

# **City of Cookeville, Tennessee**

Annual Financial Report  
For the Year Ended June 30, 2022

**City of Cookeville, Tennessee**  
**Annual Financial Report**  
**For the Year Ended June 30, 2022**

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## **Introductory Section**

**City of Cookeville, Tennessee**  
Roster of Officials (Unaudited)  
As of June 30, 2022

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**Elected**

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

**Appointed**

James Mills	City Manager
Brenda Imel, CPA	Finance Director*
Darian Coons	City Clerk

\* Designated with financial oversight responsibility

## **Financial Section**



## Independent Auditor's Report

City Council  
City of Cookeville, Tennessee

### Report on the Audit of the Financial Statements

#### **Opinions**

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Cookeville Regional Medical Center Authority (the Medical Center) and Public Building Authority of the City of Cookeville, Tennessee (the Building Authority), whose statements reflect total assets and deferred outflows of resources of \$333,129,787 and total revenues of \$411,890,496. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Medical Center and the Building Authority, are based solely on the reports of the other auditors.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed,
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 employer contributions on pages 90-95 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary 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 combining and individual fund financial statements and schedules on pages 96-106 and other schedules on pages 107-114 (including the schedule of expenditures of federal awards and state financial assistance on pages 113-114, as required by Title 2 *US Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and individual fund financial statements and schedules on pages 96-106 and other schedules on pages 107-114 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and information on pages 115-119 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists; we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 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  
December 27, 2022

**City of Cookeville, Tennessee**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2022

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As management of the City of Cookeville, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. 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 exceeded its liabilities and deferred inflows at June 30, 2022 by approximately \$227,120,000 (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 (approximately \$199,432,000) and unrestricted resources available to continue City operations into the next fiscal year (approximately \$27,687,000).
- The government's total net position increased this year by approximately \$18,375,000. Net position of the governmental activities increased by approximately \$7,599,000 and those of the City's business type activities (utilities) increased by approximately \$10,776,000.
- As of June 30, 2022, the City's governmental funds reported combined ending fund balances of approximately \$62,408,000 an increase of \$8,191,000 in comparison with the prior year. Approximately 53% of this total amount, approximately \$33,300,000, 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 approximately \$33,300,000 or 111% of total general fund expenditures.
- The City's total bonds and notes payable increased by approximately \$5,599,000 (24.3%) during the current fiscal year. There was \$9,175,000 in new bonds issued in the governmental activities. \$6,740,000 in bonds outstanding were refunded and \$1,430,000 in bonds were called and paid off early in the governmental activities. In the business type activities, \$1,780,000 in bonds were refunded.
- The actuarially determined net pension assets increased by approximately \$34,795,000 to approximately \$18,092,000 at June 30, 2022, in large part due to a transfer of pension assets and related liabilities to Cookeville Regional Medical Center. 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 postemployment liability at June 30, 2022 is approximately \$47,310,000 of which approximately \$38,351,000 represents the liability for governmental activities and \$8,959,000 is for business-type activities. The City 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's basic financial statements. The City'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'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 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 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 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 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'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, assets plus deferred outflows exceeded liabilities plus deferred inflows by approximately \$227,120,000 at fiscal year end.

By far the largest portion of the City's net position (76.9%) 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'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, 2022 and 2021  
(amounts expressed in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Current assets	\$ 84,232	\$ 70,994	\$ 67,488	\$ 55,825	\$ 151,720	\$ 126,819
Capital assets	73,708	66,313	125,714	124,553	199,422	190,866
Other assets	13,328	3,892	7,726	489	21,054	4,381
Total assets	<u>171,268</u>	<u>141,199</u>	<u>200,928</u>	<u>180,867</u>	<u>372,196</u>	<u>322,066</u>
Deferred outflows of resources	<u>16,669</u>	<u>15,629</u>	<u>6,110</u>	<u>4,495</u>	<u>22,779</u>	<u>20,124</u>
Current liabilities	8,667	3,276	7,816	6,118	16,483	9,394
Long-term debt	26,121	20,068	2,534	2,988	28,655	23,056
Other liabilities	<u>40,717</u>	<u>66,602</u>	<u>11,409</u>	<u>17,043</u>	<u>52,126</u>	<u>83,645</u>
Total liabilities	<u>75,505</u>	<u>89,946</u>	<u>21,759</u>	<u>26,149</u>	<u>97,264</u>	<u>116,095</u>
Deferred inflows of resources	53,664	15,713	16,927	1,637	70,591	17,350
Net position						
Net investment in capital assets	51,538	48,426	123,180	121,564	174,718	169,990
Restricted	17,391	7,538	7,324	21	24,715	7,559
Unrestricted	<u>(10,161)</u>	<u>(4,795)</u>	<u>37,848</u>	<u>35,991</u>	<u>27,687</u>	<u>31,196</u>
Total net position	<b>\$ 58,768</b>	<b>\$ 51,169</b>	<b>\$ 168,352</b>	<b>\$ 157,576</b>	<b>\$ 227,120</b>	<b>\$ 208,745</b>

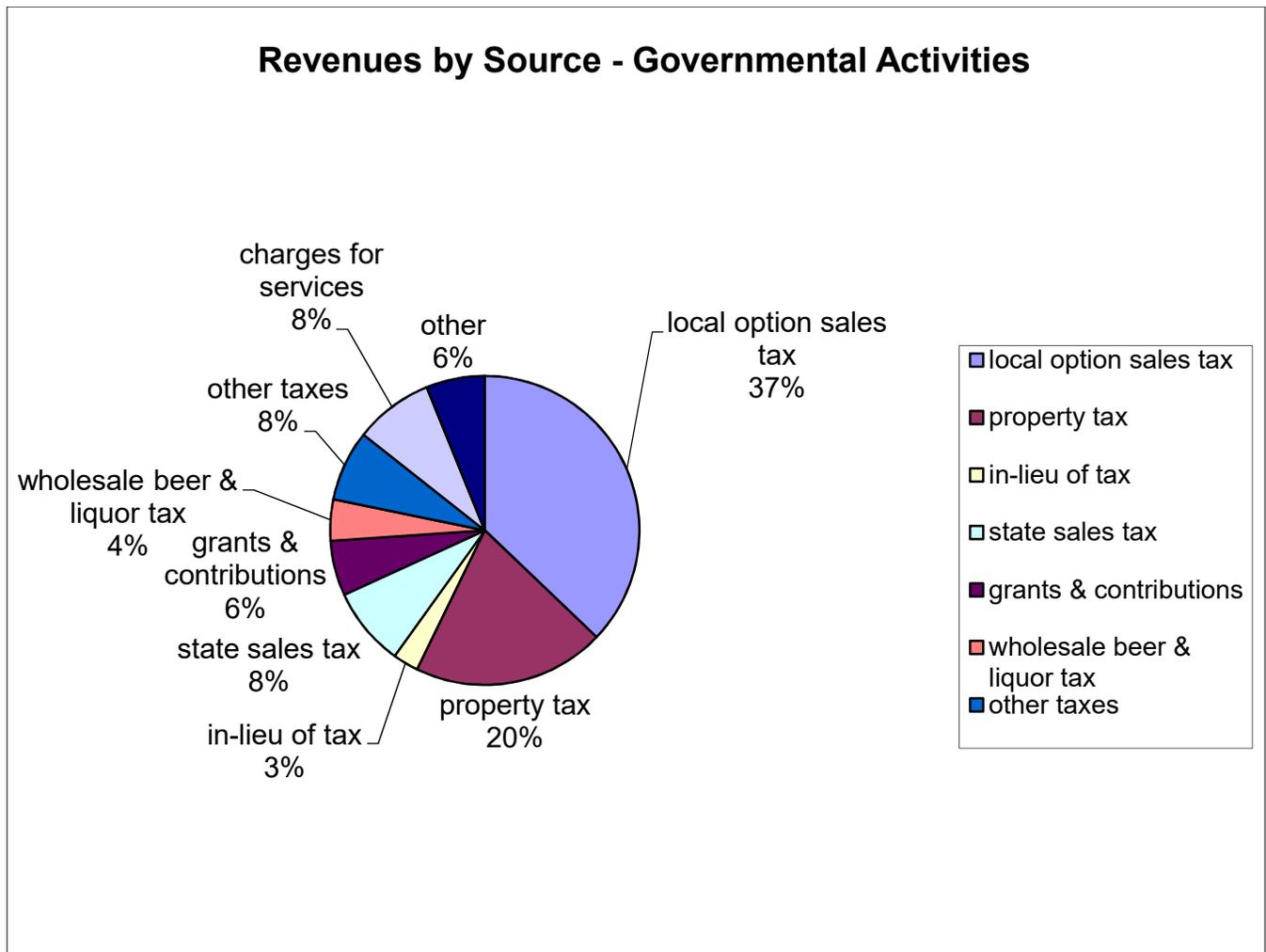
An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used and are restricted for various purposes. The remaining balance of unrestricted net position, approximately \$27,687,000, may be used to meet the government's ongoing 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, 2022, the amount available for health related claims was approximately \$2,021,000.

At June 30, 2022, the City is reporting a negative unrestricted net position in governmental activities due primarily to the approximately \$38.4 million in other postemployment benefit 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 City's transfer of TCRS legacy pension plan obligations to Cookeville Regional Medical Center resulted in an approximately \$10 million charge to unrestricted net position (deficit), which will reverse in 2023. If not for the charge, the City's unrestricted net position would be close to zero. All other categories of net position have positive balances. Net position increased approximately \$7,599,000 for governmental activities and approximately \$10,776,000 for business-type activities.

*Governmental Activities*

Governmental activities increased the City's net position by approximately \$7,599,000 thereby accounting for 41% of the total growth in the net position of the City.

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, 2022.

**The City's Changes in Net Position**  
**For the years ended June 30, 2022 and 2021**  
**(amounts expressed in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Revenues</b>						
Charges for services	\$ 3,922	\$ 3,181	\$ 96,913	\$ 83,584	\$ 100,835	\$ 86,765
Operating grants and contributions	1,736	3,667	-	-	1,736	3,667
Capital grants and contributions	510	1,308	-	-	510	1,308
<b>General revenues</b>						
Local option sales tax	17,708	15,921	-	-	17,708	15,921
Property taxes	9,582	9,399	-	-	9,582	9,399
TVA in-lieu of tax	1,271	1,275	-	-	1,271	1,275
State sales tax	3,942	3,305	-	-	3,942	3,305
Wholesale beer tax	1,201	1,218	-	-	1,201	1,218
Wholesale liquor tax	575	595	-	-	575	595
Other taxes	3,810	3,154	-	-	3,810	3,154
Miscellaneous	<u>1,465</u>	<u>920</u>	<u>112</u>	<u>108</u>	<u>1,577</u>	<u>1,028</u>
Total revenues	45,722	43,943	97,025	83,692	142,747	127,635
<b>Expenses</b>						
General government	4,025	3,656	-	-	4,025	3,656
Economic development	311	29	-	-	311	29
Planning and codes	1,432	1,679	-	-	1,432	1,679
Public safety	17,289	16,700	-	-	17,289	16,700
Parks and maintenance	1,766	1,636	-	-	1,766	1,636
Public works	10,927	9,491	-	-	10,927	9,491
Culture and recreation	2,784	2,280	-	-	2,784	2,280
Community support	798	721	-	-	798	721
Interest on debt	455	519	-	-	455	519
Electric	-	-	53,391	49,760	53,391	49,760
Gas	-	-	14,183	10,071	14,183	10,071
Water quality control	<u>-</u>	<u>-</u>	<u>17,011</u>	<u>15,633</u>	<u>17,011</u>	<u>15,633</u>
Total expenses	39,787	36,711	84,585	75,464	124,372	112,175
Increase in net position before transfers	5,935	7,232	12,440	8,228	18,375	15,460
Transfers	<u>1,664</u>	<u>1,628</u>	<u>(1,664)</u>	<u>(1,628)</u>	<u>-</u>	<u>-</u>
Increase in net position	7,599	8,860	10,776	6,600	18,375	15,460
Net position - beginning	51,169	42,309	157,576	147,308	208,745	189,617
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,668</u>	<u>-</u>	<u>3,668</u>
Net position - ending	<b>\$ 58,768</b>	<b>\$ 51,169</b>	<b>\$ 168,352</b>	<b>\$ 157,576</b>	<b>\$ 227,120</b>	<b>\$ 208,745</b>

**Business-type Activities**

Business-type activities increased the City's net position by approximately \$10,775,000 accounting for 59% 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 approximately \$3,999,000 with operating revenues of approximately \$58,365,000 and operating expenses of approximately \$53,231,000. Nonoperating net expenses totaled approximately \$85,000 and transfers to the general government were approximately \$1,219,000. 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 expensed \$337,000 for a transformer changeout project at Cane Creek Substation which is an ongoing project with an expected completion date of FY2023 along with a rehabilitation project at Sherwood Subdivision which consisted of replacing old overhead 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 cost of \$168,383, this project is expected to be completed in FY2023. Upgrade projects at both West End Avenue \$119,352 and Cedar Street / Second Avenue \$181,365 were also completed in FY2022. The electric department also purchased a new 66' digger derrick for \$374,237; along with three new utility vehicles for a total cost of \$93,475. The department also continued a project of changing out streetlights to a more energy efficient LED light in numerous areas for approximately \$268,000; this project will continue until all streetlights have been changed to LED. During fiscal year 2022, approximately \$219,000 was expended for a road widening project at South Jefferson Avenue from I-40 to Hwy 111 which will most likely be completed in FY2023.

Net assets increased approximately \$4,903,000 for the water/sewer department. Operating revenues were approximately \$21,773,000 and operating expenses were approximately \$16,844,000. The water/sewer department had nonoperating net expense totaling approximately \$27,000 and transfers to the general government were approximately \$290,000. The water department has started construction on a project to expand the water treatment plant by 7.5 million gallons per day (MGD). An SRF loan in the amount of \$17.5M has been approved in April 2022 to help finance the project. This \$25.4M project is anticipated to be completed in late 2024. The department routinely performs leak surveys to locate water leaks within the water distribution system. Repairs are completed as soon as leaks are found. Repairs are completed as soon as leaks are found. The department continued work on the wastewater treatment plant solids handling replacement project with the only work remaining being punch list items. 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 increases were implemented over a five year period and will conclude in fiscal year 2023. With the increase in cost of materials, water treatment plant chemicals, and the cost of the water treatment plant expansion, coming in over budget, another round of rate increases may be necessary in the near future. 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 48.5% of the water sold by the department and accounts for approximately 36.85% of the water department's water sales revenue. The percentage dropped slightly from previous years due to the City's purchase of part of one UD's service area. 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. At June 30 the amount due the Corp for water storage rights was approximately \$1,344,000. 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 was completed, and a construction project was awarded in June for the replacement of the Deberry Heights Pump Station. Design of replacement of the West End Pump Station, which is being funded in part with a CDBG has begun.

The gas department's net assets increased by approximately \$2,613,000. Operating revenues were approximately \$16,775,000 and operating expenses were approximately \$13,966,000. Nonoperating expense totaled approximately \$41,000 and transfers to the general government were approximately \$155,000. The department has two supply connections on the East TN Pipeline. The department added additional supply capacity from the East TN pipeline during November 2021. The system has a total of 20 employees. These employees serve over 10,300

customers and maintain over 382 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 have become unstable and risen dramatically to a 14 year high after hitting a 25 year low during industry shutdowns related to the Covid-19 pandemic. Operating revenues increased by approximately \$6,346,000; associated with the increase in natural gas commodity cost from the previous year. The department finalized work with TDOT on the West Cemetery Road utility relocation project for a fiscal year total of \$69,646. The department began work with TDOT on the utility relocation project for the South Jefferson Avenue Road widening from I-40 to 111. Project costs for South Jefferson totaled \$9,059 this fiscal year. The gas department added a new utility vehicle for a total cost of \$28,594. 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.

**Summary of Comparison of Operating Revenues for Fiscal Years 2022 and 2021**  
(amounts expressed in thousands)

	<b>2022</b>	<b>2021</b>	<b>Amount change</b>	<b>% change</b>
Electric	\$ 58,365	\$ 53,449	\$ 4,916	9.2%
Gas	16,775	10,429	6,346	60.8%
Water quality control	<u>21,773</u>	<u>19,706</u>	<u>2,067</u>	10.5%
Revenues	<b>\$ 96,913</b>	<b>\$ 83,584</b>	<b>\$ 13,329</b>	<b>15.9%</b>

**Summary of Comparison of Operating Expenses for Fiscal Years 2022 and 2021**  
(amounts expressed in thousands)

	<b>2022</b>	<b>2021</b>	<b>Amount change</b>	<b>% change</b>
Electric	\$ 53,231	\$ 49,231	\$ 4,000	8.1%
Gas	13,966	10,033	3,933	39.2%
Water quality control	<u>16,844</u>	<u>15,431</u>	<u>1,413</u>	9.2%
Expenses	<b>\$ 84,041</b>	<b>\$ 74,695</b>	<b>\$ 9,346</b>	<b>12.5%</b>

## **Financial Analysis of the Government's Funds**

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

### *Governmental Funds*

The focus of the City'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 itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

As of June 30, 2022, the City's governmental funds reported combined ending fund balances of approximately \$62,408,000 an increase of approximately \$8,191,000 in comparison to prior year. There is approximately \$8,256,000 in restricted fund balances which must be used for specific purposes: approximately \$123,000 restricted for pensions, \$4,111,000 restricted for capital projects, \$335,000 restricted for police drug enforcement programs, \$1,585,000 restricted for street maintenance, \$1,280,000 restricted for sanitation operations, and \$821,000 restricted for economic development/tourism. There is approximately \$20,846,000 in committed fund balances, predominantly 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. At June 30, 2022, the unassigned fund balance of the general fund was approximately \$33,300,000 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 2022.

The City's general fund revenue is primarily generated from the local option sales tax and property tax. Of total general fund revenues, approximately \$29,180,000 or 88.1% was from taxes. Local option sales tax increased by approximately \$1,786,000 (from approximately \$15,921,000 to approximately \$17,708,000) and was a record high in collections. The City's total property tax rate for fiscal year 2022 (2021 property tax) was \$.82 per \$100 of value. It was a reappraisal year resulting in the decrease in the rate from \$.99 of prior year. This tax rate remains relatively low compared to other cities across the state. The property tax rate allocated to the general fund was \$.5964 and accounted for approximately \$6,795,000 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. Salary adjustments included a market adjustment of \$1,456 to full time employees at the beginning of the fiscal year and merit increases of up to 3%. Because of the strength of the fund balance, the City transferred \$1,700,000 to the capital projects fund to fund the purchase of furniture, fixtures, and equipment of the new police headquarters building instead of using debt. Strong revenues also allowed the transfer of \$600,000 to the state street aid fund for additional street paving

The debt service fund has a total fund balance of approximately \$12,930,000, all of which is committed for the payment of principal and interest on outstanding debt. \$.0331 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 approximately \$4,314,000 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 2022. During the fiscal year, the City paid off early \$1,430,000 in bonds payable. The 2017 General Obligation Bonds were called and paid off in June 2022. The City also refunded the 2015 General Obligation Bonds with the 2021A Refunding Bonds resulting in a net present value benefit of approximately \$664,000. New debt was issued in the fiscal year. General Obligation Bonds, Series 2021B in the amount of \$9,175,000 were issued in August 2021. The proceeds are intended

for completing construction of the new police headquarters and major road improvement projects. The overall increase in the fund balance was approximately \$1,159,000 for Fiscal Year 2022

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 2021B for \$9,175,000 are being used to complete construction of a new police headquarters and for major street improvement projects. As of June 30, 2022, unspent bond proceeds totaled approximately \$4,058,000. The City did a one-time transfer of \$1,700,000 from the general fund to capital projects to finance the purchase of furniture, fixtures, and equipment in the new police headquarters.

#### *Proprietary Funds*

The City'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 transfer of monies from the general fund to the capital projects fund (\$1,700,000), state street aid fund (\$600,000), and the internal service fund (\$500,000).

#### **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, 2022 was approximately \$73,708,000 and \$125,714,000, respectively. The net investment increased 11.2% for governmental and 1.9% for business-type activities, respectively.

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

- A street sweeper (\$247,456), patch truck (\$184,129), and garbage truck (\$292,260)
- New police headquarters facility at \$14,993,496
- The purchase of land on Cedar Avenue of \$753,286

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

- Little Creek Sewer Rehab Project (\$1,238,593)
- Construction in process for Wastewater treatment plant improvements project (\$2,492,585)
- Water treatment plant miscellaneous improvements project (\$1,867,369)

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)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Land	\$ 15,251	\$ 14,616	\$ 3,664	\$ 3,857	\$ 18,915	\$ 18,473
Water rights	-	-	4,889	4,889	4,889	4,889
Buildings and improvements	22,725	8,141	619	716	23,344	8,857
Improvements other than buildings	3,001	2,137	-	-	3,001	2,137
Utility plant in service	-	-	91,679	90,602	91,679	90,602
Vehicles	4,706	4,627	-	-	4,706	4,627
Machinery and equipment	2,730	1,528	8,894	8,538	11,624	10,066
Software	38	49	-	-	38	49
Infrastructure	23,686	25,193	-	-	23,686	25,193
Furniture and equipment	-	-	91	111	91	111
Plant acquisition adjustment	-	-	5,648	6,028	5,648	6,028
Construction in progress	<u>1,571</u>	<u>10,022</u>	<u>10,230</u>	<u>9,812</u>	<u>11,801</u>	<u>19,834</u>
Net capital assets	<b>\$ 73,708</b>	<b>\$ 66,313</b>	<b>\$ 125,714</b>	<b>\$ 124,553</b>	<b>\$ 199,422</b>	<b>\$ 190,866</b>

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 approximately \$78,083,000. Of this amount, approximately \$64,658,000 relates to governmental activities while the remaining approximately \$13,425,000 relates to business type activities. Of the long-term liabilities of governmental activities, approximately \$23,941,000 was debt related to a bond or note issuance and is backed by the full faith and credit of the City. Moody's assigned a rating of Aa2 to the new bonds issued during the fiscal year. During 2022, the City refunded a general obligation bond, paid off early a general obligation bond, and issued a new bond. Additional information on the City's long-term debt can be found in the notes to the financial statements.

A table summarizing the City's outstanding debt is presented below.

**Outstanding Debt**  
**June 30, 2021 and 2020**  
(amounts expressed in thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
General obligation bonds	\$ 24,185	\$ 18,785	\$ 1,505	\$ -	\$ 25,690	\$ 18,785
Revenue bonds	-	-	-	1,780	-	1,780
Direct borrowing notes	-	-	1,029	1,134	1,029	1,134
Unamortized (discount) premium	<u>1,936</u>	<u>1,283</u>	<u>-</u>	<u>74</u>	<u>1,936</u>	<u>1,357</u>
Total	<b>\$ 26,121</b>	<b>\$ 20,068</b>	<b>\$ 2,534</b>	<b>\$ 2,988</b>	<b>\$ 28,655</b>	<b>\$ 23,056</b>

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. The City 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, the City is home to 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. The City 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 continues to grow. The unemployment rate for Putnam County was 4.2% in June 2022 which is the same as the State of Tennessee's rate of 4.2%. 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 has been completed on the east side of Cookeville which included a new grocery store.

The City's 5<sup>th</sup> 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 completed construction of the new police headquarters and was opened in May 2022. The City is proceeding with major street improvements. Improvements on Cedar Avenue were completed in the fiscal year. The City is in right of way acquisition for the widening of East 10<sup>th</sup> Street.

The Water Quality Control Department has started a \$25M project to increase capacity at the water treatment plant by 7.5 million gallons per day. An SFR loan was approved for \$17.5 M to help finance the project. This infrastructure capacity is critical for the continued growth of the area.

All these factors were considered in adopting the general fund budget for fiscal year 2023. The City remains conservative in revenue forecasts and budgeted an increase in revenues over the 2022 original budget driven by estimated growth in local option sales tax. Revenues and transfers in total approximately \$33,805,000 in the fiscal year 23 budget. The City also budgeted an increase in operating expenditures for fiscal year 2023 over the 2022 budget. The appropriation for operating expenditures is approximately \$32,299,000. The majority of operating expenditures for the general fund are personnel costs. The 2023 budget includes a merit increase of up to 2% and a market adjustment of \$4,576 for full time employees. The pay scales were adjusted upward 12%. No property tax increase was proposed. With budgeted capital purchases, the budget includes a planned use of fund balance in the amount of approximately \$3,087,000. The general fund at June 30, 2022 has an unassigned fund balance of approximately \$33,300,000.

### **Requests for Information**

This financial summary is designed to provide a general overview of the City'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, 2022

	Primary Government			Component Units		Total Reporting Entity
	Governmental activities	Business-type activities	Total	Cookeville Regional Medical Center	Public Building Authority	
<b>Assets</b>						
Cash and cash equivalents	\$ 64,551,113	\$ 50,842,509	\$ 115,393,622	\$ 56,619,284	\$ 150,321	\$ 172,163,227
Accounts receivable, net	217,172	11,858,672	12,075,844	39,295,452	549	51,371,845
Taxes receivable, net	10,078,925	-	10,078,925	-	-	10,078,925
Other receivables	5,100,658	47,022	5,147,680	1,575,259	-	6,722,939
Internal balances	91,214	(91,214)	-	-	-	-
Inventories	-	3,128,475	3,128,475	11,456,602	-	14,585,077
Prepaid expenses and other current assets	11,818	885,186	897,004	5,446,545	2,122	6,345,671
Restricted cash and cash equivalents	4,181,495	817,716	4,999,211	10,000,000	-	14,999,211
Notes receivable, net	-	147,213	147,213	-	-	147,213
Equity interest in joint venture	3,915,626	-	3,915,626	-	-	3,915,626
Long-term investments	-	-	-	10,977,386	-	10,977,386
Net pension assets	9,411,978	7,290,541	16,702,519	9,948,737	-	26,651,256
Other assets	-	287,953	287,953	4,346,570	-	4,634,523
Capital assets not being depreciated	16,822,171	18,782,755	35,604,926	19,566,340	-	55,171,266
Capital assets, net	56,885,880	106,930,799	163,816,679	130,389,209	168,712	294,374,600
Total assets	171,268,050	200,927,627	372,195,677	299,621,384	321,704	672,138,765
<b>Deferred Outflows of Resources</b>	16,668,659	6,110,001	22,778,660	33,186,699	-	55,965,359
<b>Liabilities</b>						
Accounts payable	1,887,823	7,771,021	9,658,844	15,489,489	4,262	25,152,595
Claims payable	565,007	-	565,007	-	-	565,007
Accrued expenses	1,002,873	-	1,002,873	14,105,359	3,095	15,111,327
Unearned revenues	5,211,064	45,333	5,256,397	-	6,949	5,263,346
Other liabilities	-	-	-	2,629,929	66,614	2,696,543
<b>Noncurrent liabilities</b>						
Compensated absences	1,017,595	548,240	1,565,835	-	-	1,565,835
Net pension liabilities	-	-	-	-	-	-
OPEB liability	38,351,533	8,958,885	47,310,418	-	-	47,310,418
Other liabilities	1,348,068	557,546	1,905,614	-	-	1,905,614
Refundable advances due within one year	-	-	-	16,373,569	-	16,373,569
Debt and leases due within one year	2,180,000	518,320	2,698,320	4,339,725	13,534	7,051,579
Refundable advances due in more than one year	-	-	-	-	-	-
Debt and leases due in more than one year	23,941,109	3,359,985	27,301,094	53,713,325	11,356	81,025,775
Total liabilities	75,505,072	21,759,330	97,264,402	106,651,396	105,810	204,021,608
<b>Deferred Inflows of Resources</b>	53,663,870	16,926,609	70,590,479	25,512,694	-	96,103,173
<b>Net Position</b>						
Net investment in capital assets	51,538,405	123,179,642	174,718,047	91,902,499	143,822	266,764,368
<b>Restricted for</b>						
Pensions	9,535,270	7,323,689	16,858,959	9,948,737	-	26,807,696
Drug education and investigations	334,654	-	334,654	-	-	334,654
Highways and streets	1,638,148	-	1,638,148	-	-	1,638,148
Sanitation	1,145,609	-	1,145,609	-	-	1,145,609
Economic development and tourism	821,208	-	821,208	-	-	821,208
Equity interest in joint venture	3,915,626	-	3,915,626	-	-	3,915,626
Unrestricted (deficit)	(10,161,153)	37,848,358	27,687,205	98,792,757	72,072	126,552,034
Total net position	\$ 58,767,767	\$ 168,351,689	\$ 227,119,456	\$ 200,643,993	\$ 215,894	\$ 427,979,343

**City of Cookeville, Tennessee**  
Statement of Activities  
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program revenues			Net (expenses) revenues and changes in net position				
		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
<b>Primary Government</b>									
<b>Governmental Activities</b>									
General government	\$ 4,025,255	\$ 95,248	\$ 14,329	\$ -	\$ (3,915,678)	\$ -	\$ (3,915,678)		
Economic development	310,953	-	-	-	(310,953)	-	(310,953)		
Planning and codes	1,432,211	1,065,174	-	-	(367,037)	-	(367,037)		
Public safety	17,288,860	519,083	401,399	-	(16,368,378)	-	(16,368,378)		
Parks and maintenance	1,766,012	-	-	62,531	(1,703,481)	-	(1,703,481)		
Public works	10,926,942	2,009,981	1,312,128	447,889	(7,156,944)	-	(7,156,944)		
Culture and recreation	2,784,406	232,397	8,046	-	(2,543,963)	-	(2,543,963)		
Community support	797,905	-	-	-	(797,905)	-	(797,905)		
Interest	454,786	-	-	-	(454,786)	-	(454,786)		
Total governmental activities	39,787,330	3,921,883	1,735,902	510,420	(33,619,125)	-	(33,619,125)		
<b>Business-type Activities</b>									
Electric	53,391,464	58,364,779	-	-	-	4,973,315	4,973,315		
Gas	14,183,452	16,775,000	-	-	-	2,591,548	2,591,548		
Water quality control	17,010,504	21,773,080	-	-	-	4,762,576	4,762,576		
Total business-type activities	84,585,420	96,912,859	-	-	-	12,327,439	12,327,439		
Total primary government	\$ 124,372,750	\$ 100,834,742	\$ 1,735,902	\$ 510,420	(33,619,125)	12,327,439	(21,291,686)		
<b>Component Units</b>									
Cookeville Regional Medical Center	\$ 401,612,922	\$ 393,738,579	\$ 17,834,915	\$ -			\$ 9,960,572	\$ -	
Public Building Authority	162,307	237,027	23,934	-			-	98,654	
Total component units	\$ 401,775,229	\$ 393,975,606	\$ 17,858,849	\$ -			9,960,572	98,654	
<b>General Revenues and Transfers</b>									
<b>General Revenues</b>									
Taxes									
Property tax					9,582,024	-	9,582,024	-	-
Local option sales tax					17,707,598	-	17,707,598	-	-
Hotel/motel tax					847,269	-	847,269	-	-
Wholesale beer and liquor taxes					1,776,513	-	1,776,513	-	-
Unrestricted intergovernmental taxes									
State sales and use tax					3,941,533	-	3,941,533	-	-
State income tax					193,083	-	193,083	-	-
State franchise tax					287,651	-	287,651	-	-
Business tax					1,840,350	-	1,840,350	-	-
Payments in lieu of tax					1,271,391	-	1,271,391	-	-
Mixed drink and beer tax					278,389	-	278,389	-	-
Petroleum special tax					63,702	-	63,702	-	-
Other intergovernmental					299,421	-	299,421	-	-
Grants and contributions not restricted to specific programs					507,412	-	507,412	-	-
Unrestricted investment earnings					273,941	229,401	503,342	87,634	24
Gain (loss) on disposal of capital assets					156,242	(117,478)	38,764	850	(32,467)
Miscellaneous revenues					527,836	-	527,836	-	-
<b>Transfers</b>					1,664,160	(1,664,160)	-	-	-
Total general revenues and transfers					41,218,515	(1,552,237)	39,666,278	88,484	(32,443)
Change in net position					7,599,390	10,775,202	18,374,592	10,049,056	66,211
Net position, beginning of year					51,168,377	153,908,082	205,076,459	190,594,937	149,683
Prior period adjustment					-	3,668,405	3,668,405	-	-
Net position, end of year					\$ 58,767,767	\$ 168,351,689	\$ 227,119,456	\$ 200,643,993	\$ 215,894

See notes to financial statements

**City of Cookeville, Tennessee**  
**Balance Sheet - Governmental Funds**  
June 30, 2022

	General	Debt service	Capital projects	Transportation	Other governmental	Total governmental
<b>Assets</b>						
Cash and cash equivalents	\$ 36,676,386	\$ 12,206,213	\$ 1,027,754	\$ 3,429,805	\$ 8,794,601	\$ 62,134,759
Receivables, net						
Accounts	-	-	-	-	217,172	217,172
Property taxes	7,281,468	400,709	-	1,503,379	893,369	10,078,925
Other	3,770,007	719,497	5,500	-	431,102	4,926,106
Due from other funds	271,804	4,704	-	8,152	4,939	289,599
Prepaid items	6,318	-	-	-	-	6,318
Restricted cash and cash equivalents	120,602	-	4,058,203	-	2,690	4,181,495
<b>Total assets</b>	<b>\$ 48,126,585</b>	<b>\$ 13,331,123</b>	<b>\$ 5,091,457</b>	<b>\$ 4,941,336</b>	<b>\$ 10,343,873</b>	<b>\$ 81,834,374</b>
<b>Liabilities</b>						
Accounts payable	\$ 715,325	\$ 55	\$ 512,983	\$ 299,937	\$ 380,149	\$ 1,908,449
Accrued expenses	902,400	-	-	-	49,318	951,718
Due to other funds	70,634	-	2,839	-	39,298	112,771
Unearned revenues	5,044,038	-	10,000	-	150,376	5,204,414
Other liabilities	795,739	-	-	-	527,757	1,323,496
<b>Total liabilities</b>	<b>7,528,136</b>	<b>55</b>	<b>525,822</b>	<b>299,937</b>	<b>1,146,898</b>	<b>9,500,848</b>
<b>Deferred Inflows of Resources</b>						
Property taxes	7,118,864	400,709	-	1,503,379	903,059	9,926,011
<b>Fund Balances</b>						
Nonspendable	6,318	-	-	-	-	6,318
Restricted for						
Pensions	120,602	-	-	-	2,690	123,292
Capital projects	53,078	-	4,058,203	-	-	4,111,281
Drug education and investigations	-	-	-	-	334,654	334,654
State street aid	-	-	-	-	1,585,070	1,585,070
Sanitation	-	-	-	-	1,280,461	1,280,461
Economic development and tourism	-	-	-	-	821,208	821,208
Committed	-	12,930,359	507,432	3,138,020	4,269,833	20,845,644
Unassigned	33,299,587	-	-	-	-	33,299,587
<b>Total fund balances</b>	<b>33,479,585</b>	<b>12,930,359</b>	<b>4,565,635</b>	<b>3,138,020</b>	<b>8,293,916</b>	<b>62,407,515</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 48,126,585</b>	<b>\$ 13,331,123</b>	<b>\$ 5,091,457</b>	<b>\$ 4,941,336</b>	<b>\$ 10,343,873</b>	<b>\$ 81,834,374</b>

**City of Cookeville, Tennessee**  
 Reconciliation of the Balance Sheet of  
 Governmental Funds to the Statement of Net Position  
 For the Year Ended June 30, 2022

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

Total governmental fund balances		\$ 62,407,515
Capital assets of \$135,793,248 net of accumulated depreciation of \$62,085,197, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		73,708,051
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	\$ 6,919,190	
Deferred outflows - OPEB related	9,749,469	
Deferred inflows - pension related	(27,650,131)	
Deferred inflows - OPEB related	<u>(15,980,988)</u>	(26,962,460)
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	3,915,626	
Net pension assets	<u>9,411,978</u>	13,327,604
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.		1,935,189
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	(24,185,000)	
Compensated absences	(1,017,595)	
Accrued interest payable on long-term debt	(51,155)	
OPEB liability	<u>(38,351,533)</u>	(63,605,283)
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	(1,936,109)	
Deferred inflows - gain on refunding	<u>(106,740)</u>	(2,042,849)
Net position of governmental activities		<b>\$ 58,767,767</b>

**City of Cookeville, Tennessee**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2022

	General	Debt service	Capital projects	Transportation	Other governmental	Total governmental
<b>Revenues</b>						
Taxes	\$ 29,180,349	\$ 1,083,538	\$ -	\$ 1,433,481	\$ 1,615,428	\$ 33,312,796
Licenses and permits	1,143,114	-	-	-	-	1,143,114
Fines and forfeitures	235,495	-	-	-	103,179	338,674
Charges for services	249,741	-	-	-	2,190,354	2,440,095
Intergovernmental	1,516,044	3,941,533	-	-	1,346,139	6,803,716
Uses of money and property	162,699	53,480	5,533	15,850	36,379	273,941
Other	625,528	26,172	2,861	-	306,576	961,137
Total revenues	<u>33,112,970</u>	<u>5,104,723</u>	<u>8,394</u>	<u>1,449,331</u>	<u>5,598,055</u>	<u>45,273,473</u>
<b>Expenditures</b>						
Current						
General government	3,590,540	1,657	345	178	-	3,592,720
Public safety	14,519,731	-	-	-	487,806	15,007,537
Planning and codes	1,351,967	-	-	-	-	1,351,967
Parks and maintenance	1,620,263	-	-	-	-	1,620,263
Public works	3,774,664	-	-	-	3,585,199	7,359,863
Culture and recreation	1,802,903	-	-	-	77,530	1,880,433
Community support	797,905	-	-	-	-	797,905
Economic development	-	-	-	-	310,954	310,954
Debt service						
Principal	-	3,605,000	-	-	-	3,605,000
Interest	-	640,630	-	-	-	640,630
Issuance costs	-	103,431	131,761	-	-	235,192
Capital outlay	<u>2,431,820</u>	<u>-</u>	<u>7,910,104</u>	<u>593,190</u>	<u>1,171,821</u>	<u>12,106,935</u>
Total expenditures	<u>29,889,793</u>	<u>4,350,718</u>	<u>8,042,210</u>	<u>593,368</u>	<u>5,633,310</u>	<u>48,509,399</u>
Excess (deficiency) of revenues over expenditures	3,223,177	754,005	(8,033,816)	855,963	(35,255)	(3,235,926)
<b>Other Financing Sources (Uses)</b>						
Transfers in	1,769,660	301,358	1,700,000	-	688,000	4,459,018
Transfers out	(2,888,000)	-	-	(301,358)	(105,500)	(3,294,858)
Bonds issued	-	-	9,175,000	-	-	9,175,000
Premium on bonds issued	-	-	680,790	-	-	680,790
Refunding bonds issued	-	6,570,000	-	-	-	6,570,000
Premium on refunding bonds issued	-	299,312	-	-	-	299,312
Payment to refunded bond escrow agent	-	(6,765,881)	-	-	-	(6,765,881)
Insurance proceeds	10,509	-	-	-	-	10,509
Sale of capital assets	76,146	-	-	-	217,300	293,446
Total other financing sources (uses)	<u>(1,031,685)</u>	<u>404,789</u>	<u>11,555,790</u>	<u>(301,358)</u>	<u>799,800</u>	<u>11,427,336</u>
Net change in fund balances	2,191,492	1,158,794	3,521,974	554,605	764,545	8,191,410
Fund balances, beginning of year	31,288,093	11,771,565	1,043,661	2,583,415	7,529,371	54,216,105
Prior period adjustment	-	-	-	-	-	-
Fund balances, end of year	<u>\$ 33,479,585</u>	<u>\$ 12,930,359</u>	<u>\$ 4,565,635</u>	<u>\$ 3,138,020</u>	<u>\$ 8,293,916</u>	<u>\$ 62,407,515</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, 2022

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

Net change in fund balances, total governmental funds		\$ 8,191,410
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.		7,084,518
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Equity in current year earnings of joint venture		23,467
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.		
Donation of capital assets	\$ 447,889	
(Gain) loss on sale of assets	<u>(137,204)</u>	310,685
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.		
Issuance of bonds	(15,745,000)	
Premium	(980,102)	
Principal paid on bonds and notes	<u>10,345,000</u>	(6,380,102)
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.		(1,108,601)
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.		
Accrued interest on long-term debt	(8,373)	
Amortization of bond premiums and discounts and deferred amounts of refunding	220,096	
Compensated absences	(39,489)	
Changes in pension assets and liabilities and related deferred outflows and inflows of resources	(245,432)	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	<u>(448,789)</u>	(521,987)
Change in net position of governmental activities		<b>\$ 7,599,390</b>

**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, 2022

	<u>Budgeted amounts</u>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes				
Property taxes current	\$ 6,474,250	\$ 6,474,250	\$ 6,795,231	\$ 320,981
Property taxes delinquent	110,000	110,000	166,032	56,032
Property taxes penalty and interest	35,000	35,000	35,583	583
PILOT Highlands Residential	50,000	50,000	51,922	1,922
PILOT Laurel Creek	500	500	909	409
PILOT Academy LTD	80,000	80,000	70,496	(9,504)
PILOT Ficosa North America	62,500	62,500	79,419	16,919
PILOT Automation Tool Company	6,890	6,890	6,890	-
PILOT TVA	365,000	365,000	361,755	(3,245)
Local option sales tax	15,136,660	16,336,660	17,707,598	1,370,938
Wholesale beer tax	1,120,000	1,120,000	1,201,499	81,499
Wholesale liquor tax	450,000	450,000	575,014	125,014
Business tax	1,381,436	1,381,436	1,840,350	458,914
Cable TV franchise tax	295,000	295,000	287,651	(7,349)
Licenses and permits				
Beer permits	4,255	4,255	5,200	945
Beer license	12,265	12,265	12,567	302
Liquor license	31,826	31,826	38,186	6,360
Building permits	336,000	381,000	676,855	295,855
Electrical permits	65,000	65,000	110,410	45,410
Plumbing permits	35,000	35,000	55,285	20,285
Mechanical permits	36,000	36,000	58,715	22,715
Plan review fees	61,000	61,000	132,597	71,597
Fireworks permits	7,000	7,000	13,000	6,000
Miscellaneous permits	32,434	32,434	40,299	7,865
Intergovernmental revenues				
State excise tax	80,000	160,000	193,083	33,083
State income tax	-	-	-	-
State beer tax	15,000	15,000	15,915	915
Mixed drink tax	175,000	175,000	262,474	87,474
Gasoline inspection fee	62,881	62,881	63,702	821
Telecommunications sales tax	55,000	55,000	64,584	9,584
State sports gaming	31,154	31,154	35,037	3,883
Training supplement	106,000	106,000	97,600	(8,400)
State direct appropriation grant	394,712	394,712	394,712	-
Grants-other	54,773	366,773	388,937	22,164
Fines, forfeitures and penalties				
Court fines and fees	238,809	238,809	214,313	(24,496)
Parking violations	2,152	2,152	465	(1,687)
Other	23,180	23,180	20,717	(2,463)
Charges for services				
Clerk's fee	13,987	13,987	17,308	3,321
Recreation concessions	47,188	47,188	60,135	12,947
Recreational rentals/admissions	120,132	120,132	127,657	7,525
Day camp fees	58,552	58,552	44,605	(13,947)
Miscellaneous	-	-	36	36
Miscellaneous				
Uses of money and property	88,070	88,070	162,699	74,629
Rent	-	-	-	-
Contributions	2,500	36,700	36,930	230
Admin charges to other funds	474,284	474,284	456,670	(17,614)
Other	29,409	55,909	131,928	76,019
Total revenues	<u>28,260,799</u>	<u>29,958,499</u>	<u>33,112,970</u>	<u>3,154,471</u>

*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, 2022

	<b>Budgeted amounts</b>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures</b>				
General government				
Salaries and wages	\$ 1,571,500	\$ 1,462,424	\$ 1,415,489	\$ 46,935
Payroll taxes and fringes	762,190	754,414	616,581	137,833
Contractual services	220,500	220,500	194,627	25,873
Utilities	1,069,000	1,069,000	1,047,593	21,407
Supplies and maintenance	334,921	334,921	231,169	103,752
Fixed charges	31,500	31,500	33,126	(1,626)
Miscellaneous	43,900	53,900	51,955	1,945
Public safety - police				
Salaries and wages	5,533,900	5,546,353	5,200,731	345,622
Payroll taxes and fringes	2,902,110	2,903,063	2,409,025	494,038
Supplies and maintenance	1,163,020	1,163,020	1,063,323	99,697
Fixed charges	199,000	199,000	114,792	84,208
Miscellaneous	15,500	120,500	78,560	41,940
Public safety - fire				
Salaries and wages	3,433,280	3,440,102	3,336,936	103,166
Payroll taxes and fringes	1,902,670	1,903,192	1,648,160	255,032
Supplies and maintenance	434,400	511,080	517,846	(6,766)
Fixed charges	95,000	155,000	143,620	11,380
Miscellaneous	5,000	5,000	6,738	(1,738)
Planning and codes				
Salaries and wages	925,000	1,038,517	938,536	99,981
Payroll taxes and fringes	411,370	419,487	342,259	77,228
Supplies and maintenance	100,550	100,550	50,418	50,132
Fixed charges	18,100	18,100	17,227	873
Miscellaneous	3,500	3,500	3,527	(27)
Parks and maintenance				
Salaries and wages	983,210	1,000,376	904,461	95,915
Payroll taxes and fringes	410,340	410,506	377,393	33,113
Supplies and maintenance	252,950	328,809	274,190	54,619
Fixed charges	23,350	73,350	64,021	9,329
Miscellaneous	500	500	198	302
Public works				
Salaries and wages	2,119,500	2,210,023	2,143,694	66,329
Payroll taxes and fringes	1,056,560	1,056,983	964,947	92,036
Supplies and maintenance	584,150	619,150	605,350	13,800
Fixed charges	42,900	42,900	45,230	(2,330)
Miscellaneous	21,250	21,250	15,443	5,807
Capital outlay	1,871,568	2,793,868	2,431,820	362,048
Culture and recreation				
Salaries and wages	1,089,398	1,092,863	1,059,631	33,232
Payroll taxes and fringes	460,700	460,966	396,596	64,370
Supplies and maintenance	374,725	375,425	295,279	80,146
Fixed charges	47,800	47,800	26,403	21,397
Miscellaneous	19,700	19,700	24,994	(5,294)

*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, 2022

	<b>Budgeted amounts</b>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures</b>				
Community support - non-profit contributions				
Putnam County Library	\$ 367,300	\$ 367,300	\$ 367,300	\$ -
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	-
Chamber of Commerce- Visitors Bureau	25,000	25,000	25,000	-
Emergency Management Agency	25,400	25,400	25,400	-
WCTE Public Television	9,450	9,450	9,450	-
Operation CityScape	40,306	40,306	40,306	-
Genesis House, Inc.	12,000	12,000	12,000	-
Stephens Center for Child Abuse	5,000	5,000	5,000	-
Kids Putnam, Inc.	6,000	6,000	6,000	-
Cookeville - PC Clean Commission	9,000	9,000	9,000	-
Helping Hands of Putnam County	12,000	12,000	12,000	-
Cookeville Senior Citizens	50,000	50,000	50,000	-
UC Family Justice Center	8,250	8,250	8,250	-
UC Child Advocacy Center	6,000	6,000	6,000	-
TN Central Heritage Rail Trail	5,500	5,500	5,500	-
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	-	-	-	-
Veterans Honor Guard	1,000	1,000	1,000	-
Biz Foundry (UCEF)	7,200	7,200	7,200	-
<b>Total expenditures</b>	<b>31,332,417</b>	<b>32,805,497</b>	<b>29,889,793</b>	<b>2,915,704</b>
Excess (deficiency) of revenues over expenditures	(3,071,618)	(2,846,998)	3,223,177	238,767
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,693,654	1,693,654	1,769,660	76,006
Transfers out	(88,000)	(2,888,000)	(2,888,000)	-
Notes issued	-	-	-	-
Insurance proceeds	-	10,000	10,509	509
Sale of capital assets	-	-	76,146	76,146
Total other financing sources (uses)	1,605,654	(1,184,346)	(1,031,685)	152,661
Net change in fund balance	(1,465,964)	(4,031,344)	2,191,492	6,222,836
Fund balance, beginning of year	31,288,093	31,288,093	31,288,093	-
Prior period adjustment	-	-	-	-
Fund balance, end of year	<b>\$ 29,822,129</b>	<b>\$ 27,256,749</b>	<b>\$ 33,479,585</b>	<b>\$ 6,222,836</b>

**City of Cookeville, Tennessee**  
Statement of Net Position  
Proprietary Funds  
June 30, 2022

	<b>Business-type Activities - Enterprise funds</b>				<b>Governmental Activities - Internal service fund</b>
	<b>Electric department</b>	<b>Gas department</b>	<b>Water quality control department</b>	<b>Total</b>	
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 17,269,245	\$ 19,792,816	\$ 13,780,448	\$ 50,842,509	\$ 2,416,355
Receivables					
Accounts, net	4,057,949	188,832	1,295,719	5,542,500	-
Due from other funds	83,225	-	-	83,225	-
Other	18,930	28,092	-	47,022	180,052
Unbilled utility revenues	3,842,819	785,522	1,687,831	6,316,172	-
Inventories	1,189,047	1,225,416	714,012	3,128,475	-
Prepaid expenses and other current assets	251,279	-	633,907	885,186	-
Restricted cash and cash equivalents	716,001	81,539	20,176	817,716	-
Total current assets	<u>27,428,495</u>	<u>22,102,217</u>	<u>18,132,093</u>	<u>67,662,805</u>	<u>2,596,407</u>
Noncurrent assets					
Capital assets, net of accumulated depreciation	46,481,743	6,711,955	72,519,856	125,713,554	-
Net pension assets	3,152,948	1,133,479	3,004,114	7,290,541	-
Other assets	147,213	-	287,953	435,166	-
Total noncurrent assets	<u>49,781,904</u>	<u>7,845,434</u>	<u>75,811,923</u>	<u>133,439,261</u>	<u>-</u>
Total assets	<u>77,210,399</u>	<u>29,947,651</u>	<u>93,944,016</u>	<u>201,102,066</u>	<u>2,596,407</u>
<b>Deferred Outflows of Resources</b>					
Pension related items	1,465,770	474,921	1,358,122	3,298,813	-
OPEB related items	1,158,213	292,565	704,499	2,155,277	-
Other items	-	-	655,911	655,911	-
Total deferred outflows of resources	<u>2,623,983</u>	<u>767,486</u>	<u>2,718,532</u>	<u>6,110,001</u>	<u>-</u>
<b>Liabilities</b>					
Current liabilities					
Accounts payable and other payables	4,979,169	1,165,610	1,626,242	7,771,021	3,946
Claims payable	-	-	-	-	565,007
Due to other funds	130,277	28,960	100,816	260,053	-
Unearned revenues	-	45,333	-	45,333	6,650
Long-term debt, current maturities	305,000	-	213,320	518,320	-
Total current liabilities	<u>5,414,446</u>	<u>1,239,903</u>	<u>1,940,378</u>	<u>8,594,727</u>	<u>575,603</u>
Noncurrent liabilities					
Customer deposits	343,010	76,109	-	419,119	-
Compensated absences	255,519	81,895	210,826	548,240	-
Other noncurrent liabilities	138,427	-	-	138,427	-
Long-term debt, net of current maturities	1,200,000	-	2,159,985	3,359,985	-
OPEB liability	3,869,458	1,479,782	3,609,645	8,958,885	-
Total noncurrent liabilities	<u>5,806,414</u>	<u>1,637,786</u>	<u>5,980,456</u>	<u>13,424,656</u>	<u>-</u>
Total liabilities	<u>11,220,860</u>	<u>2,877,689</u>	<u>7,920,834</u>	<u>22,019,383</u>	<u>575,603</u>
<b>Deferred Inflows of Resources</b>					
Pension related items	5,904,559	1,880,705	5,455,183	13,240,447	-
OPEB related items	1,598,229	558,477	1,468,365	3,625,071	-
Gain on debt refunding	61,091	-	-	61,091	-
Total deferred inflows of resources	<u>7,563,879</u>	<u>2,439,182</u>	<u>6,923,548</u>	<u>16,926,609</u>	<u>-</u>
<b>Net Position</b>					
Net investment in capital assets	44,976,743	6,711,955	71,490,944	123,179,642	-
Restricted	3,164,280	1,135,119	3,024,290	7,323,689	-
Unrestricted	12,908,620	17,551,192	7,302,932	37,762,744	2,020,804
Total net position	<u>\$ 61,049,643</u>	<u>\$ 25,398,266</u>	<u>\$ 81,818,166</u>	<u>168,266,075</u>	<u>\$ 2,020,804</u>

Adjustment to reflect the consolidation of internal  
service fund activities related to enterprise funds

Net position of business-type activities

85,614

\$ 168,351,689

See notes to financial statements

**City of Cookeville, Tennessee**  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2022

	<b>Business-type Activities - Enterprise funds</b>				<b>Governmental Activities - Internal service fund</b>
	<b>Electric department</b>	<b>Gas department</b>	<b>Water quality control department</b>	<b>Total</b>	
<b>Operating Revenues</b>					
Charges for services	\$ 57,116,918	\$ 16,353,208	\$ 20,798,662	\$ 94,268,788	\$ 5,145,656
Other revenues from operations	<u>1,247,861</u>	<u>421,792</u>	<u>974,418</u>	<u>2,644,071</u>	<u>53,871</u>
Total operating revenues	58,364,779	16,775,000	21,773,080	96,912,859	5,199,527
<b>Operating Expenses</b>					
Purchased electricity and gas	44,279,554	10,926,212	-	55,205,766	-
Operations	3,230,675	1,254,345	5,565,432	10,050,452	-
General and administrative	1,523,483	1,109,040	4,316,342	6,948,865	802,461
Maintenance	1,300,324	78,860	807,962	2,187,146	-
Utilities	-	-	2,166,036	2,166,036	-
Claims	-	-	-	-	6,462,602
Depreciation	<u>2,897,441</u>	<u>597,517</u>	<u>3,988,100</u>	<u>7,483,058</u>	<u>-</u>
Total operating expenses	53,231,477	13,965,974	16,843,872	84,041,323	7,265,063
Operating income (loss)	5,133,302	2,809,026	4,929,208	12,871,536	(2,065,536)
Nonoperating Revenues (Expenses)					
Uses of money and property	113,066	76,369	39,966	229,401	7,403
Loss on sale of property and equipment	-	(117,478)	-	(117,478)	-
Interest expense	<u>(27,938)</u>	<u>-</u>	<u>(66,632)</u>	<u>(94,570)</u>	<u>-</u>
Total nonoperating revenues (expenses)	85,128	(41,109)	(26,666)	17,353	7,403
Income (loss) before transfers	5,218,430	2,767,917	4,902,542	12,888,889	(2,058,133)
Transfers in	-	-	-	-	500,000
Transfers out	(1,219,444)	(155,027)	(289,689)	(1,664,160)	-
Change in net position	3,998,986	2,612,890	4,612,853	11,224,729	(1,558,133)
Net position, beginning of year	57,050,657	22,785,376	73,536,908		3,578,937
Prior period adjustment	<u>-</u>	<u>-</u>	<u>3,668,405</u>		<u>-</u>
Net position, end of year	<b>\$ 61,049,643</b>	<b>\$ 25,398,266</b>	<b>\$ 81,818,166</b>		<b>\$ 2,020,804</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(449,527)</u>	
Change in net position of business-type activities				<b>\$ 10,775,202</b>	

**City of Cookeville, Tennessee**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2022

	<b>Business-type Activities - Enterprise funds</b>				<b>Governmental Activities - Internal service fund</b>
	<b>Electric department</b>	<b>Gas department</b>	<b>Water quality control department</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 57,007,706	\$ 16,530,231	\$ 21,637,748	\$ 95,175,685	\$ 5,151,114
Cash paid to suppliers for goods and services	(45,799,562)	(12,171,339)	(8,656,700)	(66,627,601)	(801,458)
Cash paid to employees for services	(3,458,512)	(1,238,313)	(3,651,700)	(8,348,525)	-
Cash paid for claims	-	-	-	-	(6,184,402)
Cash received from (paid to) other City funds	(71,440)	(1,727)	28,441	(44,726)	-
Net cash provided (used) by operating activities	<u>7,678,192</u>	<u>3,118,852</u>	<u>9,357,789</u>	<u>20,154,833</u>	<u>(1,834,746)</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers in	-	-	-	-	500,000
Transfers out	(1,219,444)	(155,027)	(289,689)	(1,664,160)	-
Net cash provided (used) by noncapital financing activities	<u>(1,219,444)</u>	<u>(155,027)</u>	<u>(289,689)</u>	<u>(1,664,160)</u>	<u>500,000</u>
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(3,110,352)	(317,722)	(5,409,279)	(8,837,353)	-
Proceeds from sales of equipment	-	76,051	-	76,051	-
Proceeds from issuance of debt	1,505,000	-	-	1,505,000	-
Principal payments on debt	(1,780,000)	-	(207,714)	(1,987,714)	-
Interest payments on debt	(41,291)	-	(66,632)	(107,923)	-
Net cash provided (used) by capital and related financing activities	<u>(3,426,643)</u>	<u>(241,671)</u>	<u>(5,683,625)</u>	<u>(9,351,939)</u>	<u>-</u>
<b>Cash flows from investing activities</b>					
Acquisition of other property	-	-	(12,953)	(12,953)	-
Interest received	113,066	76,369	39,966	229,401	7,403
Net cash provided (used) by investing activities	<u>113,066</u>	<u>76,369</u>	<u>27,013</u>	<u>216,448</u>	<u>7,403</u>
Net change in cash and cash equivalents	3,145,171	2,798,523	3,411,488	9,355,182	(1,327,343)
Cash and cash equivalents, beginning of year	14,840,075	17,075,832	10,389,136	42,305,043	3,743,698
Cash and cash equivalents, end of year	<b>\$ 17,985,246</b>	<b>\$ 19,874,355</b>	<b>\$ 13,800,624</b>	<b>\$ 51,660,225</b>	<b>\$ 2,416,355</b>

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	\$ 17,269,245	\$ 19,792,816	\$ 13,780,448	\$ 50,842,509	\$ 2,416,355
Restricted cash and cash equivalents	716,001	81,539	20,176	817,716	-
	<b>\$ 17,985,246</b>	<b>\$ 19,874,355</b>	<b>\$ 13,800,624</b>	<b>\$ 51,660,225</b>	<b>\$ 2,416,355</b>

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

Operating income (loss)	\$ 5,133,302	\$ 2,809,026	\$ 4,929,208	\$ 12,871,536	\$ (2,065,536)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	2,897,441	597,517	3,988,100	7,483,058	-
Change in:					
Accounts receivable, net	(1,354,582)	(239,784)	(150,845)	(1,745,211)	(47,304)
Inventories	(273,531)	(717,519)	(138,073)	(1,129,123)	-
Due from other City funds	(71,818)	-	-	(71,818)	-
Prepaid expenses and other current assets	161,916	-	-	161,916	-
TVA heat pump notes receivable	52,505	-	-	52,505	-
Other assets	13,997	-	-	13,997	-
Deferred outflows of resources related to other items	-	-	(655,911)	(655,911)	-
Accounts payable and other payables	739,303	560,645	50,492	1,350,440	1,003
Accrued expenses	(271)	-	940,125	939,854	278,200
Due to other City funds	378	(1,727)	28,441	27,092	(84)
Other current liabilities	324	1,839	5,020	7,183	(1,025)
Compensated absences	16,540	(7,026)	(6,784)	2,730	-
TVA heat pump notes payable	(54,996)	-	-	(54,996)	-
Net pension and OPEB assets and liabilities	(6,050,023)	(1,990,701)	(5,340,680)	(13,381,404)	-
Deferred outflows of resources related to pensions and OPEB	(415,903)	(117,814)	(425,188)	(958,905)	-
Deferred inflows of resources related to pensions and OPEB	6,870,310	2,223,896	6,133,884	15,228,090	-
Customer deposits and other noncurrent liabilities	13,300	500	-	13,800	-
Net cash provided (used) by operating activities	<b>\$ 7,678,192</b>	<b>\$ 3,118,852</b>	<b>\$ 9,357,789</b>	<b>\$ 20,154,833</b>	<b>\$ (1,834,746)</b>

**Schedule of noncash capital and related financing activities**

Unamortized premium on refunded debt deferred	\$ 67,091	\$ -	\$ -	\$ 67,091	\$ -
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**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

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**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, 2022

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**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 \$3,125,613 for utilities services from the Medical Center during the year ended June 30, 2022.

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, 2022

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**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, 2022

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**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, 2022

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**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 2022 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 \$229,000 for the year ended June 30, 2022.

**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 \$6,105,000 as of June 30, 2022.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

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**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, 2022

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**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, 2022, the liability for accrued vacation leave is approximately \$1,566,000.

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, 2022

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**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 assets 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) 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. (2) Other amounts paid for utility customers.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

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

**Deferred Outflows/Inflows of Resources**

The City has the following types of deferred inflows of resources: (1) 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. 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. (2) 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. (3) Deferred gain 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.

**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, 2022.

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, 2022. 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 \$5,500 to the Rail Trail Authority for the year ended June 30, 2022.

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 \$367,300 to the Putnam County Library for the year ended June 30, 2022.

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, 2022

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**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 \$307,000 for the year ended June 30, 2022.

**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 City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City'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, 2022

**Note 3. Interfund Balances and Transactions**

Interfund receivables and payables are attributable to charges between funds that are outstanding and are as follows:

	<b>Interfund receivable</b>	<b>Interfund payable</b>
<b>Governmental activities</b>		
General	\$ 271,804	\$ 70,634
Debt service	4,704	-
Capital projects	-	2,839
Transportation	8,152	-
Nonmajor	4,939	39,298
Internal payable created by internal service fund elimination	<u>-</u>	<u>85,614</u>
	<u>289,599</u>	<u>198,385</u>
Net governmental activities receivable	<b>\$ 91,214</b>	
<b>Business-type activities</b>		
Electric department	\$ 83,225	\$ 130,277
Gas department	-	28,960
Water quality control department	-	100,816
Internal receivable created by internal service fund elimination	<u>85,614</u>	<u>-</u>
	<u>168,839</u>	<u>260,053</u>
Net business-type activities payable		<b>\$ (91,214)</b>

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

	<b>Transfers in</b>	<b>Transfers out</b>
<b>Governmental activities</b>		
General	\$ 1,769,660	\$ 2,888,000
Debt service	301,358	-
Capital projects	1,700,000	-
Transportation	-	301,358
Nonmajor	688,000	105,500
Internal service	<u>500,000</u>	<u>-</u>
	<u>4,959,018</u>	<u>3,294,858</u>
Net governmental activities transfers	<b>\$ 1,664,160</b>	
<b>Business-type activities</b>		
Electric department	\$ -	\$ 1,219,444
Gas department	-	155,027
Water quality control department	<u>-</u>	<u>289,689</u>
Net business-type activities transfers		<b>\$ (1,664,160)</b>

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

**Note 4. Capital Assets**

Capital assets activity for the year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 14,615,693	\$ 762,258	\$ (126,596)	\$ 15,251,355
Construction in progress	<u>10,021,874</u>	<u>7,461,042</u>	<u>(15,912,100)</u>	<u>1,570,816</u>
Total capital assets not being depreciated	24,637,567	8,223,300	(16,038,696)	16,822,171
Capital assets being depreciated				
Buildings and structures	13,551,613	15,174,833	-	28,726,446
Improvements other than buildings	4,210,569	1,130,076	-	5,340,645
Vehicles	15,215,073	1,134,528	(686,232)	15,663,369
Machinery and equipment	5,311,001	1,569,978	-	6,880,979
Software	282,821	9,800	-	292,621
Infrastructure	<u>61,621,619</u>	<u>447,889</u>	<u>(2,491)</u>	<u>62,067,017</u>
Total capital assets being depreciated	100,192,696	19,467,104	(688,723)	118,971,077
Less: accumulated depreciation				
Buildings and structures	(5,410,044)	(590,864)	-	(6,000,908)
Improvements other than buildings	(2,073,557)	(265,827)	-	(2,339,384)
Vehicles	(10,588,315)	(1,055,261)	686,232	(10,957,344)
Machinery and equipment	(3,783,364)	(367,883)	-	(4,151,247)
Software	(233,892)	(21,205)	-	(255,097)
Infrastructure	<u>(36,428,243)</u>	<u>(1,955,465)</u>	<u>2,491</u>	<u>(38,381,217)</u>
Total accumulated depreciation	<u>(58,517,415)</u>	<u>(4,256,505)</u>	<u>688,723</u>	<u>(62,085,197)</u>
Governmental activities capital assets, net	<b>\$ 66,312,848</b>	<b>\$ 23,433,899</b>	<b>\$ (16,038,696)</b>	<b>\$ 73,708,051</b>

Depreciation expense was charged to functions/programs for the year as follows:

General government	\$ 147,522
Planning and codes	10,902
Public safety	1,044,707
Public works	2,758,766
Parks and maintenance	19,608
Culture and recreation	<u>275,000</u>
Total depreciation expense, governmental activities	<b>\$ 4,256,505</b>

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

Note 4. **Capital Assets**

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 3,857,352	\$ -	\$ (193,529)	\$ 3,663,823
Water rights	4,889,052	-	-	4,889,052
Construction in progress	<u>9,811,878</u>	<u>4,689,734</u>	<u>(4,271,732)</u>	<u>10,229,880</u>
Total capital assets not being depreciated	18,558,282	4,689,734	(4,465,261)	18,782,755
Capital assets being depreciated				
Utility plant in service	198,620,721	6,719,153	(36,160)	205,303,714
Buildings, structures, and improvements	3,779,441	-	-	3,779,441
Machinery and equipment	15,711,868	999,975	(226,178)	16,485,665
Furniture and fixtures	655,790	43,785	(18,375)	681,200
Plant acquisition adjustment	<u>6,027,941</u>	<u>-</u>	<u>(379,750)</u>	<u>5,648,191</u>
Total capital assets being depreciated	224,795,761	7,762,913	(660,463)	231,898,211
Less: accumulated depreciation				
Utility plant in service	(108,018,962)	(6,285,233)	679,667	(113,624,528)
Buildings, structures, and improvements	(3,063,245)	(98,440)	-	(3,161,685)
Machinery and equipment	(7,174,360)	(661,542)	244,553	(7,591,349)
Furniture and fixtures	<u>(544,688)</u>	<u>(63,537)</u>	<u>18,375</u>	<u>(589,850)</u>
Total accumulated depreciation	<u>(118,801,255)</u>	<u>(7,108,752)</u>	<u>942,595</u>	<u>(124,967,412)</u>
Governmental activities capital assets, net	<b>\$ 124,552,788</b>	<b>\$ 5,343,895</b>	<b>\$ (4,183,129)</b>	<b>\$ 125,713,554</b>

Depreciation expense was charged to functions/programs for the year as follows:

Electric department	\$ 2,897,441
Gas department	597,517
Water quality control department	<u>3,988,100</u>
Total depreciation expense, business-type activities	<b>\$ 7,483,058</b>

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

**Note 5. Long-term Liabilities**

During the year the changes in long-term liabilities were as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Governmental activities</b>					
General obligation					
bonds	\$ 18,785,000	\$ 15,745,000	\$ (10,345,000)	\$ 24,185,000	\$ 2,180,000
Bond premiums	<u>1,282,843</u>	<u>980,102</u>	<u>(320,836)</u>	<u>1,936,109</u>	<u>-</u>
Total bonds	20,067,843	16,725,102	(10,671,836)	26,121,109	2,180,000
Compensated absences	<u>978,106</u>	<u>39,489</u>	<u>-</u>	<u>1,017,595</u>	<u>-</u>
Total governmental activities	<b>\$ 21,045,949</b>	<b>\$ 16,764,591</b>	<b>\$ (10,671,836)</b>	<b>\$ 27,138,704</b>	<b>\$ 2,180,000</b>
<b>Business-type activities</b>					
Revenue and tax bonds	\$ 1,780,000	\$ -	\$ (1,780,000)	\$ -	\$ -
General obligation					
bonds	-	1,505,000	-	1,505,000	305,000
Direct borrowing notes	1,133,936	-	(105,024)	1,028,912	107,676
Bond premiums	<u>74,444</u>	<u>-</u>	<u>(74,444)</u>	<u>-</u>	<u>-</u>
Total bonds and notes	2,988,380	1,505,000	(1,959,468)	2,533,912	412,676
Compensated absences	545,510	2,730	-	548,240	-
TVA heat pump notes	193,423	-	(54,996)	138,427	-
Water storage rights	<u>1,447,083</u>	<u>-</u>	<u>(102,690)</u>	<u>1,344,393</u>	<u>105,644</u>
Total business-type activities	<b>\$ 5,174,396</b>	<b>\$ 1,507,730</b>	<b>\$ (2,117,154)</b>	<b>\$ 4,564,972</b>	<b>\$ 518,320</b>

*Governmental Activities*

In the current fiscal year, the City issued \$6,570,000 in general obligation refunding bonds, series 2021A, with interest rates of 1.50%-2.00% and annual installments from \$655,000 to \$660,000. The proceeds were used to refund \$6,740,000 of outstanding general obligation bonds, series 2015, which had interest rates ranging from 2.00% to 2.75%. The net proceeds of \$6,765,881 (including a \$299,312 premium and after payment of \$103,431 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the refunding. The net carrying amount of the old debt exceeded the reacquisition price by \$106,740. This amount is reported as a deferred inflow of resources and amortized over the remaining life of the refunding debt, which has a shorter remaining life than the refunded debt. The refunding reduced the City's total debt service payments by \$704,269 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$663,571.

In the current fiscal year, the City also issued \$9,175,000 in general obligation bonds, series 2021B, with interest rates of 2.00%-3.00% and annual installments of \$655,000, for the purpose of financing various City capital expenditures, including but not limited to costs associated with the new police headquarters.

**City of Cookeville, Tennessee**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**Note 5. Long-term Liabilities**

*Business Type Activities*

In the current fiscal year, the City issued \$1,505,000 in general obligation refunding bonds, series 2021C, with interest rates of 1.00% and annual installments from \$300,000 to \$305,000. The proceeds were used to advance refund \$1,780,000 of outstanding electric system revenue and tax bonds, series 2013, which had interest rates ranging from 2.00% to 3.00%. The net proceeds of \$1,799,768 (including a \$294,769 transfer from prior debt issue debt service funds, a \$20,000 equity contribution by the City, and issuance costs of \$20,000) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result the electric system revenue and tax bonds, series 2013, are considered defeased and the liability for those bonds has been removed from the statement of net position. The net carrying amount of the old debt exceeded the reacquisition price by \$54,675. This amount is reported as a deferred inflow of resources and amortized over the remaining life of the refunding debt, which has a shorter remaining life than the refunded debt. The advance refunding reduced its total debt service payments by \$52,369 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$10,504.

**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 are as follows:

	<b>Original borrowing</b>	<b>Interest rates</b>	<b>Final maturity</b>	<b>Outstanding at year-end</b>
<b>Governmental activities</b>				
Series 2013	\$ 4,300,000	2.00% - 3.20%	2029	\$ 2,075,000
Series 2020	8,875,000	3.00%	2035	7,685,000
Refunding, Series 2021A	6,570,000	1.15% - 2.00%	2031	5,910,000
Series 2021B	9,175,000	2.00% - 3.00%	2035	<u>8,515,000</u>
Total governmental activities				<b>\$ 24,185,000</b>
<b>Business-type activities</b>				
Refunding, Series 2021C (Electric System)	\$ 1,505,000	1.00%	2027	<b>\$ 1,505,000</b>

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 \$1,028,912.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

**Note 5. Long-term Liabilities**

**Debt Service Requirements**

The annual debt service requirements to maturity for all long-term obligations outstanding are as follows:

Year	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Business-type Activities</b>		<b>Total Business-type Activities</b>	
	<b>Bonds</b>		<b>Bonds</b>		<b>Direct borrowing notes</b>		<b>Principal</b>	<b>Interest</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>		
2023	\$ 2,180,000	\$ 613,835	\$ 305,000	\$ 13,525	\$ 107,676	\$ 24,492	\$ 412,676	\$ 38,017
2024	2,185,000	555,035	300,000	10,500	110,400	21,768	410,400	32,268
2025	2,195,000	496,085	300,000	7,500	113,184	18,984	413,184	26,484
2026	2,195,000	436,265	300,000	4,500	116,052	16,116	416,052	20,616
2027	2,205,000	376,375	300,000	1,500	118,980	13,188	418,980	14,688
2028-2032	9,490,000	1,063,275	-	-	462,620	21,913	462,620	21,913
2033-2035	<u>3,735,000</u>	<u>184,800</u>	-	-	-	-	-	-
	<b>\$ 24,185,000</b>	<b>\$ 3,725,670</b>	<b>\$ 1,505,000</b>	<b>\$ 37,525</b>	<b>\$ 1,028,912</b>	<b>\$ 116,461</b>	<b>\$ 2,533,912</b>	<b>\$ 153,986</b>
<b>Total Primary Government</b>								
Year	Principal	Interest						
2023	\$ 2,592,676	\$ 651,852						
2024	2,595,400	587,303						
2025	2,608,184	522,569						
2026	2,611,052	456,881						
2027	2,623,980	391,063						
2028-2032	9,952,620	1,085,188						
2033-2035	<u>3,735,000</u>	<u>184,800</u>						
	<b>\$ 26,718,912</b>	<b>\$ 3,879,656</b>						

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

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**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 is 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:

<b>Year ended June 30,</b>	<b>Principal</b>	<b>Interest</b>
2023	\$ 105,644	\$ 38,651
2024	108,681	35,614
2025	111,806	32,489
2026	115,020	29,275
2027	118,980	25,315
2028-2032	<u>784,262</u>	<u>81,509</u>
Totals	<b>\$ 1,344,393</b>	<b>\$ 242,853</b>

**Note 6. Deferred Outflows and Inflows of Resources**

Deferred outflows of resources consist of the following:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Pension related items	\$ 6,919,190	\$ 3,298,813
OPEB related items	9,749,469	2,155,277
Other	<u>-</u>	<u>655,911</u>
	<b>\$ 16,668,659</b>	<b>\$ 6,110,001</b>

Deferred inflows of resources consist of the following:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Property taxes		
2022 estimated levy	\$ 9,926,011	\$ -
Debt refunding	106,740	61,091
Pension related items	27,650,131	13,240,447
OPEB related items	<u>15,980,988</u>	<u>3,625,071</u>
	<b>\$ 53,663,870</b>	<b>\$ 16,926,609</b>

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

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**Note 7. Defined Benefit Pension Plans**

**General Information about the Pension Plans**

*Plans*

The City contributes to two defined benefit pension plans: the Public Employee Retirement Plan (Legacy) of the TCRS (TCRS Legacy) and the Public Employee Retirement Plan (Hybrid with Cost Controls) of the TCRS (TCRS Hybrid). As of and for the year ended June 30, 2022, the two plans had the following balances reported in the financial statements:

	<b>TCRS Legacy</b>	<b>TCRS Hybrid</b>	<b>Total pension plans</b>
Total pension liabilities	\$ 117,808,577	\$ 242,306	\$ 118,050,883
Net pension assets	16,673,707	28,812	16,702,519
Deferred outflows of resources	10,072,025	145,978	10,218,003
Deferred inflows of resources	40,867,782	22,796	40,890,578
Pension expense (negative pension expense)	4,554,217	(18,818)	4,535,399

**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/Reporting-and-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 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 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.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

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**Note 7. Defined Benefit Pension Plans**

**General Information**

*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. Moreover, the *TCRS Hybrid* plan includes defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Employees Covered by Benefit Terms*

At the measurement date of June 30, 2021, the following employees were covered by the benefit terms:

*TCRS Legacy*

Inactive employees or beneficiaries currently receiving benefits	280
Inactive employees entitled to but not yet receiving benefits	209
Active employees	339
	<b>828</b>

*TCRS Hybrid*

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	25
Active employees	81
	<b>106</b>

The TCRS Legacy plan is closed to new entrants.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

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**Note 7. Defined Benefit Pension Plans**

**General Information**

*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, 2022, the employer contributions for the City were \$3,985,274 based on a rate of 21.55% 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. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4% except in years when the maximum funded level, as established by the TCRS Board of Trustees is reached. 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. For the year ended June 30, 2022, the employer contributions by the City were \$81,594 based on a rate of 2.13% of covered payroll. The employer rate, when combined with member contributions, is 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.

**Net Pension Liabilities (Assets)**

*Pension Liabilities (Assets)*

The City's net pension liabilities (assets) were measured as of June 30, 2021, 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, 2021 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44%, based on age, including inflation, and averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.125%

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

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

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**Note 7. Defined Benefit Pension Plans**

**Net Pension Liabilities (Assets)**

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

*Changes of Assumptions*

In 2021, the following assumptions were changed: decreased inflation rate from 2.5 percent to 2.25 percent; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions.

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, 2020 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 2.25%. 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:

<b>Asset class</b>	<b>Long-term expected real rate of return</b>	<b>Target allocation</b>
US equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
US fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<hr style="width: 100%; border: 0.5px solid black;"/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the factors described above.

*Discount Rate*

The discount rate used to measure the total pension liability was 6.75%. 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.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

**Note 7. Defined Benefit Pension Plans**

**Changes in the Net Pension Liabilities (Assets)**

*TCRS Legacy*

	<b>Total pension liability (a)</b>	<b>Plan fiduciary net position (b)</b>	<b>Net pension liability (asset) (a)-(b)</b>
Balance, June 30, 2020	\$ 153,266,825	\$ 135,167,899	\$ 18,098,926
Service cost	1,669,491	-	1,669,491
Interest	10,945,337	-	10,945,337
Experience differences	(47,218,099)	-	(47,218,099)
Changes in assumptions	7,077,311	-	7,077,311
Contributions, employer	-	4,052,011	(4,052,011)
Contributions, employee	-	5,817	(5,817)
Net investment income	-	30,807,048	(30,807,048)
Benefit payments, including refunds of employee contributions	(7,932,288)	(7,932,288)	-
Administrative expenses	-	(31,886)	31,886
Other changes	-	(27,586,317)	27,586,317
Net changes	<u>(35,458,248)</u>	<u>(685,615)</u>	<u>(34,772,633)</u>
Balance, June 30, 2021	<b>\$ 117,808,577</b>	<b>\$ 134,482,284</b>	<b>\$ (16,673,707)</b>

*TCRS Hybrid*

	<b>Total pension liability (a)</b>	<b>Plan fiduciary net position (b)</b>	<b>Net pension liability (asset) (a)-(b)</b>
Balance, June 30, 2020	\$ 77,937	\$ 84,390	\$ (6,453)
Service cost	82,636	-	82,636
Interest	11,591	-	11,591
Experience differences	43,968	-	43,968
Changes in Assumptions	27,570	-	27,570
Contributions, employer	-	44,375	(44,375)
Contributions, employee	-	109,357	(109,357)
Net investment income	-	40,616	(40,616)
Benefit payments, including refunds of employee contributions	(1,396)	(1,396)	-
Administrative expenses	-	(6,224)	6,224
Net change	<u>164,369</u>	<u>186,728</u>	<u>(22,359)</u>
Balance, June 30, 2021	<b>\$ 242,306</b>	<b>\$ 271,118</b>	<b>\$ (28,812)</b>

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

**Note 7. Defined Benefit Pension Plans**

**Changes in the Net Pension Liabilities (Assets)**

*Sensitivity of the Net Pension Liabilities (Assets) to Changes in the Discount Rate*

The following presents the net pension liabilities (assets) of the City calculated using the discount rate of 6.75%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (5.75%) or 1% higher (7.75%) than the current rate:

	<b>1% Decrease (5.75%)</b>	<b>Current rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
TCRS Legacy net pension liability (asset)	\$ (416,563)	\$ (16,673,707)	\$ (30,096,034)
TCRS Hybrid net pension liability (asset)	42,579	(28,812)	(81,338)

**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, 2022, the City recognized pension expense (negative pension expense) of \$4,554,217 for the Legacy plan and (\$18,818) for the Hybrid plan.

*Deferred Outflows of Resources and Deferred Inflows of Resources*

At June 30, 2022, 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*

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ 188,992	\$ 24,595,929
Net difference between projected and actual earnings on pension plan investments	-	16,271,853
Changes in Assumptions	5,897,759	-
Contributions subsequent to the measurement date of June 30, 2021	<u>3,985,274</u>	<u>-</u>
	<b>\$ 10,072,025</b>	<b>\$ 40,867,782</b>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2021," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

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**Note 7. Defined Benefit Pension Plans**

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

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:

<b>Year ended June 30,</b>	
2023	\$ (26,430,107)
2024	(3,195,558)
2025	(2,797,249)
2026	(3,393,957)
2027	1,035,840
Thereafter	-

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

At June 30, 2022, 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*

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ 39,571	\$ -
Net difference between projected and actual earnings on pension plan investments	-	22,796
Changes in Assumptions	24,813	-
Contributions subsequent to the measurement date of June 30, 2021	<u>81,594</u>	<u>-</u>
	<b>\$ 145,978</b>	<b>\$ 22,796</b>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2021," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

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**Note 7. Defined Benefit Pension Plans**

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

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:

<b>Year ended June 30,</b>		
2023	\$	1,503
2024		1,503
2025		1,503
2026		1,314
2027		7,154
Thereafter		28,611

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, 2022, the City had payables of \$330,371 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 2022 pension contributions. A summary of the pension-related activity follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Net pension assets	\$ 9,411,978	\$ 7,290,541
Deferred outflows	6,919,190	3,298,813
Deferred inflows	27,650,131	13,240,447

**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 through the City of Cookeville Postemployment Benefits Other Than Pensions plan (the plan). These benefit provisions and all other requirements are established by City policy. The City's latest actuarial valuation was prepared as of January 1, 2021 for the fiscal year ended June 30, 2022. Update procedures were used to roll forward the total OPEB liability to the OPEB plan's fiscal year-end.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

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**Note 8. OPEB Plan**

**General Information about the OPEB Plan**

*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 July 1, 2022, the following were covered by the benefit terms:

Active in valuation (with medical, dental, or life coverage)	<b>409</b>
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)	<b>233</b>
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, 2022

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**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	4.09% 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 Table; Separate for Male and Female, Active, Retirees and Disability with generational projection under scale MP-2021.

*TCRS Local Government Disability Rates*

<b>Age</b>	<b>Unisex</b>
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, 2022

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**Note 8. OPEB Plan**

**Summary of Assumptions**

*TCRS Local Government Retirement Rates*

<b>Age</b>	<b>&lt; 15 years</b>	<b>&gt; 15 years</b>
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*

<b>Age</b>	<b>1<sup>st</sup> year unisex</b>	<b>2<sup>nd</sup> year unisex</b>	<b>Ultimate male</b>	<b>Ultimate female</b>
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, 2022

**Note 8. OPEB Plan**

**Summary of Assumptions**

*Discount Rate*

The discount rate used to measure the total OPEB liability was 4.09%. This rate reflects the interest rate derived from yields on the S&P 500 High Grade 20 Year Rate Index as of June 30, 2022.

Update procedures were used to roll forward the total OPEB liability to the OPEB plan's fiscal year-end. The actuarial demographic assumptions used in the June 30, 2022 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 4.09% based on the S&P 500 High Grade 20 Year Rate Index as of June 30, 2022, compared to prior discount rate of 2.18% based on the S&P Municipal Bond 20 Year High Grade Rate Index; (2) the mortality improvement scale was updated to use the MP-2021 Improvement scale table.

**OPEB Liability**

The City's OPEB liability of \$47,310,418 was measured as of June 30, 2022, and was determined by an actuarial valuation as of that date.

	<b>Total OPEB liability (a)</b>	<b>Plan net position (b)</b>	<b>OPEB liability (a)-(b)</b>
Balance, July 1, 2021	\$ 61,658,584	\$ -	\$ 61,658,584
Service cost	2,304,545	-	2,304,545
Interest	1,363,473	-	1,363,473
Changes in benefits	-	-	-
Experience losses (gains)	-	-	-
Changes in assumptions	(16,597,942)	-	(16,597,942)
Contributions, employer	-	1,418,242	(1,418,242)
Contributions, employees	-	-	-
Net investment income	-	-	-
Benefits paid	<u>(1,418,242)</u>	<u>(1,418,242)</u>	<u>-</u>
Net change	<u>(14,348,166)</u>	<u>-</u>	<u>(14,348,166)</u>
Balance, June 30, 2022	<b>\$ 47,310,418</b>	<b>\$ -</b>	<b>\$ 47,310,418</b>

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

**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:

	<b>1% Decrease in trend rates</b>	<b>Assumed trend rates</b>	<b>1% Increase in trend rates</b>
OPEB liability	\$ 40,015,943	\$ 47,310,418	\$ 56,794,746

**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:

	<b>1% Decrease (3.09%)</b>	<b>Current rate (4.09%)</b>	<b>1% Increase (5.09%)</b>
OPEB liability	\$ 55,192,903	\$ 47,310,418	\$ 40,985,779

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

*OPEB Expense*

For the fiscal year ended June 30, 2022, the City recognized OPEB expense as follows:

	<b>Year ended June 30, 2022</b>
Service cost	\$ 2,304,545
Interest	1,363,473
Changes in assumptions	(2,371,135)
Amortization of or change in beginning balances	<u>1,234,833</u>
	<b>\$ 2,531,716</b>

*Deferred Outflows of Resources and Deferred Inflows of Resources*

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Difference between expected and actual experience	\$ 3,765,428	\$ 5,379,252
Changes in assumptions	<u>8,139,3189</u>	<u>14,226,807</u>
	<b>\$ 11,904,746</b>	<b>\$ 19,606,059</b>

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

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**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 (inflows) of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30,</b>	
2023	\$ (1,136,302)
2024	(1,136,302)
2025	(1,136,302)
2026	(1,136,301)
2027	(784,974)
Thereafter	(2,371,132)

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, 2022, 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:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
OPEB liability	\$ 38,351,533	\$ 8,958,885
Deferred outflows	9,749,469	2,155,277
Deferred inflows	15,980,988	3,625,071

**Note 9. Defined Contribution Pension Plans**

City employees are eligible to participate in the following defined contribution pension plans depending on date of hire and certain eligibility factors:

<b>Plan name</b>	<b>Plan administrator</b>	<b>Plan type</b>
State of Tennessee Deferred Compensation Plan II – 401(k)	TCRS	401(k)
Tennessee State Employees Deferred Compensation Plan and Trust – 457(b)	TCRS	457(b)

Participation in the defined contribution pension plans permits participants to defer a portion of their salary to future years. The deferred compensation is not available to them until termination, retirement, death, or unforeseeable emergency.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

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**Note 9. Defined Contribution Pension Plans**

The City has determined that none of its defined contribution pension plans are fiduciary component units or fiduciary activities of the government.

**State of Tennessee Deferred Compensation Plan II – 401(k)**

The City's participating employer agreement for the State of Tennessee Deferred Compensation Plan II – 401(k) (State 401(k) Plan) was most recently amended and restated effective July 1, 2019. The plan's investments are held in trust by Empower Retirement.

Each employee hired on or after July 1, 2019, who works more than 40 hours per week for the City is eligible to participate in the plan for the purpose of making elective deferrals and receiving non-matching contributions. Employee salary reduction contributions are voluntary. Employees who are members of the City TCRS Legacy defined benefit pension plan (TCRS Legacy DB Plan) are not eligible for non-matching contributions. Employees who are members of the City TCRS Hybrid defined benefit pension plan (TCRS Hybrid DB Plan) are fully vested immediately in non-matching contributions. Forfeitures of any unvested amounts for employees that leave employment prior to becoming fully vested will be used first to reduce any non-matching contributions and then to offset plan expenses.

For employees who are members of the City TCRS Hybrid DB Plan, the City's non-matching contribution amount is 5% of the employee's compensation.

Benefit terms and contribution rates are established and may be amended by formal resolution of the City Council.

The City's contributions to the State 401(k) Plan recognized in pension expense for the year totaled \$191,837. No forfeitures were used by the City during the year and there were no amounts relating to required contributions payable to the plan.

**Tennessee State Employees Deferred Compensation Plan and Trust – 457(b)**

The District's participating employer agreement for the Tennessee State Employees Deferred Compensation Plan and Trust – 457(b) (State 457(b) Plan) was most recently amended and restated effective June 1, 2018. The plan's investments are held in trust by Empower Retirement.

Each employee hired on or after June 1, 2018, and each employee grandfathered in, is eligible to participate in the plan for the purpose of making elective deferrals. Employee salary reduction contributions are voluntary. The City does not make matching or non-matching contributions and, as such, forfeiture policies are not applicable.

Benefit terms and contribution rates are established and may be amended by formal resolution of the City Council.

**Note 10. 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.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

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**Note 10. Risk Management**

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

Claims expensed during the year ended June 30, 2022 totaled approximately \$125,000 for general liability and \$297,000 for workers' compensation. Liabilities for claims incurred but not reported as of June 30, 2022 are not calculated by an actuary. The plan administrator reported claims payable of approximately \$245,000 as of June 30, 2022, 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, 2022 are not calculated by an actuary. The plan administrator reported health claims payable of approximately \$565,000 as of June 30, 2022. 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, 2022, the amount for health insurance claims and premiums totaled approximately \$7,300,000.

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 11. 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 12. Prior Period Adjustment and Reclassifications**

A prior period adjustment of \$3,668,405 was made to the business-type activities and the water quality control department enterprise fund to increase previously stated net positions of \$153,908,082 and \$73,536,908, respectively. The correction of an error was made to properly state payments for water rights. Certain other opening balances have been reclassified to conform to the current year presentation.

**Note 13. Subsequent Events**

In November 2022, the City, as a non-entitlement unit of local government, received \$5,148,869, passed through the State, from the US Treasury. This amount represents the second half of the City's total \$10,297,737 allocation from the Coronavirus State and Local Fiscal Recovery Funds, a part of the American Rescue Plan Act of 2021. The first payment of \$5,148,869 was received November 2021, of which \$5,036,169 and is presented in unearned revenue. The City expended \$112,700 during the year ended June 30, 2022.

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

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY**  
**(Cookeville Regional Medical Center and Affiliates)**

*Notes to Financial Statements*

*Year Ended June 30, 2022*

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NOTE A--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) 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.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY**  
**(Cookeville Regional Medical Center and Affiliates)**

*Notes to Financial Statements - Continued*

***Year Ended June 30, 2022***

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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.

*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. Accordingly, Cumberland River has no assets or liabilities reported on the statement of net position as of June 30, 2022. 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 B--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.

*Recently Adopted Accounting Pronouncements:* In June 2017, GASB issued Statement No. 87, *Leases*, which requires balance sheet recognition of a liability and right-to-use asset for substantially all leases with a maximum possible term exceeding 12 months. The lease liability is

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY**  
**(Cookeville Regional Medical Center and Affiliates)**

*Notes to Financial Statements - Continued*

*Year Ended June 30, 2022*

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measured at the present value of payments made during the lease term. In later periods, the lessee should amortize the discount of the lease liability and report it as an outflow of resources (interest expense) for the period. The lease asset is measured as the sum of the amount of the initial measurement of the lease liability, lease payments made to the lessor at/before the beginning of the lease term, and any initial direct costs. A lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset and reported as an amortization expense. The Statement requires a disclosure of the general description of the leasing arrangements within the footnotes to the financial statements. For leases that have been significantly affected by the existence of related parties, the Statement indicates that accounting should be modified as necessary, and the nature and extent of these transactions should be disclosed. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

As management has elected to adopt this statement effective July 1, 2021, the provisions of GASB Statement No. 87 have no impact to the previously reported results. The primary impact of adopting the new standard is the reclassification of capital assets from property and equipment to right-of-use lease assets and the reclassification of the corresponding lease liability from debt to other current and long-term lease liabilities. Additionally, leases previously classified as operating leases are presented on the statement of net position as capital assets and lease liabilities.

*Recently Issued Accounting Pronouncements:* In May 2020, 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 arrangements (SBITA). This Statement defines a SBITA, establishes that a SBITA results in a right-of-use subscription asset and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of SBITAs, and requires note disclosures regarding SBITAs. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which the Statement is adopted. Management is currently evaluating the impact of the adoption of the Statement on the financial statements.

*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

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY**  
**(Cookeville Regional Medical Center and Affiliates)**

*Notes to Financial Statements - Continued*

*Year Ended June 30, 2022*

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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, 2022, 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, 2022, the Medical Center had \$80,725 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.

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.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY**  
**(Cookeville Regional Medical Center and Affiliates)**

*Notes to Financial Statements - Continued*

*Year Ended June 30, 2022*

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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 statement of net position represents 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.

*Capital Assets:* Capital asset 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. A right-of-use asset is recorded equal to the lease liability plus any initial direct costs, prepayments, or incentives and is amortized over the shorter of the lease term or estimated useful life of the asset. The Medical Center has established a capitalization threshold for capital assets 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.

*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 statement of revenue, expenses and changes in net position as a component of investment income.

*Lease Liabilities:* The present value of lease payments is recorded as a lease liability at the commencement of a contract that has a term in excess of one year. The present value is determined by discounting the required payments using the stated or implicit interest rate in the lease or, if not stated or implied, the Medical Center's incremental borrowing rate. Payments

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY**  
**(Cookeville Regional Medical Center and Affiliates)**

*Notes to Financial Statements - Continued*

*Year Ended June 30, 2022*

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include options to extend, or terminate, if the Medical Center determines that it is reasonably certain that such options will be exercised.

*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.

*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 and other grants are reported as grant income as nonoperating revenue on the statement of revenues, expenses and changes in net position. Interest earned on HHS Provider Relief Funds totaled \$26,874 for the year ended June 30, 2022, and is reported as investment income on the statement of revenue, expenses and changes in net position.
- Medicare Accelerated and Advance Payments are included within net patient service revenue on the statement 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 statement 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.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY**  
**(Cookeville Regional Medical Center and Affiliates)**

*Notes to Financial Statements - Continued*

*Year Ended June 30, 2022*

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

*Net Position:* Net position of the Medical Center is classified into three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and amortization 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 at June 30, 2022 has 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 offset future taxable income. The federal carryforwards expire in various years beginning in 2024 and the state carryforwards began to expire in 2021.

*Operating Revenue and Expenses:* The Medical Center's statement of revenue, expenses and changes in net position distinguishes 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**  
**(Cookeville Regional Medical Center and Affiliates)**

*Notes to Financial Statements - Continued*

***Year Ended June 30, 2022***

*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, was approximately \$988,000 in 2022.

**NOTE C--PATIENT ACCOUNTS RECEIVABLE**

Net patient accounts receivable reported as current assets by the Medical Center consisted of the following at June 30, 2022:

Gross patient accounts receivable	\$ 91,828,514
Less: Estimated allowance for uncollectible accounts	<u>(52,533,062)</u>
Patient accounts receivable, net	<u><u>\$ 39,295,452</u></u>

The Medical Center’s primary concentration of credit risk is patient accounts receivable, which consist of amounts owed by various governmental agencies, insurance companies and patients. The Medical Center manages the 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, 2022 were as follows:

Medicare and Medicare Advantage	49%
Medicaid/TennCare	4%
Blue Cross and commercial	22%
Patients, including self-insured	<u>25%</u>
	<u><u>100%</u></u>

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY**  
**(Cookeville Regional Medical Center and Affiliates)**

*Notes to Financial Statements - Continued*

*Year Ended June 30, 2022*

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NOTE D--OTHER RECEIVABLES

Other current and long-term receivables at June 30, 2022 include \$702,369 and \$1,226,069, respectively, 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 E--INVENTORIES

Inventories consisted of the following at June 30, 2022:

Medical and surgical supplies	\$ 8,324,955
General store supplies	344,206
Pharmacy and drugs	2,749,344
Dietary foods	38,097
	<u>\$ 11,456,602</u>

NOTE F--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.

Carrying amount:	
Cash and cash equivalents	\$ 41,411,832
Investments	10,977,386
Total deposits and investments	<u>\$ 52,389,218</u>
Included in the following statements of net position captions:	
Cash and cash equivalents	\$ 31,411,832
Long-term investments	10,977,386
Assets internally designated for capital acquisition	10,000,000
	<u>\$ 52,389,218</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**  
**(Cookeville Regional Medical Center and Affiliates)**

*Notes to Financial Statements - Continued*

***Year Ended June 30, 2022***

The distribution of the Medical Center’s cash and cash equivalents, investments and assets limited as to use by maturity as of June 30, 2022 is as follows:

	<i>Fair Value</i>	<i>Investment Maturities (in Years)</i>			
		<i>Less Than 1</i>	<i>1 - 5</i>	<i>6 - 10</i>	<i>More Than 10</i>
Undesignated	\$ 10,977,386	\$ -	\$ 4,685,877	\$ 499,380	\$ 5,792,129
Assets internally designated for capital acquisition	10,000,000	10,000,000	-	-	-
Cash and cash equivalents	31,411,832	31,411,832	-	-	-
Total	\$ 52,389,218	\$ 41,411,832	\$ 4,685,877	\$ 499,380	\$ 5,792,129

*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, 2022, \$3,980,309 of the Medical Center’s investments was backed by the full faith of the U.S. Government and \$6,997,077, was 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.

*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, 2022, no more than \$1,500,000 is invested in any one investment security. As of June 30, 2022, 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 year ended June 30, 2022:

Interest income and net realized gains/losses	\$ 546,568
Unrealized loss on investments	(458,934)
	<u>\$ 87,634</u>

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY**  
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*Notes to Financial Statements - Continued*

*Year Ended June 30, 2022*

**NOTE G--CAPITAL ASSETS, 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 A. A summary of capital assets and schedule of activity is as follows:

	<i>Balance at</i>				<i>Balance at</i>
	<i>July 1, 2021</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>June 30, 2022</i>
<u>Capital assets not being depreciated:</u>					
Land	\$ 16,717,688	\$ -	\$ -	\$ -	\$ 16,717,688
Construction in progress	2,349,595	1,466,930	(50)	(967,823)	2,848,652
Total capital assets not being depreciated	19,067,283	1,466,930	(50)	(967,823)	19,566,340
<u>Capital assets being depreciated:</u>					
Land improvements	6,019,466	-	-	-	6,019,466
Building	205,701,845	1,237,288	-	821,883	207,761,016
Automobiles	327,361	44,443	-	-	371,804
Equipment	110,774,465	8,225,716	(30,445)	145,940	119,115,676
Total capital assets being depreciated	322,823,137	9,507,447	(30,445)	967,823	333,267,962
Less: accumulated depreciation:					
Land improvements	4,441,390	257,167	-	-	4,698,557
Building	104,137,380	6,940,207	-	-	111,077,587
Automobiles	268,837	31,714	-	-	300,551
Equipment	81,991,237	7,480,964	(30,445)	-	89,441,756
Total accumulated depreciation	190,838,844	14,710,052	(30,445)	-	205,518,451
Total capital assets being depreciated, net	131,984,293	(5,202,605)	-	967,823	127,749,511
<u>Capital assets being amortized:</u>					
Right-of-use assets	1,405,102	1,977,815	-	-	3,382,917
Total Capital assets being amortized	1,405,102	1,977,815	-	-	3,382,917
Less: accumulated amortization:					
Right-of-use assets	-	743,219	-	-	743,219
Total accumulated amortization	-	743,219	-	-	743,219
Total capital assets being amortized, net	1,405,102	1,234,596	-	-	2,639,698
Total capital assets, net	\$ 152,456,678	\$ (2,501,079)	\$ (50)	\$ -	\$ 149,955,549

The Medical Center has recorded right-of-use assets as a result of implementing GASB Statement No. 87. The right-of-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, plus ancillary charges necessary to place the asset into service. The right-of-use assets are amortized on a straight-line basis over the lesser of the lease term or estimated useful life of the asset. Further discussion regarding the related lease liabilities can be found in Note J.

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*Notes to Financial Statements - Continued*

***Year Ended June 30, 2022***

Construction in progress at June 30, 2022 consists of facility renovations and expansions. Estimated costs to complete the projects amounted to approximately \$24,484,000 at June 30, 2022 and all projects are anticipated to be completed by the year ending June 30, 2025.

**NOTE H--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 A. A schedule of changes in the Medical Center's long-term debt as of June 30, 2022 is as follows:

	<i>Balance at</i>			<i>Balance at</i>		<i>Amounts Due</i>
	<i>July 1, 2021</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2022</i>		<i>Within</i>
						<i>One Year</i>
Series 2009 Bonds	\$ 21,989,336	\$ -	\$ (896,427)	\$ 21,092,909	\$	919,122
Series 2010-A Bonds	6,578,790	-	(692,944)	5,885,846		710,487
Series 2010-B Bonds	8,876,116	-	(933,686)	7,942,430		957,324
Series 2010-C Bonds	21,349,500	-	(917,000)	20,432,500		937,000
	<u>\$ 58,793,742</u>	<u>\$ -</u>	<u>\$ (3,440,057)</u>	<u>\$ 55,353,685</u>	<u>\$</u>	<u>3,523,933</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.

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 4.02% at June 30, 2022.

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*Notes to Financial Statements - Continued*

***Year Ended June 30, 2022***

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, 2022 related to long-term debt are as follows:

<i>Year Ending June 30,</i>	<i>Bonds</i>	
	<i>Principal</i>	<i>Interest</i>
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	3,876,023	632,168
2028 - 2032	15,919,153	2,265,330
2033 - 2037	12,152,429	1,239,690
2038 - 2040	8,790,722	245,751
<b>TOTAL</b>	<b>\$ 55,353,685</b>	<b>\$ 7,504,507</b>

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, 2022.

**NOTE I--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

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*Notes to Financial Statements - Continued*

***Year Ended June 30, 2022***

LIBOR multiplied by 0.825 plus 1.44%. The net amounts paid to or received from the counterparty to the swap are included in interest expense. The interest rate swap agreement is 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 statement of net position (deferred inflow as of June 30, 2022). The agreement terminates May 22, 2025 and had 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, 2022, derivative financial instruments consisted of the following:

Designated for Hedging:

	<i>Balance at Notional</i>	<i>Maturity</i>	<i>Pay Index</i>	<i>Receive Index</i>	<i>Fair Value</i>
				82.5% of 1-month	
Fixed payer	\$ 55,353,685	May 22, 2025	1.83%	LIBOR + 1.44%	\$ 3,120,501

**NOTE J--LEASE LIABILITIES**

The Medical Center entered into agreements to lease certain property. The lease agreements qualify as other than short-term leases under GASB Statement No. 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

There are a significant amount of agreements entered into with various vendors. There are no variable payment components for any lease, included in the liability determined, as these are expensed as incurred. Each lease liability is measured at various discount rates based on the terms, date of service, classification of item and other factors pertaining to the contract. The associated right-of-use assets are discussed in more detail in Note G.

A schedule of the Medical Center's lease liabilities is as follows:

	<i>Balance at July 1, 2021</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at June 30, 2022</i>	<i>Amounts Due Within One Year</i>
Building	\$ 1,405,102	\$ 1,977,815	\$ (683,552)	\$ 2,699,365	\$ 815,792

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*Notes to Financial Statements - Continued*

***Year Ended June 30, 2022***

The Medical Center leases property under lease agreements which expire at various dates. Future minimum lease payments under leases are as follows:

<i>Year Ending June 30,</i>	<i>Principal Payments</i>	<i>Interest Payments</i>	<i>Total</i>
2023	\$ 815,792	\$ 35,116	\$ 850,908
2024	636,072	24,213	660,285
2025	641,297	14,465	655,762
2026	475,189	5,617	480,806
2027	131,015	415	131,430
<b>TOTAL</b>	<b>\$ 2,699,365</b>	<b>\$ 79,826</b>	<b>\$ 2,779,191</b>

**NOTE K--REFUNDABLE (ACCRUED) ADVANCES**

Refundable (accrued) advances on the statement of net position consist of the following at June 30, 2022:

<i>Grantor Agency</i>	<i>Beginning Refundable (Accrued) Advances</i>	<i>Grant Received</i>	<i>Grant Expended or Repaid</i>	<i>Ending Refundable (Accrued) Advances</i>	<i>Amounts Due Within One Year</i>
Department of Health and Human Services (HHS)					
Provider Relief Fund	\$ 3,082,493	\$ 21,361,219	\$ 20,765,344	\$ 3,678,368	\$ 3,678,368
Medicare Accelerated and Advance Payments	46,550,460	-	33,855,259	12,695,201	12,695,201
	<b>\$ 49,632,953</b>	<b>\$ 21,361,219</b>	<b>\$ 54,620,603</b>	<b>\$ 16,373,569</b>	<b>\$ 16,373,569</b>

**NOTE L--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

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*Notes to Financial Statements - Continued*

*Year Ended June 30, 2022*

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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 were minimal for the year ended June 30, 2022.

The composition of net patient service revenue for the year ended June 30, 2022 was as follows:

Gross patient service revenue	\$ 1,123,380,652
Less: Provisions for contractual adjustments	(703,749,016)
Less: Provisions for bad debt	(26,566,964)
Less: Charity care	(3,292,484)
Net patient service revenue	<u><u>\$ 389,772,188</u></u>

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*Notes to Financial Statements - Continued*

***Year Ended June 30, 2022***

The composition of gross revenue for patient services rendered for the year ended June 30, 2022 was as follows:

	<b><i>Total</i></b>	<b><i>Ratio</i></b>
Medicare and Medicare Advantage	\$ 603,228,288	54%
Medicaid/TennCare	127,318,258	11%
Blue Cross and commercial	350,343,304	31%
Patients, including self-insured	42,490,802	4%
Total	<u>\$ 1,123,380,652</u>	<u>100%</u>

**NOTE M--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>.

*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 (COLA) 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.

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*Notes to Financial Statements - Continued*

***Year Ended June 30, 2022***

*Employees Covered by Benefit Terms:* At the measurement date of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	805
Inactive employees entitled to but not yet receiving benefits	749
Active employees	261
Total employees	1,815

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

*Contributions:* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The Medical Center adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The Medical Center makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, the Actuarially Determined Contribution (ADC) for the Medical Center was \$529,484 based on a rate of 3.63 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, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 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	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

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*Notes to Financial Statements - Continued*

***Year Ended June 30, 2022***

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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, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

*Changes of Assumptions:* In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

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, 2020 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 2.25 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:

<i>Asset Class</i>	<i>Long-Term Expected Real Rate of Return</i>	<i>Target Allocation</i>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

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***Year Ended June 30, 2022***

*Discount Rate:* The discount rate used to measure the total pension liability was 6.75 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.

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability (Asset)</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balance at July 1, 2021	\$ 121,642,882	\$ 136,840,928	\$ (15,198,046)
Changes for the year:			
Service Cost	1,259,627	-	1,259,627
Interest	8,745,130	-	8,745,130
Differences between expected and actual experience	47,559,276	-	47,559,276
Changes in Assumptions	14,137,178	-	14,137,178
Contributions-employer	-	550,632	(550,632)
Contributions-employees	-	-	-
Net investment income	-	38,338,694	(38,338,694)
Benefit payments, including refunds of employee contributions	(4,560,041)	(4,560,041)	-
Administrative expense	-	(23,741)	23,741
Other	-	27,586,317	(27,586,317)
Net Changes	67,141,170	61,891,861	5,249,309
Balance at June 30, 2022	\$ 188,784,052	\$ 198,732,789	\$ (9,948,737)

*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 6.75 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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	<i>1% Decrease (5.75%)</i>	<i>Current Discount Rate (6.75%)</i>	<i>1% Increase (7.75%)</i>
The Medical Center's net pension liability (asset)	\$ 14,939,317	\$ (9,948,737)	\$ (30,655,350)

*Pension Expense (Negative Pension Expense):* For the year ended June 30, 2022, the Medical Center recognized negative pension expense of \$(4,567,408).

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*Notes to Financial Statements - Continued*

***Year Ended June 30, 2022***

*Deferred Outflows of Resources and Deferred Inflows of Resources:* For the year ended June 30, 2022, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ 23,779,638	\$ -
Net difference between projected and actual earnings on pension plan investments	1,808,988	22,392,193
Changes in Assumptions	7,068,589	-
Contributions subsequent to the measurement date of June 30, 2021	529,484	-
Total	<u>\$ 33,186,699</u>	<u>\$ 22,392,193</u>

The amount shown above for “contributions subsequent to the measurement date of June 30, 2021,” will be recognized as an increase to net pension asset in the subsequent measurement period.

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

<u><i>Year Ending June 30:</i></u>	
2023	\$ 26,175,639
2024	(4,958,559)
2025	(4,909,789)
2026	(5,512,785)
2027	-
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, 2022, the Medical Center reported a payable of \$62,106 for the outstanding amount of contributions to the pension plan in accrued salaries and related liabilities in the statement of net position as of June 30, 2022.

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*Year Ended June 30, 2022*

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During the year ended June 30, 2022, the Medical Center transferred the TCRS assets and liabilities associated with the Medical Center's employees that were 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. The City of Cookeville 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 consist only of employer contributions and that any associated employee contributions were transferred separately. The Medical Center's net pension asset and deferred inflows and outflows for the year ended June 30, 2022 reflect this transfer.

**NOTE N--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 was \$105,619 for the year ended June 30, 2022.

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 \$2,598,271 for the year ended June 30, 2022. The plan members' contributions to the Plan were \$3,972,665 for the year ended June 30, 2022. At June 30, 2022, the Medical Center reported a payable of \$72,760 to the Plan in accrued salaries and related liabilities in the statement of net position.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY**  
**(Cookeville Regional Medical Center and Affiliates)**

*Notes to Financial Statements - Continued*

*Year Ended June 30, 2022*

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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 \$49,105 for the year ended June 30, 2022.

**NOTE O--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, 2022 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**  
**(Cookeville Regional Medical Center and Affiliates)**

*Notes to Financial Statements - Continued*

*Year Ended June 30, 2022*

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, 2022:

<i>Insurance Type</i>	<i>Beginning Liability</i>	<i>Incurred Claims</i>	<i>Claim Payments</i>	<i>Ending Liability</i>
Medical and other health care benefits	\$ 2,454,925	\$ 16,722,536	\$ 17,016,959	\$ 2,160,502
Workers' compensation	831,663	800,507	221,331	1,410,839
Total	<u>\$ 3,286,588</u>	<u>\$ 17,523,043</u>	<u>\$ 17,238,290</u>	<u>\$ 3,571,341</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, 2022.

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 letters received from the OIG, the Medical Center was deemed to be in compliance with requirements of the CIA for the first and second reporting periods.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY**  
**(Cookeville Regional Medical Center and Affiliates)**

*Notes to Financial Statements - Continued*

*Year Ended June 30, 2022*

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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, 2022, the Medical Center recorded a reserve which is shown as a reduction in patient accounts receivable in the accompanying statement 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.

*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

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY**  
**(Cookeville Regional Medical Center and Affiliates)**

*Notes to Financial Statements - Continued*

***Year Ended June 30, 2022***

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terms for the uses of those funds are met. Within 30 days of receiving 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 B and K.

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 refundable advances of \$12,695,201 for the portion estimated to be recouped or paid back during the year ended June 30, 2022. See Notes B and K.

**NOTE P--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, 2022, are as follows:

<u><i>Year Ending June 30,</i></u>	
2023	\$ 9,945,288
2024	7,843,334
2025	6,068,368
2026	4,336,674
2027	1,322,787
	<u>\$ 29,516,451</u>

**NOTE Q--RELATED PARTY TRANSACTIONS**

Transactions with the primary government, the City of Cookeville, include payments in lieu of taxes of \$700,000 during the year ended June 30, 2022. Operating expenses also include \$3,125,613 in 2022, for the purchase of utilities.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY**  
**(Cookeville Regional Medical Center and Affiliates)**

*Notes to Financial Statements - Continued*

*Year Ended June 30, 2022*

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The Cookeville Regional Charitable Foundation, Inc. (the Foundation) is a not-for-profit corporation formed to enhance the quality and availability of healthcare in the Upper Cumberland region of Tennessee by offering charitable assistance to local patients, supporting healthcare service for the community, promoting compassionate programs for the patients and assisting the Medical Center, including the solicitation of gifts, contributions and community support. The Medical Center pays for certain direct expenses incurred by the Foundation, including salaries and benefits for Foundation employees. Estimated amounts related to these services paid by the Medical Center for the year ended June 30, 2022 was approximately \$237,000.

**NOTE R--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

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY**  
**(Cookeville Regional Medical Center and Affiliates)**

*Notes to Financial Statements - Continued*

***Year Ended June 30, 2022***

particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table presents assets and liabilities reported at fair value on a recurring basis as of June 30, 2022, and their respective classification under GASB Statement No. 72 valuation hierarchy:

	<i>Carrying</i> <i>Value</i>	<i>Quoted Prices in</i> <i>Active Markets</i> <i>(Level 1)</i>	<i>Significant Other</i> <i>Observable</i> <i>Inputs</i> <i>(Level 2)</i>	<i>Significant</i> <i>Unobservable</i> <i>Inputs</i> <i>(Level 3)</i>
Assets:				
United States government agency bonds	\$ 6,384,687	\$ -	\$ 6,384,687	\$ -
United States government sponsored enterprise securities	4,592,699	-	4,592,699	-
Interest rate swap agreement	3,120,501	-	3,120,501	-
	<u>\$ 14,097,887</u>	<u>\$ -</u>	<u>\$ 14,097,887</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.

**NOTE S--SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that required recognition or disclosure in the June 30, 2022 financial statements.

**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

	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>								
Service cost	\$ 1,669,491	\$ 1,785,579	\$ 1,795,672	\$ 1,796,043	\$ 1,766,958	\$ 1,702,180	\$ 1,689,810	\$ 1,679,057
Interest	10,945,337	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	(47,218,099)	(1,398,911)	755,974	950,502	257,036	(542,888)	(713,628)	(64,380)
Changes in assumptions	7,077,311	-	-	-	2,798,873	-	-	-
Benefit payments/refunds	(7,932,288)	(7,448,169)	(7,024,788)	(6,511,178)	(5,934,786)	(5,498,724)	(4,577,856)	(4,427,527)
Net change in total pension liability	(35,458,248)	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	153,266,825	149,621,322	143,793,871	137,682,351	129,194,700	120,306,990	115,305,672	109,915,000
Total pension liability, ending (a)	117,808,577	153,266,825	149,621,322	143,793,871	137,682,351	129,194,700	120,306,990	115,305,672
<b>Plan Fiduciary Net Position</b>								
Contributions, employer	4,052,011	4,284,343	4,403,814	3,824,755	3,463,073	3,230,243	3,098,708	2,868,403
Contributions, employee	5,817	28,553	48,821	30,229	12,956	55,959	64,305	21,800
Net investment income	30,807,048	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	(7,932,288)	(7,448,169)	(7,024,788)	(6,511,178)	(5,934,786)	(5,498,724)	(4,577,856)	(4,427,527)
Administrative expenses	(31,886)	(35,305)	(37,724)	(40,079)	(35,258)	(31,075)	(20,940)	(19,857)
Other changes	(27,586,317)	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(685,615)	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	135,167,899	131,875,944	125,256,435	118,249,230	108,580,946	107,990,060	106,177,777	92,555,874
Plan fiduciary net position, ending (b)	134,482,284	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)	<b>\$ (16,673,707)</b>	<b>\$ 18,098,926</b>	<b>\$ 17,745,378</b>	<b>\$ 18,537,436</b>	<b>\$ 19,433,121</b>	<b>\$ 20,613,754</b>	<b>\$ 12,316,930</b>	<b>\$ 9,127,895</b>
Plan fiduciary net position as a percentage of total pension liability	114.15%	88.19%	88.14%	87.11%	85.89%	84.04%	89.76%	92.08%
Covered payroll	\$ 18,796,267	\$ 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	-88.71%	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 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. 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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially-determined contribution	\$ 3,985,274	\$ 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>3,985,274</u>	<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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (76,354)	\$ -	\$ -	\$ -
Covered payroll	\$ 18,493,439	\$ 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	21.55%	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 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

Actuarially determined contribution rates for fiscal year 2022 were calculated based on the June 30, 2020 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

	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>								
Service cost	\$ 82,636	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	11,591	-	-	-	-	-	-	-
Changes in benefit terms	-	77,937	-	-	-	-	-	-
Differences between expected and actual experience	43,968	-	-	-	-	-	-	-
Changes in assumptions	27,570	-	-	-	-	-	-	-
Benefit payments/refunds	(1,396)	-	-	-	-	-	-	-
Net change in total pension liability	164,369	77,937	-	-	-	-	-	-
Total pension liability, beginning	77,937	-	-	-	-	-	-	-
Total pension liability, ending (a)	242,306	77,937	-	-	-	-	-	-
<b>Plan Fiduciary Net Position</b>								
Contributions, employer	44,375	17,001	-	-	-	-	-	-
Contributions, employee	109,357	68,166	-	-	-	-	-	-
Net investment income	40,616	2,042	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,396)	-	-	-	-	-	-	-
Administrative expenses	(6,224)	(2,819)	-	-	-	-	-	-
Net change in plan fiduciary net position	186,728	84,390	-	-	-	-	-	-
Plan fiduciary net position, beginning	84,390	-	-	-	-	-	-	-
Plan fiduciary net position, ending (b)	271,118	84,390	-	-	-	-	-	-
Net pension liability (asset), ending (a)-(b)	\$ (28,812)	\$ (6,453)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of total pension liability	111.89%	108.28%	n/a	n/a	n/a	n/a	n/a	n/a
Covered payroll	\$ 2,187,135	\$ 837,145	n/a	n/a	n/a	n/a	n/a	n/a
Net pension liability (asset) as a percentage of covered payroll	-1.32%	-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 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. 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 (Hybrid) (Unaudited)  
 Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially-determined contribution	\$ 82,490	\$ 44,375	\$ 17,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially-determined contribution	81,594	44,375	17,001	-	-	-	-	-	-
Contribution deficiency (excess)	\$ 896	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,836,728	\$ 2,187,135	\$ 837,145	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	2.13%	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.

In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

Actuarially determined contribution rates for fiscal year 2022 were calculated based on the June 30, 2020 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

	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>					
Service cost	\$ 2,304,545	\$ 2,194,805	\$ 1,656,278	\$ 1,577,408	\$ 1,922,342
Interest	1,363,473	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	(16,597,942)	5,831,529	-	7,947,881	-
Benefit payments/refunds	(1,418,242)	(1,335,052)	(961,241)	(894,178)	(918,016)
Other	-	-	-	-	-
Net change in total OPEB liability	(14,348,166)	13,041,476	2,014,637	(944,933)	2,601,618
Total OPEB liability, beginning	61,658,584	48,617,108	46,602,471	47,547,404	44,945,786
Total OPEB liability, ending (a)	47,310,418	61,658,584	48,617,108	46,602,471	47,547,404
<b>Plan Fiduciary Net Position</b>					
Contributions, employer	1,418,242	1,335,052	961,241	894,178	918,016
Contributions, employee	-	-	-	-	-
Net investment income	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,418,242)	(1,335,052)	(961,241)	(894,178)	(918,016)
Administrative expenses	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position, beginning	-	-	-	-	-
Plan fiduciary net position, ending (b)	-	-	-	-	-
OPEB liability, ending (a)-(b)	<b>\$ 47,310,418</b>	<b>\$ 61,658,584</b>	<b>\$ 48,617,108</b>	<b>\$ 46,602,471</b>	<b>\$ 47,547,404</b>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 20,189,568	\$ 19,320,161	\$ 19,974,898	\$ 19,114,735	\$ 18,038,717
OPEB liability as a percentage of covered-employee payroll	234.33%	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.

See additional notes on following schedule.

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

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Actuarially-determined contribution	\$ 6,886,319	\$ 6,398,208	\$ 4,962,273	\$ 4,617,277	\$ 4,973,805
Contributions in relation to the actuarially-determined contribution	<u>1,418,242</u>	<u>1,335,052</u>	<u>961,241</u>	<u>894,178</u>	<u>918,016</u>
Contribution deficiency (excess)	<b>\$ 5,468,077</b>	<b>\$ 5,063,156</b>	<b>\$ 4,001,032</b>	<b>\$ 3,723,099</b>	<b>\$ 4,055,789</b>
Covered-employee payroll	\$ 20,189,568	\$ 19,320,161	\$ 19,974,898	\$ 19,114,735	\$ 18,038,717
Contributions as a percentage of covered-employee payroll	7.02%	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, 2022

	<b>Drug</b>	<b>State street aid</b>	<b>Sanitation</b>	<b>Animal control board</b>	<b>Economic development</b>	<b>Quality of life</b>	<b>Total</b>
<b>Assets</b>							
Cash and cash equivalents	\$ 411,227	\$ 1,917,337	\$ 1,185,325	\$ 1,603,182	\$ 2,406,401	\$ 1,271,129	\$ 8,794,601
Accounts receivable	-	-	217,172	-	-	-	217,172
Taxes receivable	-	-	400,709	-	400,709	101,641	903,059
Less: allowance for bad debts	-	-	(9,690)	-	-	-	(9,690)
Other receivables	-	256,470	-	2,155	5,500	166,977	431,102
Due from other funds	-	22	2,335	-	1,959	623	4,939
Restricted cash and cash equivalents	-	-	2,690	-	-	-	2,690
<b>Total assets</b>	<b>\$ 411,227</b>	<b>\$ 2,173,829</b>	<b>\$ 1,798,541</b>	<b>\$ 1,605,337</b>	<b>\$ 2,814,569</b>	<b>\$ 1,540,370</b>	<b>\$ 10,343,873</b>
<b>Liabilities</b>							
Accounts payable	\$ 32	\$ 65,587	\$ 37,870	\$ 8,310	\$ 250,666	\$ 17,684	\$ 380,149
Accrued expenses	-	-	49,318	-	-	-	49,318
Due to other funds	-	1,638	27,493	3,218	662	6,287	39,298
Unearned revenues	76,541	4,677	-	449	-	68,709	150,376
Other liabilities	-	516,857	-	900	10,000	-	527,757
<b>Total liabilities</b>	<b>76,573</b>	<b>588,759</b>	<b>114,681</b>	<b>12,877</b>	<b>261,328</b>	<b>92,680</b>	<b>1,146,898</b>
<b>Deferred Inflows of Resources</b>							
Deferred property tax revenues	-	-	400,709	-	400,709	101,641	903,059
<b>Fund Balances</b>							
Restricted	334,654	1,585,070	1,283,151	-	-	821,208	4,024,083
Committed	-	-	-	1,592,460	2,152,532	524,841	4,269,833
<b>Total fund balances</b>	<b>334,654</b>	<b>1,585,070</b>	<b>1,283,151</b>	<b>1,592,460</b>	<b>2,152,532</b>	<b>1,346,049</b>	<b>8,293,916</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 411,227</b>	<b>\$ 2,173,829</b>	<b>\$ 1,798,541</b>	<b>\$ 1,605,337</b>	<b>\$ 2,814,569</b>	<b>\$ 1,540,370</b>	<b>\$ 10,343,873</b>

**City of Cookeville, Tennessee**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2022

	Drug	State street aid	Sanitation	Animal control board	Economic development	Quality of life	Total
<b>Revenues</b>							
Local taxes	\$ -	\$ 22	\$ 383,070	\$ -	\$ 287,813	\$ 944,523	\$ 1,615,428
Fines and forfeitures	103,179	-	-	-	-	-	103,179
Charges for services	-	-	2,009,982	180,372	-	-	2,190,354
Intergovernmental	-	1,232,750	11,189	102,200	-	-	1,346,139
Rent	-	-	-	-	9,884	-	9,884
Uses of money and property	2,004	9,552	4,804	4,310	10,250	5,459	36,379
Other	-	48,793	4,973	180,395	-	62,531	296,692
Total revenues	<u>105,183</u>	<u>1,291,117</u>	<u>2,414,018</u>	<u>467,277</u>	<u>307,947</u>	<u>1,012,513</u>	<u>5,598,055</u>
<b>Expenditures</b>							
Current							
Public safety	50,856	-	-	436,950	-	-	487,806
Public works	-	1,639,720	1,945,479	-	-	-	3,585,199
Culture and recreation	-	-	-	-	-	77,530	77,530
Economic development	-	-	-	-	310,954	-	310,954
Capital outlay	<u>91,237</u>	<u>304,218</u>	<u>292,260</u>	<u>9,800</u>	<u>-</u>	<u>474,306</u>	<u>1,171,821</u>
Total expenditures	<u>142,093</u>	<u>1,943,938</u>	<u>2,237,739</u>	<u>446,750</u>	<u>310,954</u>	<u>551,836</u>	<u>5,633,310</u>
Excess (deficiency) of revenues over expenditures	(36,910)	(652,821)	176,279	20,527	(3,007)	460,677	(35,255)
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	600,000	-	88,000	-	-	688,000
Transfers out	-	-	-	-	(75,000)	(30,500)	(105,500)
Sale of capital assets	-	-	-	-	217,300	-	217,300
Total other financing sources (uses)	<u>-</u>	<u>600,000</u>	<u>-</u>	<u>88,000</u>	<u>142,300</u>	<u>(30,500)</u>	<u>799,800</u>
Net change in fund balances	(36,910)	(52,821)	176,279	108,527	139,293	430,177	764,545
Fund balances, beginning of year	371,564	1,637,891	1,106,872	1,483,933	2,013,239	915,872	7,529,371
Prior period adjustment	-	-	-	-	-	-	-
Fund balances, end of year	<u>\$ 334,654</u>	<u>\$ 1,585,070</u>	<u>\$ 1,283,151</u>	<u>\$ 1,592,460</u>	<u>\$ 2,152,532</u>	<u>\$ 1,346,049</u>	<u>\$ 8,293,916</u>

**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, 2022

	<b>Budgeted amounts</b>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Fines, forfeitures, and penalties	\$ 45,000	\$ 45,000	\$ 103,179	\$ 58,179
Uses of money and property	<u>1,500</u>	<u>1,500</u>	<u>2,004</u>	<u>504</u>
Total revenues	46,500	46,500	105,183	58,683
<b>Expenditures</b>				
Investigative	20,000	20,000	7,660	(12,340)
Seized property	2,500	2,500	1,430	(1,070)
Equipment and materials	15,000	15,000	15,010	10
Travel training	2,000	2,000	-	(2,000)
Other	500	500	390	(110)
Capital outlay	<u>120,600</u>	<u>120,600</u>	<u>117,603</u>	<u>(2,997)</u>
Total expenditures	160,600	160,600	142,093	(18,507)
Net change in fund balance	(114,100)	(114,100)	(36,910)	77,190
Fund balance, beginning of year	<u>371,564</u>	<u>371,564</u>	<u>371,564</u>	<u>-</u>
Fund balance, end of year	<b>\$ 257,464</b>	<b>\$ 257,464</b>	<b>\$ 334,654</b>	<b>\$ 77,190</b>

**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, 2022

	<b>Budgeted amounts</b>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ 22	\$ 22
Intergovernmental				
State gasoline and motor fuel	1,137,121	1,197,121	312,495	(884,626)
State - 3 cent tax	-	-	178,874	178,874
State - Gas 1989	-	-	96,564	96,564
State - Gas 2017	-	-	620,928	620,928
Surface transportation grants	476,142	476,142	23,889	(452,253)
TDOT grants	1,433,293	1,433,293	-	(1,433,293)
Other	-	-	48,793	48,793
Uses of money and property	4,500	4,500	9,552	5,052
Total revenues	<u>3,051,056</u>	<u>3,111,056</u>	<u>1,291,117</u>	<u>(1,819,939)</u>
<b>Expenditures</b>				
Paving and street maintenance	825,000	1,425,000	1,381,810	(43,190)
Sidewalk improvements	50,000	50,000	19,407	(30,593)
Intersection improvements	60,000	60,000	35,599	(24,401)
Street maintenance supplies	50,000	50,000	51,834	1,834
Sidewalk construction projects	2,420,057	2,420,057	199,280	(2,220,777)
Professional services	-	-	-	-
Capital outlay	-	185,000	184,129	(871)
Other	51,200	51,200	33,600	(17,600)
Total expenditures	<u>3,570,257</u>	<u>4,355,257</u>	<u>1,943,938</u>	<u>(2,411,319)</u>
Excess (deficiency) of revenues over expenditures	(519,201)	(1,244,201)	(652,821)	591,380
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	600,000	600,000	-
Net change in fund balance	(519,201)	(644,201)	(52,821)	591,380
Fund balance, beginning of year	1,637,891	1,637,891	1,637,891	-
Prior period adjustment	-	-	-	-
Fund balance, end of year	<u>\$ 1,118,690</u>	<u>\$ 993,690</u>	<u>\$ 1,585,070</u>	<u>\$ 591,380</u>

**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, 2022

	<b>Budgeted amounts</b>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Property taxes	\$ 367,050	\$ 367,050	\$ 383,070	\$ 16,020
Charges for services	1,680,500	1,907,500	2,009,982	102,482
Intergovernmental	-	-	11,189	11,189
Uses of money and property	7,000	7,000	4,804	(2,196)
Other	<u>100</u>	<u>100</u>	<u>4,973</u>	<u>4,873</u>
Total revenues	2,054,650	2,281,650	2,414,018	132,368
<b>Expenditures</b>				
Personnel	641,500	658,233	679,211	20,978
Taxes and fringes	320,979	321,112	289,908	(31,204)
Materials and supplies	15,400	15,400	9,736	(5,664)
Vehicle	485,000	527,000	496,606	(30,394)
Fixed charges	29,800	52,800	50,333	(2,467)
Other operating	127,850	127,850	119,837	(8,013)
Landfill services	70,000	70,000	71,274	1,274
Other equipment	193,500	235,500	228,574	(6,926)
Capital outlay, vehicles	<u>335,000</u>	<u>293,000</u>	<u>292,260</u>	<u>(740)</u>
Total expenditures	2,219,029	2,300,895	2,237,739	(63,156)
Excess (deficiency) of revenues over expenditures	(164,379)	(19,245)	176,279	195,524
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	10,000	10,000	-	(10,000)
Net change in fund balance	(154,379)	(9,245)	176,279	185,524
Fund balance, beginning of year	<u>1,106,872</u>	<u>1,106,872</u>	<u>1,106,872</u>	<u>-</u>
Fund balance, end of year	<b>\$ 952,493</b>	<b>\$ 1,097,627</b>	<b>\$ 1,283,151</b>	<b>\$ 185,524</b>

**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, 2022

	<b>Budgeted amounts</b>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Charges for services	\$ 163,500	\$ 173,500	\$ 180,372	\$ 6,872
Intergovernmental				
Putnam County allocation	88,000	88,000	88,000	-
City of Algood allocation	5,000	5,000	5,000	-
Town of Baxter allocation	3,150	3,150	3,150	-
Town of Monterey allocation	6,600	6,600	6,050	(550)
Other governmental, state	-	-	-	-
Uses of money and property	3,000	3,000	4,310	1,310
Other	45,000	174,000	180,395	6,395
Total revenues	<u>314,250</u>	<u>453,250</u>	<u>467,277</u>	<u>14,027</u>
<b>Expenditures</b>				
Personnel	188,000	188,650	175,301	(13,349)
Taxes and fringes	48,682	48,732	43,120	(5,612)
Utility	30,000	30,000	32,374	2,374
Supplies and maintenance	56,330	61,330	59,418	(1,912)
Spay and neuter services	88,000	95,000	100,666	5,666
Other	40,580	40,580	34,933	(5,647)
Capital outlay	-	-	938	938
Total expenditures	<u>451,592</u>	<u>464,292</u>	<u>446,750</u>	<u>(17,542)</u>
Excess (deficiency) of revenues over expenditures	(137,342)	(11,042)	20,527	31,569
<b>Other Financing Sources (Uses)</b>				
Transfers in	88,000	88,000	88,000	-
Net change in fund balance	(49,342)	76,958	108,527	31,569
Fund balance, beginning of year	<u>1,483,933</u>	<u>1,483,933</u>	<u>1,483,933</u>	<u>-</u>
Fund balance, end of year	<b>\$ 1,434,591</b>	<b>\$ 1,560,891</b>	<b>\$ 1,592,460</b>	<b>\$ 31,569</b>

**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, 2022

	<b>Budgeted amounts</b>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes				
Current property taxes	\$ 269,800	\$ 269,800	\$ 278,861	\$ 9,061
Delinquent property taxes	5,000	5,000	7,289	2,289
Penalties and Interest	1,000	1,000	1,663	663
Uses of money and property	15,000	15,000	10,250	(4,750)
Rental income	<u>10,000</u>	<u>10,000</u>	<u>9,884</u>	<u>(116)</u>
Total revenues	300,800	300,800	307,947	7,147
<b>Expenditures</b>				
Capital outlay	75,000	325,000	250,000	(75,000)
Economic development	55,000	55,000	53,228	(1,772)
Industrial recruitment	120,000	120,000	-	(120,000)
Other	<u>11,150</u>	<u>11,150</u>	<u>7,726</u>	<u>(3,424)</u>
Total expenditures	261,150	511,150	310,954	(200,196)
Excess (deficiency) of revenues over expenditures	39,650	(210,350)	(3,007)	207,343
<b>Other Financing Sources (Uses)</b>				
Transfers out	(75,000)	(75,000)	(75,000)	-
Sale of capital assets	<u>-</u>	<u>-</u>	<u>217,300</u>	<u>217,300</u>
Total other financing sources (uses)	(75,000)	(75,000)	142,300	217,300
Net change in fund balance	(35,350)	(285,350)	139,293	424,643
Fund balance, beginning of year	<u>2,013,239</u>	<u>2,013,239</u>	<u>2,013,239</u>	<u>-</u>
Fund balance, end of year	<b>\$ 1,977,889</b>	<b>\$ 1,727,889</b>	<b>\$ 2,152,532</b>	<b>\$ 424,643</b>

**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, 2022

	<b>Budgeted amounts</b>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes				
Current property taxes	\$ 90,250	\$ 90,250	\$ 94,453	\$ 4,203
Delinquent property taxes	1,400	1,400	2,307	907
Penalties and interest	400	400	494	94
Room occupancy tax	600,000	600,000	847,269	247,269
Uses of money and property	4,000	4,000	5,459	1,459
Contributions	101,056	101,056	62,531	(38,525)
Other	-	-	-	-
Total revenues	<u>797,106</u>	<u>797,106</u>	<u>1,012,513</u>	<u>215,407</u>
<b>Expenditures</b>				
Parks and recreation				
Public relations/promotions	8,000	8,000	8,000	-
Park improvements	770,500	770,500	505,020	(265,480)
Park plan consultant	325,000	325,000	38,586	(286,414)
Materials and supplies	7,500	7,500	-	(7,500)
Other	200	200	230	30
Total expenditures	<u>1,111,200</u>	<u>1,111,200</u>	<u>551,836</u>	<u>(559,364)</u>
Excess (deficiency) of revenues over expenditures	(314,094)	(314,094)	460,677	774,771
<b>Other Financing Sources (Uses)</b>				
Transfers out	(30,050)	(30,050)	(30,500)	(450)
Net change in fund balance	(344,144)	(344,144)	430,177	774,321
Fund balance, beginning of year	<u>486,767</u>	<u>486,767</u>	<u>915,872</u>	<u>429,105</u>
Fund balance, end of year	<b>\$ 142,623</b>	<b>\$ 142,623</b>	<b>\$ 1,346,049</b>	<b>\$ 1,203,426</b>

**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, 2022

	<b>Budgeted amounts</b>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes				
Current property taxes	\$ 360,050	\$ 360,050	\$ 372,190	\$ 12,140
Delinquent property taxes	6,000	6,000	9,298	3,298
Penalties and interest	2,000	2,000	2,050	50
In-lieu of taxes	700,000	700,000	700,000	-
Intergovernmental				
State shared sales tax	3,177,000	3,777,000	3,941,533	164,533
Other intergovernmental	-	-	-	-
Uses of money and property	25,000	25,000	53,480	28,480
Rent	26,172	26,172	26,172	-
Total revenues	<u>4,296,222</u>	<u>4,896,222</u>	<u>5,104,723</u>	<u>208,501</u>
<b>Expenditures</b>				
Administrative	3,300	3,300	1,657	(1,643)
Debt service				
Principal	2,547,550	3,605,000	3,605,000	-
Interest	1,300,080	769,692	640,630	(129,062)
Issuance costs	-	103,431	103,431	-
Total expenditures	<u>3,850,930</u>	<u>4,481,423</u>	<u>4,350,718</u>	<u>(130,705)</u>
Excess (deficiency) of revenues over (under) expenditures	445,292	414,799	754,005	339,206
<b>Other Financing Sources (Uses)</b>				
Transfers in	868,251	868,251	301,358	(566,893)
Refunding bonds issued	-	6,570,000	6,570,000	-
Premium on refunding bonds issued	-	299,312	299,312	-
Payment to refunded bond escrow agent	-	(6,740,000)	(6,765,881)	(25,881)
Total other financing sources (uses)	<u>868,251</u>	<u>997,563</u>	<u>404,789</u>	<u>(592,774)</u>
Net change in fund balance	1,313,543	1,412,362	1,158,794	(253,568)
Fund balance, beginning of year	11,771,565	11,771,565	11,771,565	-
Prior period adjustment	-	-	-	-
Fund balance, end of year	<u>\$ 13,085,108</u>	<u>\$ 13,183,927</u>	<u>\$ 12,930,359</u>	<u>\$ (253,568)</u>

**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, 2022

	<b>Budgeted amounts</b>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Uses of money and property	\$ 3,000	\$ 3,000	\$ 5,533	\$ 2,533
Other revenues	-	2,800	2,861	61
Total revenues	<u>3,000</u>	<u>5,800</u>	8,394	2,594
<b>Expenditures</b>				
Administrative	250	250	345	95
City park improvements	-	2,800	2,701	(99)
Public safety				
Police facilities	8,866,113	8,866,113	7,390,316	(1,475,797)
Fire apparatus	-	-	-	-
Public works				
Road projects	10,125,000	11,275,000	517,087	(10,757,913)
Debt service				
Issuance costs	<u>310,000</u>	<u>160,000</u>	<u>131,761</u>	<u>(28,239)</u>
Total expenditures	<u>19,301,363</u>	<u>20,304,163</u>	8,042,210	(12,261,953)
Excess (deficiency) of revenues over expenditures	(19,298,363)	(20,298,363)	(8,033,816)	12,264,547
<b>Other Financing Sources (Uses)</b>				
Bonds issued	18,000,000	18,000,000	9,175,000	(8,825,000)
Premium on bonds issued	-	-	680,790	680,790
Transfers in	-	1,700,000	1,700,000	-
Total other financing sources (uses)	<u>18,000,000</u>	<u>19,700,000</u>	11,555,790	(8,144,210)
Net change in fund balance	(1,298,363)	(598,363)	3,521,974	4,120,337
Fund balance, beginning of year	<u>1,043,661</u>	<u>1,043,661</u>	<u>1,043,661</u>	<u>-</u>
Fund balance, end of year	<b>\$ (254,702)</b>	<b>\$ 445,298</b>	<b>\$ 4,565,635</b>	<b>\$ 4,120,337</b>

**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, 2022

	<b>Budgeted amounts</b>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes				
Current property taxes	\$ 1,349,000	\$ 1,349,000	\$ 1,396,555	\$ 47,555
Delinquent property taxes	10,000	10,000	31,532	21,532
Penalties and interest	4,000	4,000	5,394	1,394
Uses of money and property	<u>5,000</u>	<u>5,000</u>	<u>15,850</u>	<u>10,850</u>
Total revenues	1,368,000	1,368,000	1,449,331	81,331
<b>Expenditures</b>				
Other	200	200	178	(22)
Road projects				
10th Street improvements	688,766	1,488,766	532,563	(956,203)
Commerce Ave design	-	-	-	-
E. Hudgens St construction	100,000	100,000	60,627	(39,373)
W. Stevens St design	500,000	-	-	-
S. Walnut St design	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	1,288,966	1,588,966	593,368	(995,598)
Excess (deficiency) of revenues over expenditures	79,034	(220,966)	855,963	1,076,929
<b>Other Financing Sources (Uses)</b>				
Transfers out	(868,251)	(868,251)	(301,358)	566,893
Net change in fund balance	(789,217)	(1,089,217)	554,605	1,643,822
Fund balance, beginning of year	<u>2,583,415</u>	<u>2,583,415</u>	<u>2,583,415</u>	<u>-</u>
Fund balance, end of year	<b>\$ 1,794,198</b>	<b>\$ 1,494,198</b>	<b>\$ 3,138,020</b>	<b>\$ 1,643,822</b>

**City of Cookeville, Tennessee**  
 Schedule of Changes in Property Taxes Receivable  
 For the Year Ended June 30, 2022

Tax year	Beginning balance	Property tax levied	Anticipated levy	Abatements and adjustments	Collections	Ending balance
2022	\$ -	\$ -	\$ 9,926,011	\$ -	\$ -	\$ 9,926,011
2021	9,550,741	9,559,341	(9,550,741)	(23,111)	(9,220,411)	315,819
2020	249,909	-	-	10,334	(191,857)	68,386
2019	40,333	-	-	(85)	(16,259)	23,989
2018	22,759	-	-	(20)	(6,527)	16,212
2017	16,039	-	-	(15)	(4,271)	11,753
2016	11,721	-	-	(8)	(3,266)	8,447
2015	6,363	-	-	(4)	(899)	5,460
2014	4,660	-	-	(3)	(1,169)	3,488
2013	3,039	-	-	-	(406)	2,633
2012	3,963	-	-	(156)	(78)	3,729
2011	9,627	-	-	(9,627)	-	-
	<u>\$ 9,919,154</u>	<u>\$ 9,559,341</u>	<u>\$ 375,270</u>	<u>\$ (22,695)</u>	<u>\$ (9,445,143)</u>	<u>10,385,927</u>
					Less: allowance	(307,002)
					Net	<u>\$ 10,078,925</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, 2022

	<b>Tax year</b>	<b>Tax rate *</b>	<b>Assessed value</b>
	2022	\$0.82	\$1,185,111,932
**	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

\* 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, 2022

	Original amount of issue	Interest rate	Date of issue	Last maturity date	Balance July 1, 2021	Issued during period	Paid and/or matured during period	Refunded during period	Balance June 30, 2022
<b>Governmental Activities</b>									
<b>Bonds Payable</b>									
General Obligation Bonds									
Series 2013	\$ 4,300,000	2.00% - 3.20%	12/19/13	06/01/29	\$ 2,335,000	\$ -	\$ (260,000)	\$ -	\$ 2,075,000
Series 2015	\$ 9,815,000	2.00% - 2.75%	11/10/15	06/01/31	6,740,000	-	-	(6,740,000)	-
Series 2017	\$ 2,800,000	2.00% - 3.00%	11/15/17	06/01/27	1,430,000	-	(1,430,000)	-	-
Series 2020	\$ 8,875,000	3.00%	09/18/20	06/01/35	8,280,000	-	(595,000)	-	7,685,000
Series 2021A Refunding	\$ 6,570,000	1.15% - 2.00%	07/30/21	06/01/31	-	6,570,000	(660,000)	-	5,910,000
Series 2021B	\$ 9,175,000	2.00% - 3.00%	08/13/21	06/01/35	-	9,175,000	(660,000)	-	8,515,000
Total bonds payable through debt service fund					18,785,000	15,745,000	(3,605,000)	(6,740,000)	24,185,000
Total governmental activities					<b>\$ 18,785,000</b>	<b>\$ 15,745,000</b>	<b>\$ (3,605,000)</b>	<b>\$ (6,740,000)</b>	<b>\$ 24,185,000</b>
<b>Business-type Activities</b>									
<b>Bonds Payable</b>									
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	\$ 1,780,000	\$ -	\$ -	\$ (1,780,000)	\$ -
General Obligation Refunding									
Bonds, Series 2021C	\$ 1,505,000	1.00%	12/01/21	06/30/27	-	1,505,000	-	-	1,505,000
Total bonds payable					1,780,000	1,505,000	-	(1,780,000)	1,505,000
<b>Notes Payable</b>									
Payable through water quality control department									
State Revolving Loan	\$ 2,074,887	2.50%	09/03/09	02/01/31	1,133,936	-	(105,024)	-	1,028,912
Total notes payable					1,133,936	-	(105,024)	-	1,028,912
Total business-type activities					<b>\$ 2,913,936</b>	<b>\$ 1,505,000</b>	<b>\$ (105,024)</b>	<b>\$ (1,780,000)</b>	<b>\$ 2,533,912</b>

**City of Cookeville, Tennessee**  
 General Long-term Debt  
 Summary of Bonds Payable Debt Service Requirements  
 June 30, 2022

Fiscal year maturity	2013 General Obligation Bonds	2020 General Obligation Bonds	2021A General Obligation Bonds	2021B General Obligation Bonds	Total	Future interest requirements
2023	\$ 270,000	\$ 595,000	\$ 660,000	\$ 655,000	\$ 2,180,000	\$ 613,835
2024	275,000	595,000	660,000	655,000	2,185,000	555,035
2025	285,000	595,000	660,000	655,000	2,195,000	496,085
2026	295,000	590,000	655,000	655,000	2,195,000	436,265
2027	305,000	590,000	655,000	655,000	2,205,000	376,375
2028	315,000	590,000	655,000	655,000	2,215,000	316,165
2029	330,000	590,000	655,000	655,000	2,230,000	255,635
2030	-	590,000	655,000	655,000	1,900,000	204,450
2031	-	590,000	655,000	655,000	1,900,000	163,825
2032	-	590,000	-	655,000	1,245,000	123,200
2033	-	590,000	-	655,000	1,245,000	92,400
2034	-	590,000	-	655,000	1,245,000	61,600
2035	-	590,000	-	655,000	1,245,000	30,800
	<u>\$ 2,075,000</u>	<u>\$ 7,685,000</u>	<u>\$ 5,910,000</u>	<u>\$ 8,515,000</u>	<u>\$ 24,185,000</u>	<u>\$ 3,725,670</u>

**City of Cookeville, Tennessee**  
 Electric Department - Proprietary Fund  
 Bonds Payable Debt Service Requirements  
 June 30, 2022

Fiscal year maturity	General Obligation Refunding Bonds Series 2021C principal	Future interest requirements
2023	\$ 305,000	\$ 13,525
2024	300,000	10,500
2025	300,000	7,500
2026	300,000	4,500
2027	300,000	1,500
	<u>\$ 1,505,000</u>	<u>\$ 37,525</u>

**City of Cookeville, Tennessee**  
 Water Quality Control Board - Proprietary Fund  
 Notes Payable Debt Service Requirements  
 June 30, 2022

Fiscal year maturity	State of Tennessee 2.50% Revolving	Future interest requirements
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
	<b>\$ 1,028,912</b>	<b>\$ 116,461</b>

**Internal Control and Compliance Section**

**City of Cookeville, Tennessee**  
Schedule of Expenditures of Federal Awards and State Financial Assistance  
For the Year Ended June 30, 2022

Grantor / Pass-through Grantor	Program name	Assistance Listing	Contract number	Expenditures
<b>Federal Awards</b>				
Department of Justice / Tennessee Department of Finance and Administration	Crime Victim Assistance	16.575	2017-VA-GX-0051	\$ 48,164
N/A - Direct	Bulletproof Vest Partnership Program	16.607	10052537	5,230
Department of Transportation / Tennessee Department of Transportation	<u>Highway Planning and Construction Cluster</u> Highway Planning and Construction	20.205	STP-M-9204(12)	23,889
Tennessee Department of Safety and Homeland Security	<u>Highway Safety Cluster</u> State and Community Highway Safety	20.600	Z21THSO69	3,779
		20.600	Z21THSO70	3,936
		20.600	Z22THSO71	16,470
		20.600	Z22THSO73	<u>12,118</u>
	Total Highway Safety Cluster			36,303
Tennessee Department of Safety and Homeland Security	Alcohol Open Container Requirements	20.607	Z21THSO71	1,461
		20.607	Z22THSO72	<u>41,855</u>
	Total Assistance Listing 20.607			43,316
US Department of the Treasury / Tennessee Department of Finance and Administration	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	112,700
The Institute of Museum and Library Services / Tennessee Office of the Secretary of State, Tennessee State Library and Archives	COVID 19 - Grants to States (G2S) - State Library Program	45.310	LS-250238-OLS-21	2,961
Executive Office of the President, Office of National Drug Control Policy / Laurel County Fiscal Court	High Intensity Drug Trafficking Areas Program (HIDTA)	95.001	G21AP0001A	4,283
		95.001	G22AP0001A	<u>3,522</u>
	Total Assistance Listing 95.001			7,805
Department of Homeland Security / Tennessee Department of Military, Tennessee Emergency Management Agency	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>FEMA-4476-DR-TN</u> TN # = 34101-40322	4,505
		97.036	TN # = 34101-40422	5,260
		97.036	TN # = 34101-40522	73,677
		97.036	<u>FEMA-4594-DR-TN</u> TN # = 34101-	36,907
		97.036	TN # = 34101-29322	349,130
		97.036	TN # = 34101-38922	68,960
		97.036	TN # = 34101-17221	<u>115,698</u>
	Total Assistance Listing 97.036			<u>654,137</u>
Total federal awards				934,505

Continued

**City of Cookeville, Tennessee**  
Schedule of Expenditures of Federal Awards and State Financial Assistance  
For the Year Ended June 30, 2022

Grantor / Pass-through Grantor	Program name	Assistance Listing	Contract number	Expenditures
<b>State Financial Assistance</b>				
Tennessee Department of Finance and Administration / N/A - Direct	Direct Appropriation Grant		N/A	\$ 394,712
Nashville Police Department	Internet Crimes Against Children (ICAC)		69807	15,000
Tennessee Department of Military, Tennessee Emergency Management Agency	Disaster Grants - Public Assistance		34101-17221	6,277
Tennessee Department of Agriculture, Division of Forestry	TAEP Community Tree Planting		21005	<u>3,558</u>
Total state financial assistance				419,547
Total federal awards and state financial assistance				<b>\$ 1,354,052</b>

**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, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 *US 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 \$660,414 incurred in a prior year (\$654,137 federal and \$6,277 state).

**City of Cookeville, Tennessee**  
 Schedule of Utility Rates (Unaudited)  
 Electric Department  
 June 30, 2022

		Retail Rate 6/1/2021 w/wholesale FCA
		.02715 (all other)
		.02625 (LMS)
		.02633 (LGS)
<b>Residential</b>	Customer Charge	\$10.00
<b>Alternate Usage Blocks</b>	Block1 kWh (1st 800 kwh)	\$0.10562
	Block2 kWh (additional kwh)	\$0.10076
<b>GSA1</b>	Customer Charge	\$20.00
	All kWh	\$0.11526
<b>GSA2</b>	Customer Charge	\$50.00
	1st 15,000 kWh	\$0.11588
	Additional kWh	\$0.06911
	kW, 0-50	\$0.00
	kW, 51-1,000	\$13.83
<b>GSA3</b>	Customer Charge	\$100.00
	All kWh	\$0.07319
	kW, 0-1,000	\$12.71
	kW, 1,001 - 5,000	\$12.69
<b>TOU-General Power</b>	Customer Charge	\$1,500.00
<b>SGSB</b>	Demand Charge	
	Onpeak	\$10.87
	Maximum	\$5.21
	Excess Over Contract	\$10.87
	Energy Charge	
	Onpeak	\$0.09225
	Offpeak First 200 hours	\$0.06734
	Offpeak Next 200 hours	\$0.03276
	Offpeak Additional kWh	\$0.02935
<b>TOU-Manufacturing</b>	Customer Charge	\$1,500.00
<b>SMSB</b>	Demand Charge	
	Onpeak	\$10.24
	Maximum	\$2.26
	Excess Over Contract	\$10.24
	Energy Charge	
	Onpeak	\$0.08483
	Offpeak First 200 hours	\$0.05983
	Offpeak Next 200 hours	\$0.03014
	Offpeak Additional kWh	\$0.02759
<b>Outdoor Lighting</b>	Customer Charge	\$2.50
	All kWh	\$0.07348

Charges for Outdoor Lighting for Individual Customers

			6/1/2021	
	KWH	FAC Rental	Energy	Total
			\$0.07348	
100 WHPS	42	5.13	3.09	8.22
129 LED-FLOOD	46	12.41	3.38	15.79
250 LED-VERD	51	8.78	3.75	12.53
252 LED-FLOOD	91	18.68	6.69	25.37
250 WHPS	105	7.10	7.72	14.82
250 WHPS-FLOOD	105	11.09	7.72	18.81
400 WHPS	165	7.10	12.12	19.22
400 WHPS-FLOOD	165	11.09	12.12	23.21
175 WMV	70	4.21	5.14	9.35
400 WMV	155	5.49	11.39	16.88
250 WMHD	105	7.74	7.72	15.46
350 WMHD-FLOOD	140	8.14	10.29	18.43
350 WMHD-SHOE	140	9.84	10.29	20.13
400 WMHD	165	7.78	12.12	19.90
1000 WMHD	398	9.42	29.25	38.67
LED 50 CARETAKER	17	6.73	1.25	7.98
LED 75 CARETAKER	27	6.16	1.98	8.14
LED TYPE 3 REGULAR	130	18.99	9.55	28.54
LED TYPE 5 REGULAR	130	18.72	9.55	28.27
LED TYPE 5 SHOE	130	15.97	9.55	25.52

**City of Cookeville, Tennessee**  
Schedule of Utility Rates (Unaudited)  
Gas Department  
June 30, 2022

**Residential Rate - Rate 622 & 613 at July 1, 2022**

Monthly rate (inside): First 5,000 cu. ft. for \$1.330 per 100 cu. ft.  
Next 5,000 cu. ft. for \$1.286 per 100 cu. ft.  
All additional for \$1.277 per 100 cu. ft.

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

Monthly rate (outside): First 5,000 cu. ft. for \$1.439 per 100 cu. ft.  
Next 5,000 cu. ft. for \$1.385 per 100 cu. ft.  
All additional for \$1.374 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 \$1.374 per 100 cu. ft.  
Next 10,000 cu. ft. for \$1.326 per 100 cu. ft.  
All additional for \$1.316 per 100 cu. ft.

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

Monthly rate (outside): First 5,000 cu. ft. for \$1.494 per 100 cu. ft.  
Next 10,000 cu. ft. for \$1.434 per 100 cu. ft.  
All additional for \$1.422 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 \$1.388 per 100 cu. ft.  
Next 20,000 cu. ft. for \$1.338 per 100 cu. ft.  
All additional for \$1.329 per 100 cu. ft.

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

Monthly rate (outside): First 10,000 cu. ft. for \$1.512 per 100 cu. ft.  
Next 20,000 cu. ft. for \$1.450 per 100 cu. ft.  
All additional for \$1.437 per 100 cu. ft.

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

**Interruptible Rate - Rate Code 690**

\$ .778 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, 2022

**Inside Water Rates**

Zero Usage (Base Charge)	\$8.10 (minimum bill)
All gallons over zero usage	\$3.79 per 1,000 gallons

**Outside Water Rates**

Zero Usage (Base Charge)	\$12.15 (minimum bill)
All gallons over zero usage	\$5.69 per 1,000 gallons

**Water Storage Rate**

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

Inside - Residential/Commercial/Industrial	\$6.15 per 1,000 gallons \$10.15 (minimum bill)
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**City of Cookeville, Tennessee**  
Schedule of Utility Customers (Unaudited)  
As of June 30, 2022

At June 30, 2022, the utility departments serviced the following number of customers:

<b>Department</b>	<b>Number of customers</b>
Electric	19,205
Gas	10,450
Water	15,962
Sewer	15,905
Sanitation	1,168

**City of Cookeville, Tennessee**  
Principal City Officials (Unaudited)  
As of June 30, 2022

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<b>Official Title</b>	<b>Name</b>	<b>Bond *</b>
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 (*Government Auditing Standards*), 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, Tennessee (the City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents, and have issued our report thereon dated December 27, 2022. Our report includes a reference to other auditors who audited the financial statements of Cookeville Regional Medical Center Authority and 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.

**Report on 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 or significant deficiencies may exist that were not identified.

**Report on 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  
December 27, 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  
*Opinion on Each Major Federal Program***

We have audited the City of Cookeville, Tennessee (the City)'s compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, the City complied, in all material respects, with the 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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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  
December 27, 2022

**City of Cookeville, Tennessee**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2022

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**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:

<b>Assistance Listing</b>	<b>Name of Federal Program or Cluster</b>
97.036	US 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, 2022

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Section II. **Financial Statement Findings**

None

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

None

**City of Cookeville, Tennessee**  
Summary Schedule of Prior Year Findings  
For the Year Ended June 30, 2022

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**Financial Statement Findings**

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
2021-001	Fire Department Management Oversight	Corrected
2021-002	Police Department Personal Use of Departmental Facilities	Corrected

**Federal Award Findings and Questioned Costs**

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
N/A	There were no prior findings reported.	N/A