581 for the years ended June 30, 2021 and 2020, respectively.

NOTE 14 - DEFINED BENEFIT 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>.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	407
Inactive employees entitled to but not yet receiving benefits	409
Active employees	<u>275</u>
Total employees	<u><u>1,091</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.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2021, the Actuarially Determined Contribution (“ADC”) for the Medical Center was \$551,104 based on a rate of 3.05 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, 2020, and the total pension asset used to calculate net pension asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2020 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, 2020 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.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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>

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)

JUNE 30, 2021 AND 2020

NOTE 14 - 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, 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)	-	-
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)
CHANGES FOR THE YEAR:			
Service cost	1,427,948	-	1,427,948
Interest	8,451,859	-	8,451,859
Differences between expected and actual experience	(1,364,211)	-	(1,364,211)
Changes in assumptions	-	-	-
Contributions-employer	-	1,363,759	(1,363,759)
Contributions-employees	-	-	-
Net investment income	-	6,530,634	(6,530,634)
Benefit payments, including refunds of employee contributions	(4,044,255)	(4,044,255)	-
Administrative expenses	-	(26,210)	26,210
Net changes	4,471,341	3,823,928	647,413
BALANCE AT JUNE 30, 2020	\$ 121,642,882	\$ 136,840,928	\$ (15,198,046)

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 14 - 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)	\$ 1,598,993	\$ (15,198,046)	\$ (29,115,534)

Pension Expense

For the year ended June 30, 2021, the Medical Center recognized pension expense of \$244,054.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, 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	\$ -	\$ 1,080,711
Net difference between projected and actual earnings on pension plan investments	978,384	-
Contributions subsequent to the measurement date of June 30, 2020	551,104	-
Total	<u>\$ 1,529,488</u>	<u>\$ 1,080,711</u>

The amount shown above for "contributions subsequent to the measurement date of June 30, 2020," 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)

JUNE 30, 2021 AND 2020

NOTE 14 - 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>	
2022	\$ (1,570,261)
2023	310,712
2024	554,226
2025	602,996
2026	-
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, 2021, the Medical Center reported payables of \$66,613 and \$23,417 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, 2021.

At June 30, 2021, the Medical Center is in the process of transferring the TCRS assets and liabilities associated with the Medical Center's employees that are included in the City of Cookeville's actuarial valuation but were part of the Medical Center prior to the Medical Center becoming a separate entity within TCRS.

Subsequent to June 30, 2021, the City of Cookeville has requested TCRS to transfer TCRS assets in the amount of \$27,586,317 from the City of Cookeville's TCRS account to the Medical Center's TCRS account, and to transfer the TCRS liabilities with respect to service rendered through employment with Cookeville General Hospital prior to December 1, 1999, provided that the funds will consist only of employer contributions and that any associated employee contributions will be transferred separately. The Medical Center's net pension asset and deferred inflows and outflows related to the TCRS amounts noted above have not been adjusted to reflect this change in TCRS reporting.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 15 - 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 \$148,399 and \$145,144 for the years ended June 30, 2021 and 2020, 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%.

The Medical Center's contributions, including the special nonelective contributions, to the Plan were \$2,448,782 and \$1,742,920 for the years ended June 30, 2021 and 2020, respectively. The plan members' contributions to the Plan were \$4,671,915 and \$4,070,358 for the years ended June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, the Medical Center reported a payable of \$53,375 and \$725,287, 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 \$98,000 and \$89,000 for the years ended June 30, 2021 and 2020, respectively.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 16 - 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, 2021 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.

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 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.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Medical Center's estimated claim liabilities for medical benefits and workers' compensation are included in other accrued expenses on the statements of net position and consist of the following as of June 30:

2021				
Insurance Type	Beginning Liability	Incurred Claims	Claim Payments	Ending Liability
Medical and other healthcare benefits	\$ 1,853,256	\$ 19,728,124	\$ 19,126,455	\$ 2,454,925
Workers' compensation	831,663	428,244	428,244	831,663
	<u>\$ 2,684,919</u>	<u>\$ 20,156,368</u>	<u>\$ 19,554,699</u>	<u>\$ 3,286,588</u>
2020				
Insurance Type	Beginning Liability	Incurred Claims	Claim Payments	Ending Liability
Medical and other healthcare benefits	\$ 2,055,550	\$ 18,015,647	\$ 18,217,941	\$ 1,853,256
Workers' compensation	1,048,034	179,800	396,171	831,663
	<u>\$ 3,103,584</u>	<u>\$ 18,195,447</u>	<u>\$ 18,614,112</u>	<u>\$ 2,684,919</u>

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, 2021.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 16 - 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. 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 (“OIG”) 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. By a letter dated October 5, 2021 from the OIG, the Medical Center was deemed to be in compliance with requirements of the CIA for the first reporting period.

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, 2021 and 2020, 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)

JUNE 30, 2021 AND 2020

NOTE 16 - 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 countermeasures 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. The funds are distributed in multiple stages and are grant funds, not loans, to healthcare providers, and may not need to be repaid if the conditional terms for the uses of those funds are met. Within 30 days of received the payment, providers must sign an attestation confirming receipt of the funds and agreeing to the terms and conditions of the payment. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Medical Center is unable to attest to or comply with current or future terms and conditions, the Medical Center’s ability to retain some or all of the distributions received may be affected. Provider Relief Fund payments are subject to government oversight, including potential audits. See Notes 2 and 11.

Additionally, the CARES Act expanded the U.S. Centers for Medicare and Medicaid Services’ (“CMS”) existing advance payment program to a broader group of providers. As a result, the Medical Center received approximately \$52,160,000 of advance payments from the Medicare program during the year ended June 30, 2020. These advances are being recouped from Medicare claims submitted beginning twelve months after the receipt of the funds (April 2021). Final payment of any still outstanding balance will be due by September 2022. The related liabilities are reported in current portion of refundable advances of \$34,635,000 for the portion estimated to be recouped during the year ended June 30, 2022 and the remaining \$11,915,000 is reported in refundable advances, less current portion for the estimated amount to be recouped thereafter. See Notes 2 and 11.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 17 - PHYSICIAN EMPLOYMENT 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, 2021, are as follows:

<u>Years Ending June 30:</u>	
2022	\$ 9,289,712
2023	5,297,542
2024	4,996,463
2025	4,298,101
2026	3,909,438
Thereafter	1,279,997
	<u>\$ 29,071,253</u>

NOTE 18 - 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, 2021 and 2020. Operating expenses also include \$2,913,110 and \$3,061,952 in 2021 and 2020, respectively, for the purchase of utilities. During the years ended June 30, 2021 and 2020, the Medical Center accrued \$0 and \$802,985, respectively, of pension expenses paid by the City of Cookeville on behalf of the Medical Center's employees and are included within accounts payable on the statement of net position. Effective January 1, 2021, the Medical Center hired the Mayor of Cookeville in a senior leadership position. The Mayor resigned from the Medical Center's Board of Trustees effective December 2020.

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 years ended June 30, 2021 and 2020 were approximately \$209,000 and \$208,000, respectively.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 19 - 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.

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.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 19 - FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents assets and liabilities reported at fair value on a recurring basis as of June 30, 2021 and 2020, and their respective classification under the GASB Statement No. 72 valuation hierarchy:

	June 30, 2021			
	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	\$ 8,971,803	\$ -	\$ 8,971,803	\$ -
United States government sponsored enterprise securities	4,833,767	-	4,833,767	-
Interest rate swap agreement	257,947	-	257,947	-
	<u>\$ 14,063,517</u>	<u>\$ -</u>	<u>\$ 14,063,517</u>	<u>\$ -</u>
	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>

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.

The fair value of the interest rate swap agreement is estimated using inputs including the remaining term of the agreement and current market interest rates, that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 20 - 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. 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. As a result, the statements of revenue, expenses and changes in net position for the year ended June 30, 2020 include the gain on disposal of the Cumberland River facility of \$131,373 and the remaining wind down of all operations of Cumberland River.

NOTE 21 - GASB STATEMENTS ISSUED BUT NOT YET IMPLEMENTED

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. 96, *Subscription-Based Information Technology Arrangements*, this Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangement (“SBITAs”). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, fiscal year 2023 for the Medical Center, and all reporting periods thereafter.

NOTE 22 - 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
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios -
TCRS Pension Plan (Legacy) (Unaudited)
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 1,785,579	\$ 1,795,672	\$ 1,796,043	\$ 1,766,958	\$ 1,702,180	\$ 1,689,810	\$ 1,679,057
Interest	10,707,004	10,300,593	9,876,153	9,599,570	8,944,486	8,602,992	8,203,522
Changes in benefit terms	-	-	-	-	4,282,656	-	-
Differences between expected and actual experience	(1,398,911)	755,974	950,502	257,036	(542,888)	(713,628)	(64,380)
Changes in assumptions	-	-	-	2,798,873	-	-	-
Benefit payments/refunds	<u>(7,448,169)</u>	<u>(7,024,788)</u>	<u>(6,511,178)</u>	<u>(5,934,786)</u>	<u>(5,498,724)</u>	<u>(4,577,856)</u>	<u>(4,427,527)</u>
Net change in total pension liability	3,645,503	5,827,451	6,111,520	8,487,651	8,887,710	5,001,318	5,390,672
Total pension liability, beginning	<u>149,621,322</u>	<u>143,793,871</u>	<u>137,682,351</u>	<u>129,194,700</u>	<u>120,306,990</u>	<u>115,305,672</u>	<u>109,915,000</u>
Total pension liability, ending (a)	153,266,825	149,621,322	143,793,871	137,682,351	129,194,700	120,306,990	115,305,672
Plan Fiduciary Net Position							
Contributions, employer	4,284,343	4,403,814	3,824,755	3,463,073	3,230,243	3,098,708	2,868,403
Contributions, employee	28,553	48,821	30,229	12,956	55,959	64,305	21,800
Net investment income	6,462,533	9,229,386	9,703,478	12,162,299	2,834,483	3,248,066	15,179,084
Benefit payments, including refunds of employee contributions	<u>(7,448,169)</u>	<u>(7,024,788)</u>	<u>(6,511,178)</u>	<u>(5,934,786)</u>	<u>(5,498,724)</u>	<u>(4,577,856)</u>	<u>(4,427,527)</u>
Administrative expenses	<u>(35,305)</u>	<u>(37,724)</u>	<u>(40,079)</u>	<u>(35,258)</u>	<u>(31,075)</u>	<u>(20,940)</u>	<u>(19,857)</u>
Net change in plan fiduciary net position	3,291,955	6,619,509	7,007,205	9,668,284	590,886	1,812,283	13,621,903
Plan fiduciary net position, beginning	<u>131,875,944</u>	<u>125,256,435</u>	<u>118,249,230</u>	<u>108,580,946</u>	<u>107,990,060</u>	<u>106,177,777</u>	<u>92,555,874</u>
Plan fiduciary net position, ending (b)	135,167,899	131,875,944	125,256,435	118,249,230	108,580,946	107,990,060	106,177,777
Net pension liability (asset), ending (a)-(b)	\$ 18,098,926	\$ 17,745,378	\$ 18,537,436	\$ 19,433,121	\$ 20,613,754	\$ 12,316,930	\$ 9,127,895
Plan fiduciary net position as a percentage of total pension liability	88.19%	88.14%	87.11%	85.89%	84.04%	89.76%	92.08%
Covered payroll	\$ 19,851,037	\$ 20,291,272	\$ 19,434,967	\$ 19,088,349	\$ 18,760,682	\$ 19,317,797	\$ 17,871,672
Net pension liability (asset) as a percentage of covered payroll	91.17%	87.45%	95.38%	101.81%	109.88%	63.76%	51.07%

Notes to Schedule

Pension schedules are intended to show information for 10 years. Data will be displayed as it becomes available.

In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

Information in this schedule is presented for the fiscal year. The measurement year is the prior period (i.e., the measurement date for fiscal year 2021, is June 30, 2020).

Information regarding the Plan's annual money-weighted rate of return can be obtained in the separate TCRS report at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

City of Cookeville, Tennessee
Schedule of Employer Contributions -
TCRS Pension Plan (Legacy) (Unaudited)
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially-determined contribution	\$ 4,052,011	\$ 4,284,343	\$ 4,403,814	\$ 3,824,755	\$ 3,386,719	\$ 3,230,243	\$ 3,098,708	\$ 2,868,403
Contributions in relation to the actuarially-determined contribution	<u>4,052,011</u>	<u>4,284,343</u>	<u>4,403,814</u>	<u>3,824,755</u>	<u>3,463,073</u>	<u>3,230,243</u>	<u>3,098,708</u>	<u>2,868,403</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (76,354)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 18,796,267	\$ 19,851,037	\$ 20,291,272	\$ 19,434,967	\$ 19,088,349	\$ 18,760,682	\$ 19,317,787	\$ 17,871,672
Contributions as a percentage of covered payroll	21.56%	21.58%	21.70%	19.68%	18.14%	17.22%	16.04%	16.05%

Notes to Schedule

Pension schedules are intended to show information for 10 years. Data will be displayed as it becomes available.

In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

Actuarially determined contribution rates for fiscal year 2021 were calculated based on the June 30, 2019 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)
Amortization period	Varies by year
Asset valuation	10-year smoothed, within a 20.00% corridor to market value
Inflation	2.50%
Salary increases	Graded salary ranges from 8.72% to 3.44%, based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience, including adjustment for some anticipated improvement
Cost-of-living adjustment	2.25%

City of Cookeville, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios -
TCRS Pension Plan (Hybrid) (Unaudited)
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-	-
Changes in benefit terms	77,937	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-	-
Changes in assumptions	-	-	-	-	-	-	-
Benefit payments/refunds	-	-	-	-	-	-	-
Net change in total pension liability	77,937	-	-	-	-	-	-
Total pension liability, beginning	-	-	-	-	-	-	-
Total pension liability, ending (a)	77,937	-	-	-	-	-	-
Plan Fiduciary Net Position							
Contributions, employer	17,001	-	-	-	-	-	-
Contributions, employee	68,166	-	-	-	-	-	-
Net investment income	2,042	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	-	-	-	-	-	-	-
Administrative expenses	(2,819)	-	-	-	-	-	-
Net change in plan fiduciary net position	84,390	-	-	-	-	-	-
Plan fiduciary net position, beginning	-	-	-	-	-	-	-
Plan fiduciary net position, ending (b)	84,390	-	-	-	-	-	-
Net pension liability (asset), ending (a)-(b)	\$ (6,453)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of total pension liability	108.28%	n/a	n/a	n/a	n/a	n/a	n/a
Covered payroll	\$ 837,145	n/a	n/a	n/a	n/a	n/a	n/a
Net pension liability (asset) as a percentage of covered payroll	-0.77%	n/a	n/a	n/a	n/a	n/a	n/a

Notes to Schedule

Pension schedules are intended to show information for 10 years. Data will be displayed as it becomes available.

In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

Information regarding the Plan's annual money-weighted rate of return can be obtained in the separate TCRS report at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

City of Cookeville, Tennessee
Schedule of Employer Contributions -
TCRS Pension Plan (Hybrid) (Unaudited)
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially-determined contribution	\$ 44,375	\$ 17,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially-determined contribution	44,375	17,001	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,187,135	\$ 837,145	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	2.03%	2.03%	n/a	n/a	n/a	n/a	n/a	n/a

Notes to Schedule

Pension schedules are intended to show information for 10 years. Data will be displayed as it becomes available.

Actuarially determined contribution rates for fiscal year 2021 were calculated based on the June 30, 2019 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)
Amortization period	Varies by year
Asset valuation	10-year smoothed, within a 20.00% corridor to market value
Inflation	2.50%
Salary increases	Graded salary ranges from 8.72% to 3.44%, based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience, including adjustment for some anticipated improvement
Cost-of-living adjustment	2.25%

City of Cookeville, Tennessee
Schedule of Changes in OPEB Liability and Related Ratios -
OPEB Plan (Unaudited)
Last 10 Fiscal Years

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 2,194,805	\$ 1,656,278	\$ 1,577,408	\$ 1,922,342
Interest	1,078,596	1,319,600	1,345,634	1,597,292
Changes in benefit terms	-	-	(163,174)	-
Differences between expected and actual experience	5,271,598	-	(10,758,504)	-
Changes in assumptions	5,831,529	-	7,947,881	-
Benefit payments/refunds	(1,335,052)	(961,241)	(894,178)	(918,016)
Other	-	-	-	-
Net change in total OPEB liability	<u>13,041,476</u>	<u>2,014,637</u>	<u>(944,933)</u>	<u>2,601,618</u>
Total OPEB liability, beginning	<u>48,617,108</u>	<u>46,602,471</u>	<u>47,547,404</u>	<u>44,945,786</u>
Total OPEB liability, ending (a)	61,658,584	48,617,108	46,602,471	47,547,404
Plan Fiduciary Net Position				
Contributions, employer	1,335,052	961,241	894,178	918,016
Contributions, employee	-	-	-	-
Net investment income	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,335,052)	(961,241)	(894,178)	(918,016)
Administrative expenses	-	-	-	-
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position, ending (b)	-	-	-	-
OPEB liability, ending (a)-(b)	\$ 61,658,584	\$ 48,617,108	\$ 46,602,471	\$ 47,547,404
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 19,320,161	\$ 19,974,898	\$ 19,114,735	\$ 18,038,717
OPEB liability as a percentage of covered-employee payroll	319.14%	243.39%	243.80%	263.59%

Notes to Schedule

OPEB schedules are intended to show information for 10 years. Data will be displayed as it becomes available.

There are no assets accumulating in a trust that meets the criteria in GASB Statement No. 75, paragraph 4.

City of Cookeville, Tennessee
Schedule of Employer Contributions -
OPEB Plan (Unaudited)
Last 10 Fiscal Years

	2021	2020	2019	2018
Actuarially-determined contribution	\$ 6,398,208	\$ 4,962,273	\$ 4,617,277	\$ 4,973,805
Contributions in relation to the actuarially-determined contribution	<u>1,335,052</u>	<u>961,241</u>	<u>894,178</u>	<u>918,016</u>
Contribution deficiency (excess)	\$ 5,063,156	\$ 4,001,032	\$ 3,723,099	\$ 4,055,789
Covered-employee payroll	\$ 19,320,161	\$ 19,974,898	\$ 19,114,735	\$ 18,038,717
Contributions as a percentage of covered-employee payroll	6.91%	4.81%	4.68%	5.09%

Notes to Schedule

OPEB schedules are intended to show information for 10 years. Data will be displayed as it becomes available.

There are no assets accumulating in a trust that meets the criteria in GASB Statement No. 75, paragraph 4.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Average working lifetime of all participants, currently 7 years
Discount rate	2.18%
Healthcare cost trend rate	6.25% graded uniformly to 5.75% over 3 years and following the Getzen Model thereafter to an ultimate rate of 4.04% in the year 2075
Salary increases	4.50% per annum
Retirement age	Vary by age from 10.5% at age 60 to 100% at age 75, with less than 15 years of City service and 12.5% at age 60 to 100% at age 75, with 15 years or more of City service.
Mortality	TCRS Local Government Mortality Rates (projected to 2020) and TCRS Local Government Disability Rates

Changes in assumptions:

In 2021, the following changes were made to the actuarial assumptions and methods for this measurement period: (1) the discount rate is 2.18% based on the S&P 500 High Grade 20 Year Rate Index as of June 30, 2021, compared to prior discount rate of 2.79% based on the S&P Municipal Bond 20 Year High Grade Rate Index; (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 7.50% grading uniformly over 3 years and following the Getzen Model thereafter to an ultimate rate of 3.94% in the year 2075 to 6.25% graded uniformly to 5.75% over 3 years and following the Getzen Model thereafter to an ultimate rate of 4.04% 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.

Combining and Individual Fund Information
and Other Supplementary Information

City of Cookeville, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	Drug	State street aid	Sanitation	Animal control board	Economic development	Quality of life	Total
Assets							
Cash and cash equivalents	\$ 447,750	\$ 1,855,714	\$ 964,807	\$ 1,497,716	\$ 1,953,704	\$ 832,156	\$ 7,551,847
Accounts receivable	-	-	220,731	-	-	-	220,731
Taxes receivable	-	-	385,524	-	288,852	97,837	772,213
Less: allowance for bad debts	-	-	(9,690)	-	-	-	(9,690)
Other receivables	-	250,682	-	1,367	68,701	132,314	453,064
Due from other funds	-	-	2,506	-	2,324	669	5,499
Total assets	\$ 447,750	\$ 2,106,396	\$ 1,563,878	\$ 1,499,083	\$ 2,313,581	\$ 1,062,976	\$ 8,993,664
Liabilities							
Accounts payable	\$ 32	\$ 1,729	\$ 33,193	\$ 10,319	\$ 800	\$ 14,100	\$ 60,173
Due to other funds	32	2,679	38,250	1,289	690	111	43,051
Unearned revenues	-	4,677	-	1,677	-	35,056	41,410
Other liabilities	76,122	459,420	39	1,865	10,000	-	547,446
Total liabilities	76,186	468,505	71,482	15,150	11,490	49,267	692,080
Deferred Inflows of Resources							
Deferred property tax revenues	-	-	385,524	-	288,852	97,837	772,213
Fund Balances							
Restricted	371,564	1,637,891	1,106,872	-	-	429,104	3,545,431
Committed	-	-	-	1,483,933	2,013,239	486,768	3,983,940
Total fund balances	371,564	1,637,891	1,106,872	1,483,933	2,013,239	915,872	7,529,371
Total liabilities, deferred inflows of resources, and fund balances	\$ 447,750	\$ 2,106,396	\$ 1,563,878	\$ 1,499,083	\$ 2,313,581	\$ 1,062,976	\$ 8,993,664

City of Cookeville, Tennessee
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Drug	State street aid	Sanitation	Animal control board	Economic development	Quality of life	Total
Revenues							
Local taxes	\$ -	\$ -	\$ 375,741	\$ -	\$ 285,486	\$ 727,051	\$ 1,388,278
Fines and forfeitures	145,172	-	-	-	-	-	145,172
Charges for services	-	-	1,814,339	145,801	-	-	1,960,140
Intergovernmental	-	1,193,133	1,550	103,422	-	-	1,298,105
Uses of money and property	1,209	4,590	2,737	2,626	4,691	1,726	17,579
Rent	-	-	-	-	28,205	-	28,205
Other	-	5,070	1,774	98,742	-	34,000	139,586
Total revenues	<u>146,381</u>	<u>1,202,793</u>	<u>2,196,141</u>	<u>350,591</u>	<u>318,382</u>	<u>762,777</u>	<u>4,977,065</u>
Expenditures							
Current							
Public safety	51,718	-	-	365,925	-	-	417,643
Public works	-	1,017,086	1,821,939	-	-	-	2,839,025
Culture and recreation	-	-	-	-	-	172,032	172,032
Economic development	-	-	-	-	27,665	-	27,665
Capital outlay	<u>142,672</u>	<u>84,515</u>	<u>624,693</u>	<u>80,905</u>	<u>-</u>	<u>103,753</u>	<u>1,036,538</u>
Total expenditures	194,390	1,101,601	2,446,632	446,830	27,665	275,785	4,492,903
Excess (deficiency) of revenues over expenditures	(48,009)	101,192	(250,491)	(96,239)	290,717	486,992	484,162
Other Financing Sources (Uses)							
Transfers in	-	-	-	88,000	-	-	88,000
Transfers out	-	-	-	-	(75,000)	(6,265)	(81,265)
Insurance proceeds	-	-	-	-	-	54,010	54,010
Sale of capital assets	<u>4,100</u>	<u>-</u>	<u>13,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,497</u>
Total other financing sources (uses)	4,100	-	13,397	88,000	(75,000)	47,745	78,242
Net change in fund balances	(43,909)	101,192	(237,094)	(8,239)	215,717	534,737	562,404
Fund balances, beginning of year	415,473	1,439,198	1,343,966	1,492,172	1,797,522	381,135	6,869,466
Prior period adjustment	<u>-</u>	<u>97,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,501</u>
Fund balances, end of year	\$ 371,564	\$ 1,637,891	\$ 1,106,872	\$ 1,483,933	\$ 2,013,239	\$ 915,872	\$ 7,529,371

City of Cookeville, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Drug
For the Year Ended June 30, 2021

	Budgeted amounts		Actual amounts	Variance from final budget +/-
	Original	Final		
Revenues				
Fines, forfeitures, and penalties	\$ 45,000	\$ 95,000	\$ 145,172	\$ 50,172
Uses of money and property	<u>2,000</u>	<u>2,000</u>	<u>1,209</u>	<u>(791)</u>
Total revenues	47,000	97,000	146,381	49,381
Expenditures				
Investigative	20,000	20,000	12,750	7,250
Seized property	2,500	2,500	1,534	966
Equipment and materials	75,000	124,000	79,748	44,252
Travel training	2,000	2,000	-	2,000
Other	300	300	277	23
Vehicles	<u>100,000</u>	<u>101,000</u>	<u>100,081</u>	<u>919</u>
Total expenditures	199,800	249,800	194,390	55,410
Excess (deficiency) of revenues over expenditures	(152,800)	(152,800)	(48,009)	104,791
Other Financing Sources (Uses)				
Sale of capital assets	-	-	4,100	4,100
Net change in fund balance	(152,800)	(152,800)	(43,909)	108,891
Fund balance, beginning of year	<u>415,473</u>	<u>415,473</u>	<u>415,473</u>	<u>-</u>
Fund balance, end of year	\$ 262,673	\$ 262,673	\$ 371,564	\$ 108,891

City of Cookeville, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
State Street Aid
For the Year Ended June 30, 2021

	Budgeted amounts		Actual amounts	Variance from final budget +/-
	Original	Final		
Revenues				
Intergovernmental				
State gasoline and motor fuel	\$ 1,028,082	\$ 1,078,082	\$ 578,842	\$ (499,240)
State - 3 cent tax	-	-	167,216	167,216
State - Gas 1989	-	-	90,243	90,243
State - Gas 2017	-	-	291,144	291,144
Surface transportation grants	479,561	479,561	61,344	(418,217)
TDOT grants	1,479,573	1,479,573	4,344	(1,475,229)
Other	-	-	5,070	5,070
Uses of money and property	6,500	6,500	4,590	(1,910)
Total revenues	2,993,716	3,043,716	1,202,793	(1,840,923)
Expenditures				
Paving and street maintenance	825,000	825,000	762,473	62,527
Sidewalk improvements	50,000	50,000	4,251	45,749
Intersection improvements	60,000	60,000	35,155	24,845
Street maintenance supplies	50,000	50,000	43,735	6,265
Sidewalk construction projects	2,332,333	2,332,333	208,654	2,123,679
Professional services	-	45,000	13,000	32,000
Capital outlay	185,000	185,000	-	185,000
Other	45,200	45,200	34,333	10,867
Total expenditures	3,547,533	3,592,533	1,101,601	2,490,932
Net change in fund balance	(553,817)	(548,817)	101,192	650,009
Fund balance, beginning of year	1,439,198	1,439,198	1,439,198	-
Prior period adjustment	97,501	97,501	97,501	-
Fund balance, end of year	\$ 982,882	\$ 987,882	\$ 1,637,891	\$ 650,009

City of Cookeville, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Sanitation
For the Year Ended June 30, 2021

	Budgeted amounts		Actual amounts	Variance from final budget +/(-)
	Original	Final		
Revenues				
Property taxes	\$ 364,200	\$ 364,200	\$ 375,741	\$ 11,541
Charges for services	1,668,000	1,763,000	1,814,339	51,339
Intergovernmental	-	-	1,550	1,550
Uses of money and property	7,000	7,000	2,737	(4,263)
Other	-	-	1,774	1,774
Total revenues	<u>2,039,200</u>	<u>2,134,200</u>	<u>2,196,141</u>	<u>61,941</u>
Expenditures				
Personnel	612,500	737,755	702,771	34,984
Taxes and fringes	304,920	309,220	283,405	25,815
Materials and supplies	15,400	15,400	7,908	7,492
Vehicle	457,000	517,000	476,823	40,177
Fixed charges	23,600	28,600	50,280	(21,680)
Other operating	123,700	123,700	119,521	4,179
Landfill services	70,000	70,000	64,843	5,157
Other equipment	188,500	188,500	116,388	72,112
Capital outlay, vehicles	350,000	625,000	624,693	307
Total expenditures	<u>2,145,620</u>	<u>2,615,175</u>	<u>2,446,632</u>	<u>168,543</u>
Excess (deficiency) of revenues over expenditures	(106,420)	(480,975)	(250,491)	230,484
Other Financing Sources (Uses)				
Sale of capital assets	-	-	13,397	13,397
Net change in fund balance	(106,420)	(480,975)	(237,094)	243,881
Fund balance, beginning of year	<u>1,343,966</u>	<u>1,343,966</u>	<u>1,343,966</u>	<u>-</u>
Fund balance, end of year	\$ 1,237,546	\$ 862,991	\$ 1,106,872	\$ 243,881

City of Cookeville, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Animal Control Board
For the Year Ended June 30, 2021

	Budgeted amounts		Actual amounts	Variance from final budget +/-
	Original	Final		
Revenues				
Charges for services	\$ 165,500	\$ 165,500	\$ 145,801	\$ (19,699)
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	-
Other governmental, state	-	-	672	672
Uses of money and property	10,000	10,000	2,626	(7,374)
Other	40,000	90,999	98,742	7,743
Total revenues	321,350	372,349	350,591	(21,758)
Expenditures				
Personnel	184,500	184,500	168,673	15,827
Taxes and fringes	45,614	45,614	42,218	3,396
Utility	30,000	30,000	21,830	8,170
Supplies and maintenance	58,150	58,150	53,242	4,908
Spay and neuter services	85,000	85,000	70,074	14,926
Other	12,000	12,000	9,888	2,112
Capital outlay	40,000	90,999	80,905	10,094
Total expenditures	455,264	506,263	446,830	59,433
Excess (deficiency) of revenues over expenditures	(133,914)	(133,914)	(96,239)	37,675
Other Financing Sources (Uses)				
Transfers in	88,000	88,000	88,000	-
Net change in fund balance	(45,914)	(45,914)	(8,239)	37,675
Fund balance, beginning of year	1,492,172	1,492,172	1,492,172	-
Fund balance, end of year	\$ 1,446,258	\$ 1,446,258	\$ 1,483,933	\$ 37,675

City of Cookeville, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Economic Development
For the Year Ended June 30, 2021

	Budgeted amounts		Actual amounts	Variance from final budget + / (-)
	Original	Final		
Revenues				
Taxes				
Current property taxes	\$ 267,900	\$ 267,900	\$ 274,175	\$ 6,275
Delinquent property taxes	5,000	5,000	8,924	3,924
Penalties and Interest	1,000	1,000	2,387	1,387
Uses of money and property	15,000	15,000	4,691	(10,309)
Rental income	<u>10,000</u>	<u>10,000</u>	<u>28,205</u>	<u>18,205</u>
Total revenues	298,900	298,900	318,382	19,482
Expenditures				
Capital outlay	75,000	75,000	-	75,000
Economic development	35,000	35,000	26,838	8,162
Industrial recruitment	120,000	120,000	-	120,000
Other	<u>11,100</u>	<u>11,100</u>	<u>827</u>	<u>10,273</u>
Total expenditures	241,100	241,100	27,665	213,435
Excess (deficiency) of revenues over expenditures	57,800	57,800	290,717	232,917
Other Financing Sources (Uses)				
Transfers out	(75,000)	(75,000)	(75,000)	-
Net change in fund balance	(17,200)	(17,200)	215,717	232,917
Fund balance, beginning of year	<u>1,797,522</u>	<u>1,797,522</u>	<u>1,797,522</u>	<u>-</u>
Fund balance, end of year	\$ 1,780,322	\$ 1,780,322	\$ 2,013,239	\$ 232,917

City of Cookeville, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Quality of Life
For the Year Ended June 30, 2021

	Budgeted amounts		Actual amounts	Variance from final budget +/-
	Original	Final		
Revenues				
Taxes				
Current property taxes	\$ 89,300	\$ 89,300	\$ 91,392	\$ 2,092
Delinquent property taxes	1,400	1,400	2,231	831
Penalties and interest	400	400	613	213
Room occupancy tax	360,000	360,000	632,815	272,815
Uses of money and property	4,000	4,000	1,726	(2,274)
Contributions	100,000	100,000	34,000	(66,000)
Other	10,400	10,400	-	(10,400)
Total revenues	565,500	565,500	762,777	197,277
Expenditures				
Parks and recreation				
Public relations/promotions	8,000	8,000	8,000	-
Park improvements	581,500	581,500	178,119	403,381
Park plan consultant	-	-	89,500	(89,500)
Materials and supplies	3,000	3,000	-	3,000
Other	100	100	166	(66)
Total expenditures	592,600	592,600	275,785	316,815
Excess (deficiency) of revenues over expenditures	(27,100)	(27,100)	486,992	514,092
Other Financing Sources (Uses)				
Transfers out	(6,265)	(6,265)	(6,265)	-
Insurance proceeds	-	-	54,010	54,010
Total other financing sources (uses)	(6,265)	(6,265)	47,745	54,010
Net change in fund balance	(33,365)	(33,365)	534,737	568,102
Fund balance, beginning of year	381,135	381,135	381,135	-
Fund balance, end of year	\$ 347,770	\$ 347,770	\$ 915,872	\$ 568,102

City of Cookeville, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Debt Service
For the Year Ended June 30, 2021

	Budgeted amounts		Actual amounts	Variance from final budget +/-)
	Original	Final		
Revenues				
Taxes				
Current property taxes	\$ 357,200	\$ 357,200	\$ 365,567	\$ 8,367
Delinquent property taxes	6,000	6,000	9,250	3,250
Penalties and interest	2,000	2,000	2,730	730
In-lieu of taxes	700,000	700,000	700,000	-
Intergovernmental				
State shared sales tax	2,492,320	2,492,320	3,305,328	813,008
Other intergovernmental	47,870	47,870	8,410	(39,460)
Uses of money and property	130,000	130,000	25,596	(104,404)
Rent	26,172	26,172	26,172	-
Total revenues	3,761,562	3,761,562	4,443,053	681,491
Expenditures				
Administrative	20,800	13,300	2,111	11,189
Debt service				
Principal	2,485,000	6,364,000	6,496,000	(132,000)
Interest	1,018,457	856,875	508,218	348,657
Total expenditures	3,524,257	7,234,175	7,006,329	227,846
Net change in fund balance	237,305	(3,472,613)	(2,563,276)	909,337
Fund balance, beginning of year	14,073,208	14,073,208	14,073,208	-
Prior period adjustment	261,633	261,633	261,633	-
Fund balance, end of year	\$ 14,572,146	\$ 10,862,228	\$ 11,771,565	\$ 909,337

City of Cookeville, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
General Improvement Bond
For the Year Ended June 30, 2021

	Budgeted amounts		Actual amounts	Variance from final budget + / (-)
	Original	Final		
Revenues				
Uses of money and property	\$ 5,000	\$ 5,000	\$ 1,001	\$ (3,999)
Other revenues	<u>-</u>	<u>-</u>	<u>54,242</u>	<u>54,242</u>
Total revenues	5,000	5,000	55,243	50,243
Expenditures				
Administrative	200	200	203	(3)
Issuance costs	200,000	200,000	109,767	90,233
City park improvements	204,124	204,124	74,416	129,708
Public safety				
Police facilities	16,968,096	16,968,096	8,367,254	8,600,842
Fire apparatus	2,000,000	2,000,000	1,965,694	34,306
Public works				
Road projects	<u>481,875</u>	<u>481,875</u>	<u>143,763</u>	<u>338,112</u>
Total expenditures	19,854,295	19,854,295	10,661,097	9,193,198
Excess (deficiency) of revenues over expenditures	(19,849,295)	(19,849,295)	(10,605,854)	9,243,441
Other Financing Sources (Uses)				
Bonds issued	19,000,000	19,000,000	8,875,000	(10,125,000)
Premium on bonds issued	<u>-</u>	<u>-</u>	<u>1,113,049</u>	<u>1,113,049</u>
Total other financing sources (uses)	19,000,000	19,000,000	9,988,049	(9,011,951)
Net change in fund balance	(849,295)	(849,295)	(617,805)	231,490
Fund balance, beginning of year	<u>1,661,466</u>	<u>1,661,466</u>	<u>1,661,466</u>	<u>-</u>
Fund balance, end of year	\$ 812,171	\$ 812,171	\$ 1,043,661	\$ 231,490

City of Cookeville, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Transportation
For the Year Ended June 30, 2021

	Budgeted amounts		Actual amounts	Variance from final budget + / (-)
	Original	Final		
Revenues				
Taxes				
Current property taxes	\$ 1,337,600	\$ 1,337,600	\$ 1,370,874	\$ 33,274
Delinquent property taxes	1,000	1,000	28,545	27,545
Penalties and interest	300	300	4,880	4,580
Uses of money and property	<u>6,000</u>	<u>6,000</u>	<u>4,877</u>	<u>(1,123)</u>
Total revenues	1,344,900	1,344,900	1,409,176	64,276
Expenditures				
Other	150	150	95	55
Road projects				
10th Street improvements	600,000	600,000	153,084	446,916
Commerce Ave design	150,000	150,000	-	150,000
E. Hudgens St construction	100,000	100,000	29,272	70,728
W. Stevens St design	100,000	100,000	-	100,000
S. Walnut St design	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total expenditures	1,100,150	1,100,150	182,451	917,699
Net change in fund balance	244,750	244,750	1,226,725	981,975
Fund balance, beginning of year	<u>1,356,690</u>	<u>1,356,690</u>	<u>1,356,690</u>	<u>-</u>
Fund balance, end of year	\$ 1,601,440	\$ 1,601,440	\$ 2,583,415	\$ 981,975

City of Cookeville, Tennessee
 Schedule of Changes in Property Taxes Receivable
 For the Year Ended June 30, 2021

Tax year	Beginning balance	Property tax levied	Anticipated levy	Abatements and adjustments	Collections	Ending balance
2021	\$ -	\$ -	\$ 9,550,741	\$ -	\$ -	\$ 9,550,741
2020	9,322,499	9,309,718	(9,322,499)	(12,038)	(9,047,771)	249,909
2019	267,757	-	-	(39,030)	(188,394)	40,333
2018	43,369	-	-	(20,504)	(106)	22,759
2017	23,316	-	-	(442)	(6,835)	16,039
2016	19,006	-	-	(370)	(6,915)	11,721
2015	13,838	-	-	(3)	(7,472)	6,363
2014	8,390	-	-	(3)	(3,727)	4,660
2013	4,891	-	-	(3)	(1,849)	3,039
2012	5,602	-	-	(21)	(1,618)	3,963
2011	9,630	-	-	(3)	-	9,627
2010	8,588	-	-	(8,588)	-	-
	<u>\$ 9,726,886</u>	<u>\$ 9,309,718</u>	<u>\$ 228,242</u>	<u>\$ (81,005)</u>	<u>\$ (9,264,687)</u>	<u>9,919,154</u>
					Less: allowance	<u>(277,887)</u>
					Net	<u>\$ 9,641,267</u>

All uncollected delinquent taxes have been filed with the clerk and master

City of Cookeville, Tennessee
 Schedule of Tax Rates and Assessments
 June 30, 2021

	Tax year	Tax rate *	Assessed value
**	2021	\$0.82	\$1,140,143,591
	2020	0.99	\$ 918,473,528
	2019	0.99	\$ 906,755,137
	2018	0.84	\$ 876,476,137
	2017	0.84	\$ 845,819,639
**	2016	0.84	\$ 822,493,881
	2015	0.90	\$ 745,993,796
	2014	0.90	\$ 738,211,161
	2013	0.90	\$ 718,327,143
	2012	0.90	\$ 699,534,122

* Per \$100 of assessed value

** Reappraisal year

City of Cookeville, Tennessee
Schedule of Changes in Long-term Debt by Individual Issue
For the Year Ended June 30, 2021

	Original amount of issue	Interest rate	Date of issue	Last maturity date	Balance July 1, 2020	Issued during period	Paid and/or matured during period	Refunded during period	Balance June 30, 2021
Governmental Activities									
Bonds Payable									
Build America Bonds	\$ 7,200,000	1.55% - 5.05%	12/15/10	06/01/26	\$ 3,215,000	\$ -	\$ (3,215,000)	\$ -	\$ -
General Obligation Bonds									
Series 2013	\$ 4,300,000	2.00% - 3.20%	12/19/13	06/01/29	2,590,000	-	(255,000)	-	2,335,000
Series 2015	\$ 9,815,000	2.00% - 2.75%	11/10/15	06/01/31	7,340,000	-	(600,000)	-	6,740,000
Series 2017	\$ 2,800,000	2.00% - 3.00%	11/15/17	06/01/27	1,660,000	-	(230,000)	-	1,430,000
Series 2020	\$ 8,875,000	3.00%	09/18/20	06/01/35	-	8,875,000	(595,000)	-	8,280,000
Total bonds payable through debt service fund					14,805,000	8,875,000	(4,895,000)	-	18,785,000
Notes Payable									
General Improvement									
TMBF 2007	\$ 3,200,000	Variable	10/18/07	05/25/23	798,000	-	(798,000)	-	-
TMBF 2008	\$ 2,350,000	Variable	12/29/08	05/25/24	803,000	-	(803,000)	-	-
Total notes payable through debt service fund					1,601,000	-	(1,601,000)	-	-
Total governmental activities					\$ 16,406,000	\$ 8,875,000	\$ (6,496,000)	\$ -	\$ 18,785,000
Business-type Activities									
Bonds Payable									
Payable through electric department									
Electric System Revenue and Tax Bonds, Series 2013	\$ 4,000,000	2.00% - 3.00%	02/15/12	12/01/26	\$ 2,050,000	\$ -	\$ (270,000)	\$ -	\$ 1,780,000
Notes Payable									
Payable through electric department									
General Improvement, TMBF	\$ 6,000,000	Variable	10/30/08	05/25/24	2,050,000	-	(2,050,000)	-	-
Payable through water quality control department									
State Revolving Loan	\$ 2,074,887	2.50%	09/03/09	02/01/31	1,236,368	-	(102,432)	-	1,133,936
Total notes payable					3,286,368	-	(2,152,432)	-	1,133,936
Total business-type activities					\$ 5,336,368	\$ -	\$ (2,422,432)	\$ -	\$ 2,913,936

City of Cookeville, Tennessee
 General Long-term Debt
 Summary of Bonds Payable Debt Service Requirements
 June 30, 2021

Fiscal year maturity	2013 General Obligation Bonds	2015 General Obligation Bonds	2017 General Obligation Bonds	2020 General Obligation Bonds	Total	Future interest requirements
2022	\$ 260,000	\$ 610,000	\$ 230,000	\$ 595,000	\$ 1,695,000	\$ 513,379
2023	270,000	625,000	235,000	595,000	1,725,000	468,629
2024	275,000	635,000	235,000	595,000	1,740,000	425,479
2025	285,000	650,000	240,000	595,000	1,770,000	381,979
2026	295,000	660,000	245,000	590,000	1,790,000	335,796
2027	305,000	675,000	245,000	590,000	1,815,000	287,681
2028	315,000	695,000	-	590,000	1,600,000	238,065
2029	330,000	710,000	-	590,000	1,630,000	192,910
2030	-	730,000	-	590,000	1,320,000	146,900
2031	-	750,000	-	590,000	1,340,000	109,125
2032	-	-	-	590,000	590,000	70,800
2033	-	-	-	590,000	590,000	53,100
2034	-	-	-	590,000	590,000	35,400
2035	-	-	-	590,000	590,000	17,700
	<u>\$ 2,335,000</u>	<u>\$ 6,740,000</u>	<u>\$ 1,430,000</u>	<u>\$ 8,280,000</u>	<u>\$ 18,785,000</u>	<u>\$ 3,276,943</u>

City of Cookeville, Tennessee
 Electric Department - Proprietary Fund
 Bonds Payable Debt Service Requirements
 June 30, 2021

Fiscal year maturity	Revenues and Tax Bonds Series 2012 principal	Future interest requirements
2022	\$ 275,000	\$ 35,413
2023	285,000	28,438
2024	290,000	22,687
2025	300,000	16,787
2026	310,000	10,493
2027	320,000	3,600
	<u>\$ 1,780,000</u>	<u>\$ 117,418</u>

City of Cookeville, Tennessee
 Water Quality Control Board - Proprietary Fund
 Notes Payable Debt Service Requirements
 June 30, 2021

Fiscal year maturity	State of Tennessee 2.50% Revolving	Future interest requirements
2022	\$ 105,024	\$ 27,144
2023	107,676	24,492
2024	110,400	21,768
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
	\$ 1,133,936	\$ 143,605

City of Cookeville, Tennessee
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2021

Grantor / Pass-through grantor	Program name	Assistance listing	Contract number	Expenditures
Federal Awards				
U.S. Department of Justice / Tennessee Department of Finance and Administration	COVID-19 - Coronavirus Emergency Supplemental Funding	16.034	42744	\$ 9,532
	Crime Victim Assistance	16.575	2017-VA-GX-0051	55,092
N/A - Direct	Bulletproof Vest Partnership Program	16.607	10052537	7,944
U.S. Department of Transportation /				
Tennessee Department of Transportation	<u>Highway Planning and Construction Cluster</u> Highway Planning and Construction	20.205	STP-M-9204(12)	61,344
Tennessee Department of Safety & Homeland Security	<u>Highway Safety Cluster</u> State and Community Highway Safety	20.600	Z20THSO59	2,807
		20.600	Z20THSO60	4,984
		20.600	Z21THSO69	16,221
		20.600	Z21THSO70	<u>13,017</u>
				37,029
	Alcohol Open Container Requirements	20.607	Z20THSO58	4,883
		20.607	Z21THSO71	<u>36,253</u>
				41,136
U.S. Department of the Treasury / Tennessee Department of Finance and Administration	COVID-19 - Coronavirus Relief Fund	21.019		510,075
Executive Office of the President, Office of National Drug Control Policy / Laurel County Fiscal Court	High Intensity Drug Trafficking Areas Program (HIDTA)	95.001	G20AP0001A	4,624
		95.001	G21AP0001A	<u>5,164</u>
				9,788
U.S. Department of Homeland Security / Tennessee Department of Military, Tennessee Emergency Management Agency	Disaster Grants - Public Assistance	97.036	<u>FEMA-4476-DR-TN</u> TEMA No. 34101-15921	6,937
		97.036	TEMA No. 34101-17221	<u>676,600</u>
				<u>683,537</u>
Total federal awards				1,415,477

City of Cookeville, Tennessee
 Schedule of Expenditures of Federal Awards and State Financial Assistance
 For the Year Ended June 30, 2021

Grantor / Pass-through grantor	Program name	Assistance listing	Contract number	Expenditures
State Financial Assistance				
Tennessee Department of Finance and Administration / N/A - Direct	Direct Appropriation Grant			\$ 780,438
Metro Nashville Police Department	Internet Crimes Against Children (ICAC)			15,000
Tennessee Department of Transportation	Multi-Modal Access		71LPLM-S3-025	13,136
Tennessee Arts Commission / Upper Cumberland Development District	Arts Build Communities Grant		1806-06220	1,625
Tennessee Department of Military, Tennessee Emergency Management Agency	Disaster Grants - Public Assistance		34101-17221	101,297
Tennessee Department of Agriculture, Division of Forestry	TAEP Community Tree Planting		21005	<u>2,760</u>
Total state financial assistance				914,256
Total federal awards and state financial assistance				\$ 2,329,733

Notes

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state award activity of the City under programs of the federal and state governments for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 2. Loans Outstanding

None.

Note 3. Indirect Cost Rate

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

Note 4. FEMA/TEMA Expenditures Incurred in Prior Year

The amounts reported for FEMA/TEMA (97.036) include \$784,834 incurred in a prior year (\$683,537 federal and \$101,297 state).

City of Cookeville, Tennessee
 Schedule of Utility Rates (Unaudited)
 Electric Department
 June 30, 2021

		Retail Rate 6/1/2021 w/wholesale FCA
		.01733 (all other)
		.01577 (LMS)
		.01604 (LGS)
Residential	Customer Charge	\$10.00
Alternate Usage Blocks	Block1 kWh (1st 800 kwh)	\$0.09539
	Block2 kWh (additional kwh)	\$0.09053
GSA1	Customer Charge	\$20.00
	All kWh	\$0.10513
GSA2	Customer Charge	\$50.00
	1st 15,000 kWh	\$0.10575
	Additional kWh	\$0.05908
	kWh, 0-50	\$0.00
	kWh, 51-1,000	\$13.83
GSA3	Customer Charge	\$100.00
	All kWh	\$0.06316
	kWh, 0-1,000	\$12.71
	kWh, 1,001 - 5,000	\$12.69
TOU-General Power	Customer Charge	\$1,500.00
SGSB	Demand Charge	
	Onpeak	\$10.87
	Maximum	\$5.21
	Excess Over Contract	\$10.87
	Energy Charge	
	Onpeak	\$0.08165
	Offpeak First 200 hours	\$0.05674
	Offpeak Next 200 hours	\$0.02216
	Offpeak Additional kWh	\$0.01875
TOU-Manufacturing	Customer Charge	\$1,500.00
SMSB	Demand Charge	
	Onpeak	\$10.24
	Maximum	\$2.26
	Excess Over Contract	\$10.24
	Energy Charge	
	Onpeak	\$0.07403
	Offpeak First 200 hours	\$0.04903
	Offpeak Next 200 hours	\$0.01934
	Offpeak Additional kWh	\$0.01679
Outdoor Lighting	Customer Charge	\$2.50
	All kWh	\$0.06325

Charges for Outdoor Lighting for Individual Customers

			6/1/2021	
	KWH	FAC Rental	Energy	Total
			\$0.06007	
100 WHPS	42	5.13	2.66	7.79
129 LED-FLOOD	46	12.41	2.91	15.32
250 LED-VERD	51	8.78	3.23	12.01
252 LED-FLOOD	91	18.68	5.76	24.44
250 WHPS	105	7.10	6.64	13.74
250 WHPS-FLOOD	105	11.09	6.64	17.73
400 WHPS	165	7.10	10.44	17.54
400 WHPS-FLOOD	165	11.09	10.44	21.53
175 WMV	70	4.21	4.43	8.64
400 WMV	155	5.49	9.80	15.29
250 WMHD	105	7.74	6.64	14.38
350 WMHD-FLOOD	140	8.14	8.86	17.00
350 WMHD-SHOE	140	9.84	8.86	18.70
400 WMHD	165	7.78	10.44	18.22
1000 WMHD	398	9.42	25.17	34.59
LED 50 CARETAKER	17	6.73	1.08	7.81
LED 75 CARETAKER	27	6.16	1.71	7.87
LED TYPE 3 REGULAR	130	18.99	8.22	27.21
LED TYPE 5 REGULAR	130	18.72	8.22	26.94
LED TYPE 5 SHOE	130	15.97	8.22	24.19

City of Cookeville, Tennessee
Schedule of Utility Rates (Unaudited)
Gas Department
June 30, 2021

Residential Rate - Rate 622 & 613 at July 1, 2021

Monthly rate (inside): First 5,000 cu. ft. for \$.866 per 100 cu. ft.
Next 5,000 cu. ft. for \$.822 per 100 cu. ft.
All additional for \$.813 per 100 cu. ft.

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

Monthly rate (outside): First 5,000 cu. ft. for \$.975 per 100 cu. ft.
Next 5,000 cu. ft. for \$.921 per 100 cu. ft.
All additional for \$.910 per 100 cu. ft.

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

Commercial Rate - Rates 614 and 636 at July 1, 2021

Monthly rate (inside): First 5,000 cu. ft. for \$.910 per 100 cu. ft.
Next 10,000 cu. ft. for \$.862 per 100 cu. ft.
All additional for \$.852 per 100 cu. ft.

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

Monthly rate (outside): First 5,000 cu. ft. for \$1.030 per 100 cu. ft.
Next 10,000 cu. ft. for \$.970 per 100 cu. ft.
All additional for \$.958 per 100 cu. ft.

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

Industrial Rate - Rate 650 & 651 at July 1, 2021

Monthly rate (inside): First 10,000 cu. ft. for \$.924 per 100 cu. ft.
Next 20,000 cu. ft. for \$.874 per 100 cu. ft.
All additional for \$.865 per 100 cu. ft.

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

Monthly rate (outside): First 10,000 cu. ft. for \$1.048 per 100 cu. ft.
Next 20,000 cu. ft. for \$.986 per 100 cu. ft.
All additional for \$.973 per 100 cu. ft.

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

Interruptible Rate - Rate Code 690

\$4.220 per 100 cu. ft. (inside)

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

City of Cookeville, Tennessee
Schedule of Utility Rates (Unaudited)
Water Quality Control Department
June 30, 2021

Inside Water Rates

Zero Usage (Base Charge)	\$7.10 (minimum bill)
All gallons over zero usage	\$3.65 per 1,000 gallons

Outside Water Rates

Zero Usage (Base Charge)	\$10.65 (minimum bill)
All gallons over zero usage	\$5.48 per 1,000 gallons

Water Storage Rate

Each 1,000 gallons per month	\$0.19 per 1,000 gallons
------------------------------	--------------------------

Sewer Rates

Inside - Residential/Commercial/Industrial	\$6.15 per 1,000 gallons \$10.15 (minimum bill)
--	--

City of Cookeville, Tennessee
Schedule of Utility Customers (Unaudited)
As of June 30, 2021

At June 30, 2021, the utility departments serviced the following number of customers:

Department	Number of customers
Electric	18,937
Gas	10,279
Water	15,201
Sewer	15,667
Sanitation	1,131



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: 2021 7/2020 - 6/2021

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

System Attributes:

	Apparent Losses:	41.266	MG/Yr
+	Real Losses:	1,100.909	MG/Yr
=	<u>Water Losses:</u>	1,142.175	MG/Yr

? Unavoidable Annual Real Losses (UARL): 171.65 MG/Yr

Annual cost of Apparent Losses: \$406,465

Annual cost of Real Losses: \$698,021 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:	28.4%	
		Non-revenue water as percent by cost of operating system:	12.2%	Real Losses valued at Variable Production Cost

Operational Efficiency:	{	Apparent Losses per service connection per day:	5.79	gallons/connection/day
		Real Losses per service connection per day:	154.52	gallons/connection/day
		Real Losses per length of main per day*:	N/A	
		Real Losses per service connection per day per psi pressure:	1.97	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 1,100.91 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 6.41

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

Internal Control and Compliance Section

City of Cookeville, Tennessee
Principal City Officials (Unaudited)
As of June 30, 2021

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



**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

City Council
City of Cookeville

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 the City of Cookeville (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 24, 2022. Our report includes a reference to other auditors who audited the financial statements of Cookeville Regional Medical Center Authority and The Public Building Authority of the City of Cookeville, Tennessee, 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
January 24, 2022



**Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

City Council
City of Cookeville

Report on Compliance for Each Major Federal Program

We have audited the City of Cookeville (the City)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs, based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Goodlettsville, Tennessee
January 24, 2022

City of Cookeville, Tennessee
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2021

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP 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

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? Yes X No

Identification of major programs:

Assistance Listing	Name of Federal Program or Cluster
97.036	U.S. Department of Homeland Security Disaster Grants – Public Assistance

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

City of Cookeville, Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section II. **Financial Statement Findings**

None

Section III. **Federal Award Findings and Questioned Costs**

None

Section IV. **Summary of Prior Audit Findings**

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