

# **City of Cookeville, Tennessee**

Annual Financial Report  
For the Year Ended June 30, 2023

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For the Year Ended June 30, 2023

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## **Introductory Section**

**City of Cookeville, Tennessee**  
Roster of Officials (Unaudited)  
As of June 30, 2023

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**Elected**

Laurin Wheaton	Mayor
Luke Eldridge	Vice Mayor
Ali Bagci	Councilman
Eric Walker	Councilman
Chad Gilbert	Councilman

**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 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, 2023, 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, 2023, 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 \$274,275,660 and total revenues of \$408,724,743. 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*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 93-97 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 GAAS, 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 98-112 and other schedules on pages 113-120 (including the schedule of expenditures of federal awards and state financial assistance on pages 119-120, 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 GAAS. In our opinion, the combining and individual fund financial statements and schedules on pages 98-112 and other schedules on pages 113-120 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 121-125 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 28, 2023 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 28, 2023, except for Supplementary  
Information pages 119-120, as to which the  
date is September 9, 2024

**City of Cookeville, Tennessee**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2023

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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, 2023. 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, 2023 by approximately \$300,511,000 (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 \$189,226,000) and unrestricted resources available to continue City operations into the next fiscal year (approximately \$111,285,000).
- The government's total net position increased this year by approximately \$73,392,000. Net position of the governmental activities increased by approximately \$45,473,000 and those of the City's business type activities (utilities) increased by approximately \$27,919,000.
- As of June 30, 2023, the City's governmental funds reported combined ending fund balances of approximately \$78,122,000 an increase of \$15,714,000 in comparison with the prior year. Approximately 49% of this total amount, approximately \$38,486,000, 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 \$38,486,000 or 123% of total general fund expenditures.
- The City's total bonds and notes payable increased by approximately \$8,374,000 (29.2%) during the current fiscal year. There was \$9,650,000 in new bonds issued in the governmental activities. There were approximately \$1,847,000 in new state revolving loan funds drawn. A total of approximately \$3,300,000 in debt was repaid.
- The actuarially determined net pension assets decreased by approximately \$16,391,000 to approximately \$1,701,000 at June 30, 2023, 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, 2023 is approximately \$29,963,000 of which approximately \$24,432,000 represents the liability for governmental activities and \$5,531,000 is for business-type activities. The total liability decreased by approximately \$17,300,000 from prior year. The City adopted changes in benefits during the fiscal year in which new hires on or after January 1, 2023 will not be eligible for OPEB benefits upon their retirement from the City. The City also adopted a Medicare advantage plan for eligible retirees 65 and older. The OPEB benefits are funded on a pay as you go basis.

## **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, community development,, 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, capital projects and the transportation 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 99-100 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 internal service funds to account for the employee insurance program and the customer service activities. The internal service funds have been allocated to both the governmental and business-type activities in the government-wide financial statements. The net assets of the health internal service fund are for the purposes of paying health and wellness claims. Data for each internal service fund is provided in the form of combining statements found on pages 110-112 in this report.

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 \$300,511,000 at fiscal year end.

By far the largest portion of the City's net position (59.3%) 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, 2023 and 2022  
(amounts expressed in thousands)**

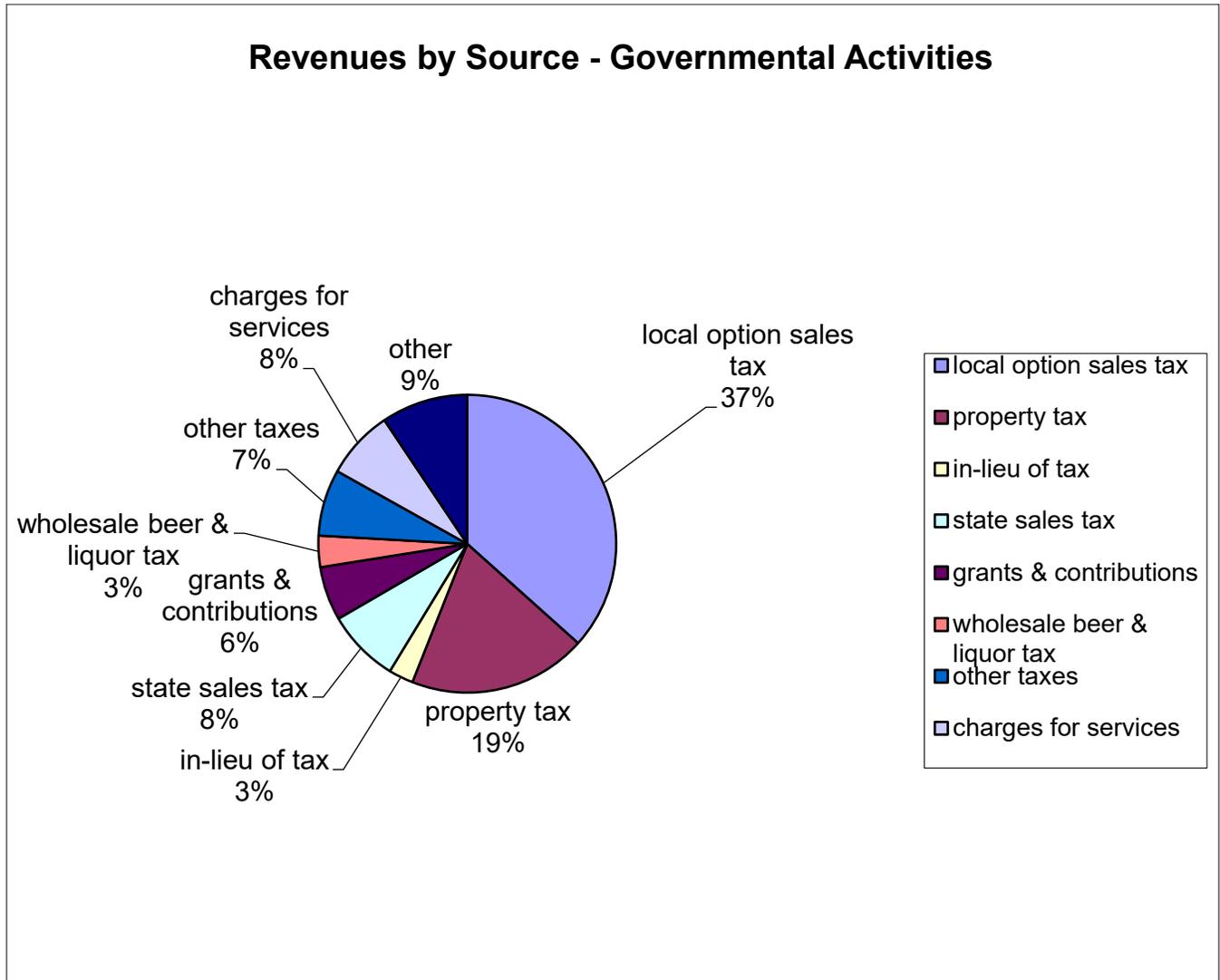
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Current assets	\$ 105,053	\$ 84,232	\$ 71,882	\$ 67,488	\$ 176,935	\$ 151,720
Capital assets	77,357	73,708	139,016	125,714	216,373	199,422
Other assets	<u>3,908</u>	<u>13,328</u>	<u>1,826</u>	<u>7,726</u>	<u>5,734</u>	<u>21,054</u>
Total assets	<u>186,318</u>	<u>171,268</u>	<u>212,724</u>	<u>200,928</u>	<u>399,042</u>	<u>372,196</u>
Deferred outflows of resources	<u>18,382</u>	<u>16,669</u>	<u>6,582</u>	<u>6,110</u>	<u>24,964</u>	<u>22,779</u>
Current liabilities	11,642	8,667	6,877	7,816	18,519	16,483
Long-term debt	33,062	26,121	2,534	2,534	35,596	28,655
Other liabilities	<u>28,893</u>	<u>40,717</u>	<u>9,709</u>	<u>11,409</u>	<u>38,602</u>	<u>52,126</u>
Total liabilities	<u>73,597</u>	<u>75,505</u>	<u>19,120</u>	<u>21,759</u>	<u>92,717</u>	<u>97,264</u>
Deferred inflows of resources	26,862	53,664	3,916	16,927	30,778	70,591
Net position						
Net investment in capital assets	44,201	51,538	134,015	123,180	178,216	174,718
Restricted	9,257	17,391	1,753	7,324	11,010	24,715
Unrestricted	<u>50,783</u>	<u>(10,161)</u>	<u>60,502</u>	<u>37,848</u>	<u>111,285</u>	<u>27,687</u>
Total net position	<b>\$ 104,241</b>	<b>\$ 58,768</b>	<b>\$ 196,270</b>	<b>\$ 168,352</b>	<b>\$ 300,511</b>	<b>\$ 227,120</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 \$111,285, may be used to meet the government's ongoing obligations to citizens and creditors. At June 30, 2023, the City of Cookeville is reporting positive balances in all categories of net assets. Net position increased \$45,473,000 for governmental activities and increased \$27,918,000 for business-type activities.

*Governmental Activities*

Governmental activities increased the City's net position by approximately \$45,493,000 thereby accounting for 62% 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, 2023.

**The City's Changes in Net Position**  
**For the years ended June 30, 2023 and 2022**  
**(amounts expressed in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Revenues</b>						
Charges for services	\$ 3,920	\$ 3,922	\$ 100,116	\$ 96,913	\$ 104,036	\$ 100,835
Operating grants and contributions	1,711	1,736	-	-	1,711	1,736
Capital grants and contributions	1,339	510	-	-	1,339	510
<b>General revenues</b>						
Local option sales tax	19,131	17,708	-	-	19,131	17,708
Property taxes	10,112	9,582	-	-	10,112	9,582
TVA in-lieu of tax	1,396	1,271	-	-	1,396	1,271
State sales tax	4,145	3,942	-	-	4,145	3,942
Wholesale beer tax	1,177	1,201	-	-	1,177	1,201
Wholesale liquor tax	595	575	-	-	595	575
Other taxes	3,779	3,810	-	-	3,799	3,810
Miscellaneous	<u>4,901</u>	<u>1,465</u>	<u>7,894</u>	<u>112</u>	<u>12,795</u>	<u>1,577</u>
Total revenues	52,207	45,722	108,011	97,025	160,217	142,747
<b>Expenses</b>						
General government	176	4,025	-	-	176	4,025
Economic development	540	311	-	-	540	311
Community development	(466)	1,432	-	-	(466)	1,432
Public safety	(2,755)	17,289	-	-	(2,755)	17,289
Parks and maintenance	(447)	1,766	-	-	(447)	1,766
Public works	8,132	10,927	-	-	8,132	10,927
Culture and recreation	1,936	2,784	-	-	1,936	2,784
Community support	833	798	-	-	833	798
Interest on debt	644	455	-	-	644	455
Electric	-	-	51,977	53,391	51,977	53,391
Gas	-	-	12,800	14,183	12,800	14,183
Water quality control	<u>-</u>	<u>-</u>	<u>13,494</u>	<u>17,011</u>	<u>13,494</u>	<u>17,011</u>
Total expenses	8,591	39,787	78,720	84,585	86,862	124,372
Increase in net position before transfers	43,616	5,935	29,740	12,440	73,356	18,375
Transfers	<u>1,727</u>	<u>1,664</u>	<u>(1,727)</u>	<u>(1,664)</u>	<u>-</u>	<u>-</u>
Increase in net position	45,343	7,599	28,013	10,776	73,356	18,375
Net position - beginning	58,768	51,169	168,352	157,576	227,119	208,745
Prior period adjustment	<u>130</u>	<u>-</u>	<u>(94)</u>	<u>-</u>	<u>36</u>	<u>-</u>
Net position - ending	<b>\$ 104,241</b>	<b>\$ 58,768</b>	<b>\$ 196,270</b>	<b>\$ 168,352</b>	<b>\$ 300,511</b>	<b>\$ 227,120</b>

*Business-type Activities*

Business-type activities increased the City's net position by approximately \$28,012,800 accounting for 38% 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 \$7,701,000 with operating revenues of approximately \$60,239,000 and operating expenses of approximately \$51,964,000. Nonoperating net revenues totaled approximately \$781,000 and transfers to the general government were approximately \$1,270,000. 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 was allocated approximately \$86,000 of prior period adjustments. The electric department expensed \$2,263,000 for a transformer changeout project at Cane Creek Substation with an expected completion date of FY2024. A second phase on a project at Tenth Street consisting of three phases of overhead conductor totaling \$107,050 and an upgrade project at Sherwood Subdivision of \$81,378 from FY21/23 was also completed. The electric department also purchased a wire trailer \$37,978, a utility vehicle for 45,150 and a meter tester \$49,276. The department also continued a project of changing out streetlights to a more energy efficient LED light in numerous areas for approximately \$318,000; this project will continue until all streetlights have been changed to LED.

Net assets increased approximately \$14,704,000 for the water quality control department. Operating revenues were approximately \$22,283,000 and operating expenses were approximately \$13,422,000. The department had non-operating net revenues totaling approximately \$6,245,000 and transfers to the general government were approximately \$301,000. The water quality control department was allocated approximately \$101,000 of prior period adjustments. The department is responsible for providing water and sewer services to their customers. The 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 with \$1,847,605 drawn on it as of June 30, 2023. A TDEC grant of \$4,807,000 was also received on 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. 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 (5) year period and concluded in fiscal year 2023 for the retail customers with the last wholesale increase taking effect in July of 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 soon. A contract to conduct a new rate study will be taken to the Council in July 2023. 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 50.1% of the water sold by the department and accounts for approximately 37.05% of the water department's water sales revenue. 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 30th the amount due the Corp for water storage rights was \$1,238,749. 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 replacement of the Deberry Heights Pump Station is under construction and should be completed by the end of 2023 and a project to replace the West End Pump Station, which is being funded in part with a CDBG grant is anticipated to be bid in the fall of 2023. In June of 2023, the City Council approved a bid of approximately \$6.3 million for water line replacement and a bid of \$1.9 million for sewer rehabilitation on South Jefferson Avenue.

The gas department's net assets increased by \$5,377,000. Operating revenues were approximately \$17,594,000 and operating expenses were approximately \$12,800,000. Non-operating net revenues totaled approximately \$786,000 and transfers to the general government were approximately \$156,000. The gas department was allocated approximately \$46,000 of prior period adjustments. 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 10,500 customers and maintain over 383 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. The gas department added a new backhoe for a total cost of approximately \$129,000 during the fiscal year. The department has no debt outstanding.

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

**Summary of Comparison of Operating Revenues for Fiscal Years 2023 and 2022**  
**(amounts expressed in thousands)**

	2023	2022	Amount change	% change
Electric	\$ 60,239	\$ 58,365	\$ 1,874	3.2%
Gas	17,594	16,775	819	4.9%
Water quality control	<u>22,283</u>	<u>21,773</u>	<u>510</u>	2.3%
Revenues	<b>\$ 100,116</b>	<b>\$ 96,913</b>	<b>\$ 3,203</b>	<b>3.3%</b>

**Summary of Comparison of Operating Expenses for Fiscal Years 2023 and 2022**  
**(amounts expressed in thousands)**

	2023	2022	Amount change	% change
Electric	\$ 51,977	\$ 53,231	\$ (1,254)	(2.4)%
Gas	12,800	13,966	(1,166)	(8.4)%
Water quality control	<u>13,494</u>	<u>16,844</u>	<u>(3,350)</u>	(19.9)%
Expenses	<b>\$ 78,271</b>	<b>\$ 84,041</b>	<b>\$ (5,770)</b>	<b>(6.9)%</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, 2023, the City's governmental funds reported combined ending fund balances of approximately \$78,122,000 an increase of approximately \$15,714,000 in comparison to prior year. There is approximately \$14,967,000 in restricted fund balances which must be used for specific purposes: approximately \$184,000 restricted for pensions, \$9,072,000 restricted for capital projects, \$548,000 restricted for police drug enforcement programs, \$2,493,000 restricted for street maintenance, \$1,328,000 restricted for sanitation operations, \$1,326,000 restricted for economic development/tourism, and \$17,000 restricted for infrastructure. There is approximately \$24,655,000 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, 2023, the unassigned fund balance of the general fund was approximately \$38,486,000 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 123% of total general fund expenditures during fiscal year 2023.

The City's general fund revenue is primarily generated from the local option sales tax and property tax. Of total General Fund revenues, approximately \$30,787,000 or 83.8% was from taxes. Local option sales tax increased by approximately \$1,423,000 (from \$17,708,000 to \$19,131,000) and was a record high in collections. The city's total property tax rate for fiscal year 2023 (2022 property tax) was \$.82 per \$100 of value. This tax rate remains relatively low compared to other cities across the state. The property tax rate allocated to the general fund was \$.5881 and accounted for approximately \$7,002,000 in general fund property tax revenue. Departmental budgets have seen minimal increases in the past two years and the departments have been successful in staying within their approved budgets. To remain competitive in attracting and retaining employees, additional salary adjustments included a market adjustment of \$4,576 to full time employees at the beginning of the fiscal year and merit increases of up to 2%. The city pay scales were adjusted upward 12%. Because of the strength of the fund balance and strong revenues, the city transferred \$2,100,000 to the State Street Aid Fund for additional street paving.

The debt service fund has a total fund balance of approximately \$16,055,000, 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 \$4,548,000 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 2023. General Obligation Bonds, Series 2022 in the amount of \$9,650,000 were issued in December 2022. The proceeds are intended for major road improvement projects and property purchase for future use. The overall increase in the fund balance was approximately \$3,124,000 for Fiscal Year 2023.

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 2022 for \$9,650,000 are being used for major street improvement projects and property purchase for future use. As of June 30, 2023, unspent bond proceeds totaled approximately \$9,072,000. The major street improvement projects include the widening of 10th street from Fisk Rd to Wilson Avenue. This project is in the right of way acquisition phase and is expected to start construction in FY 2024.

### *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*

The original general fund budget was \$36,897,330 including transfers out. The final budget was increased by \$1,921,974 to \$38,819,304. The amendments approved during the year included additional appropriations for the transfer of monies from the general fund to State Street Aid of \$1,100,000 to provide funds for additional street paving.

### **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, 2023 was approximately \$77,357,000 and \$139,016,000, respectively. The net investment increased 5.0% for governmental and 10.6% for business-type activities, respectively.

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

- \$1,174,000 in vehicles including a dump truck, and two garbage trucks
- \$3,300,000 purchase of approximately 111 acres for future use
- \$452,000 purchase of property adjacent to the Highlands Business Park

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

- Water plant expansion project continued
- Deberry Heights pump station project continued
- Electric transformer project at Cane Creek substation

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

**Capital Assets (net of depreciation)**  
**June 30, 2023 and 2022**  
**(amounts expressed in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Land	\$ 19,227	\$ 15,251	\$ 3,664	\$ 3,664	\$ 22,891	\$ 18,915
Water rights	-	-	4,889	4,889	4,889	4,889
Buildings and improvements	22,136	22,725	545	619	22,681	23,344
Improvements other than buildings	4,213	3,001	-	-	4,213	3,001
Utility plant in service	-	-	96,325	91,679	96,325	91,679
Vehicles	4,573	4,706	-	-	4,573	4,706
Machinery and equipment	2,778	2,730	9,678	8,894	12,456	11,624
SBITA Asset	-	-	376	439	376	439
Software	15	38	-	-	15	38
Infrastructure	22,207	23,686	-	-	22,207	23,686
Furniture and equipment	-	-	28	91	28	91
Plant acquisition adjustment	-	-	5,268	5,648	5,268	5,648
Construction in progress	<u>2,208</u>	<u>1,571</u>	<u>18,243</u>	<u>10,230</u>	<u>20,451</u>	<u>11,801</u>
Net capital assets	<b>\$ 77,357</b>	<b>\$ 73,708</b>	<b>\$ 139,016</b>	<b>\$ 126,153</b>	<b>\$216,373</b>	<b>\$ 199,861</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 \$40,478,000. Of this amount, approximately \$34,198,000 relates to governmental activities while the remaining approximately \$6,280,000 relates to business type activities. Of the long-term liabilities of governmental activities, approximately \$32,165,000 was debt related to a bond or note issuance and is backed by the full faith and credit of the City. During 2023, the city issued a new bond, Series 2022 in the amount of \$9,650,000. Moody's assigned a rating of Aa2 to the new bond and affirmed the city's outstanding Aa2 issuer rating. The Water Quality Control Department had \$1,846,605 drawn at June 30, 2023 on the SRF approved loan of \$17,500,000. 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, 2023 and 2022**  
(amounts expressed in thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
General obligation bonds	\$ 30,965	\$ 24,185	\$ 1,200	\$ 1,505	\$ 32,165	\$ 25,690
Revenue bonds	-	-	-	-	-	-
Direct borrowing notes	-	-	2,768	1,029	2,768	1,029
Unamortized (discount) premium	<u>2,097</u>	<u>1,936</u>	<u>-</u>	<u>-</u>	<u>2,097</u>	<u>1,936</u>
Total	<b>\$ 33,062</b>	<b>\$ 26,121</b>	<b>\$ 3,968</b>	<b>\$ 2,534</b>	<b>\$ 37,030</b>	<b>\$ 28,655</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. Cookeville is home to Tennessee Technological University. The university is a four-year, state supported, co-educational university with an enrollment of 10,000 students. Also, Cookeville is home to the Cookeville Regional Medical Center, a 269-bed acute care hospital providing quality care to the 14 county Upper Cumberland region.

The 2020 Census data show City's population increased 3,688 to 34,842. Cookeville is also the regional center for employment, shopping, dining, education, health care and recreational/cultural activities for the approximately 200,000 people that live in the surrounding counties. The City, County and Chamber of Commerce are actively recruiting new industry and commercial growth for the Upper Cumberland Area.

Cookeville's economy continues to grow. The unemployment rate for Putnam County was 4.1% in June 2023 compared to the State of Tennessee's rate of 3.8% and a national average of 3.8%. Construction of new single family and multi-family homes remains strong. Building permits issued for single family homes are at record levels. Local option sales tax has seen significant growth for fiscal years 21, 22 and hitting a new record of over \$19 million in fiscal year 23.

The city is proceeding with major street improvements. Construction will begin on the widening of East 10th Street in the spring of 2024. West Stevens Street improvement project is in right of way acquisition. Additional debt is planned for the coming fiscal year to complete those street projects as well as construction/replacement of two fire stations.

The Water Quality Control Department continues work on a \$25,000,000 project to increase capacity at the water treatment plant by 7.5 million gallons per day. A SFR loan was approved for \$17,000,000 to help finance the project as well as ARP grant funds through the Tennessee Department of Environment and Conservation. This infrastructure capacity is critical for the continued growth of the area. The city received approximately \$10,298,000 in ARPA funds in 2021 and 2022. Of this amount approximately \$1,730,000 has been spent and \$8,568,000 is available to budget. The city's priority has been completing water and sewer projects with the ARPA funds with city council committing by resolution \$8,000,000 of the ARPA funds towards these infrastructure projects.

All these factors were considered in adopting the general fund budget for fiscal year 2024. The City remains conservative in revenue forecasts and budgeted an increase in revenues over the 2023 original budget driven by estimated growth in local option sales tax and a property tax increase. Revenues and transfers in total approximately \$37,312,000 in the fiscal year 24 budget. The city also budgeted an increase in operating expenditures for fiscal year 2024 over the 2023 budget. The appropriation for operating expenditures is approximately \$35,053,000. The majority of operating expenditures for the general fund are personnel costs. The 2024 budget includes a merit increase of up to 2% and significant market adjustments based on a completed salary survey for full-time employees. Public safety positions were the primary focus in those pay adjustments. With budgeted capital purchases, the budget includes a planned use of fund balance in the amount of approximately \$5,105,000. The proposed capital purchases include \$2.2 million for the purchase of a new fire aerial apparatus. The general fund at June 30, 2023 has an unassigned fund balance of approximately \$ 38,486,000.

### **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, 2023

	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	\$ 78,232,017	\$ 51,768,775	\$ 130,000,792	\$ 32,033,058	\$ 236,222	\$ 162,270,072
Accounts receivable, net	222,289	15,282,968	15,505,257	40,321,320	-	55,826,577
Taxes receivable, net	11,514,382	-	11,514,382	-	-	11,514,382
Other receivables	5,534,639	47,049	5,581,688	2,301,385	-	7,883,073
Internal balances	228,975	(228,975)	-	-	-	-
Inventories	-	3,552,487	3,552,487	11,414,530	-	14,967,017
Prepaid expenses and other current assets	13,132	602,762	615,894	5,919,948	886	6,536,728
Restricted cash and cash equivalents	9,307,172	857,002	10,164,174	10,000,000	-	20,164,174
Notes receivable, net	-	125,605	125,605	-	-	125,605
Equity interest in joint venture	3,907,637	-	3,907,637	-	-	3,907,637
Long-term investments	-	-	-	16,035,263	-	16,035,263
Net pension assets	-	1,700,573	1,700,573	-	-	1,700,573
Other assets	-	-	-	4,446,530	-	4,446,530
Capital assets not being depreciated	21,435,472	26,795,479	48,230,951	19,243,022	-	67,473,973
Capital assets, net	55,921,844	112,220,573	168,142,417	126,242,711	212,367	294,597,495
Total assets	186,317,559	212,724,298	399,041,857	267,957,767	449,475	667,449,099
<b>Deferred Outflows of Resources</b>	18,382,081	6,581,599	24,963,680	5,868,418	-	30,832,098
<b>Liabilities</b>						
Accounts payable	1,640,089	6,831,290	8,471,379	15,955,798	44,326	24,471,503
Claims payable	287,822	-	287,822	-	-	287,822
Accrued expenses	1,028,930	-	1,028,930	14,843,075	2,989	15,874,994
Unearned revenues	8,684,888	45,333	8,730,221	-	518	8,730,739
Other liabilities	-	-	-	2,317,922	65,521	2,383,443
<b>Noncurrent liabilities</b>						
Compensated absences	1,136,274	572,997	1,709,271	-	-	1,709,271
Net pension liabilities	1,796,900	9,383	1,806,283	15,350,238	-	17,156,521
OPEB liability	24,431,608	5,531,232	29,962,840	-	-	29,962,840
Other liabilities	1,528,565	584,065	2,112,630	-	-	2,112,630
Debt and SBITA due within one year	2,825,000	519,081	3,344,081	5,106,862	8,102	8,459,045
Debt and SBITA due in more than one year	30,236,526	5,026,355	35,262,881	50,789,779	1,974	86,054,634
Total liabilities	73,596,602	19,119,736	92,716,338	104,363,674	123,430	197,203,442
<b>Deferred Inflows of Resources</b>	26,862,298	3,915,697	30,777,995	3,435,099	13,500	34,226,594
<b>Net Position</b>						
Net investment in capital assets	44,201,021	134,015,118	178,216,139	89,589,092	202,291	268,007,522
<b>Restricted for</b>						
Pensions	-	1,753,123	1,753,123	-	-	1,753,123
Drug education and investigations	384,947	-	384,947	-	-	384,947
Highways and streets	2,492,629	-	2,492,629	-	-	2,492,629
Sanitation	1,145,609	-	1,145,609	-	-	1,145,609
Economic development and tourism	1,325,814	-	1,325,814	-	-	1,325,814
Equity interest in joint venture	3,907,637	-	3,907,637	-	-	3,907,637
Unrestricted (deficit)	50,783,083	60,502,223	111,285,306	76,438,320	110,254	187,833,880
Total net position	\$ 104,240,740	\$ 196,270,464	\$ 300,511,204	\$ 166,027,412	\$ 312,545	\$ 466,851,161

**City of Cookeville, Tennessee**  
Statement of Activities  
For the Year Ended June 30, 2023

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	\$ 176,156	\$ 89,632	\$ 9,067	\$ -	\$ (77,457)	\$ -	\$ (77,457)		
Economic development	539,695	-	-	-	(539,695)	-	(539,695)		
Community development	(466,380)	927,075	-	-	1,393,455	-	1,393,455		
Public safety	(2,755,339)	517,291	490,787	-	3,763,417	-	3,763,417		
Parks and maintenance	(446,974)	-	-	-	446,974	-	446,974		
Public works	8,131,658	2,104,954	1,210,392	1,338,966	(3,477,346)	-	(3,477,346)		
Culture and recreation	1,935,528	281,033	1,033	-	(1,653,462)	-	(1,653,462)		
Community support	833,273	-	-	-	(833,273)	-	(833,273)		
Interest	643,678	-	-	-	(643,678)	-	(643,678)		
Total governmental activities	8,591,295	3,919,985	1,711,279	1,338,966	(1,621,065)	-	(1,621,065)		
<b>Business-type Activities</b>									
Electric	51,977,035	60,239,309	-	-	-	8,262,274	8,262,274		
Gas	12,799,834	17,593,561	-	-	-	4,793,727	4,793,727		
Water quality control	13,493,609	22,283,465	-	-	-	8,789,856	8,789,856		
Total business-type activities	78,270,478	100,116,335	-	-	-	21,845,857	21,845,857		
Total primary government	\$ 86,861,773	\$ 104,036,320	\$ 1,711,279	\$ 1,338,966	(1,621,065)	21,845,857	20,224,792		
<b>Component Units</b>									
Cookeville Regional Medical Center	\$ 443,036,803	\$ 403,119,054	\$ 3,684,785	\$ -			\$ (36,232,964)	\$ -	
Public Building Authority	207,870	283,223	-	-			-	75,353	
Total component units	\$ 443,244,673	\$ 403,402,277	\$ 3,684,785	\$ -			(36,232,964)	75,353	
<b>General Revenues and Transfers</b>									
<b>General Revenues</b>									
Taxes									
Property tax					10,112,160	-	10,112,160	-	-
Local option sales tax					19,130,904	-	19,130,904	-	-
Hotel/motel tax					884,723	-	884,723	-	-
Wholesale beer and liquor taxes					1,771,470	-	1,771,470	-	-
Unrestricted intergovernmental taxes									
State sales and use tax					4,145,241	-	4,145,241	-	-
State income tax					229,043	-	229,043	-	-
State franchise tax					274,904	-	274,904	-	-
Business tax					2,034,452	-	2,034,452	-	-
Payments in lieu of tax					1,396,405	-	1,396,405	-	-
Mixed drink and beer tax					292,306	-	292,306	-	-
Petroleum special tax					63,831	-	63,831	-	-
Other intergovernmental					349,302	-	349,302	-	-
Grants and contributions not restricted to specific programs					691,314	5,795,562	6,486,876	-	-
Unrestricted investment earnings					2,773,051	2,098,860	4,871,911	1,611,440	742
Gain (loss) on disposal of capital assets					477,015	-	477,015	4,943	(6,914)
Miscellaneous revenues					610,590	-	610,590	-	27,470
<b>Transfers</b>					1,727,479	(1,727,479)	-	-	-
Total general revenues and transfers					46,964,190	6,166,943	53,131,133	1,616,383	21,298
Change in net position					45,343,125	28,012,800	73,355,925	(34,616,581)	96,651
Net position, beginning of year					58,767,767	168,351,689	227,119,456	200,643,993	215,894
Prior period adjustment					129,848	(94,025)	35,823	-	-
Net position, end of year					\$ 104,240,740	\$ 196,270,464	\$ 300,511,204	\$ 166,027,412	\$ 312,545

See notes to financial statements

**City of Cookeville, Tennessee**  
Balance Sheet - Governmental Funds  
June 30, 2023

	General	Debt service	Capital projects	Transportation	Other governmental	Total governmental
<b>Assets</b>						
Cash and cash equivalents	\$ 46,348,612	\$ 15,319,834	\$ 452,946	\$ 3,104,980	\$ 10,244,375	\$ 75,470,747
Receivables, net						
Accounts	-	-	-	-	222,289	222,289
Property taxes	8,466,713	243,814	-	1,523,834	1,280,021	11,514,382
Other	3,768,491	737,213	-	-	885,399	5,391,103
Due from other funds	325,023	2,829	-	6,223	1,146,811	1,480,886
Prepaid items	13,132	-	-	-	-	13,132
Restricted cash and cash equivalents	178,707	-	9,071,671	-	5,256	9,255,634
<b>Total assets</b>	<b>\$ 59,100,678</b>	<b>\$ 16,303,690</b>	<b>\$ 9,524,617</b>	<b>\$ 4,635,037</b>	<b>\$ 13,784,151</b>	<b>\$ 103,348,173</b>
<b>Liabilities</b>						
Accounts payable	\$ 532,289	\$ 55	\$ 10,074	\$ 15	\$ 1,093,581	\$ 1,636,014
Accrued expenses	950,144	-	-	-	-	950,144
Due to other funds	1,187,363	-	131	-	29,784	1,217,278
Unearned revenues	8,536,374	-	10,000	-	138,514	8,684,888
Other liabilities	868,791	5,000	-	-	649,032	1,522,823
<b>Total liabilities</b>	<b>12,074,961</b>	<b>5,055</b>	<b>20,205</b>	<b>15</b>	<b>1,910,911</b>	<b>14,011,147</b>
<b>Deferred Inflows of Resources</b>						
Property taxes	8,167,754	243,814	-	1,523,834	1,280,021	11,215,423
<b>Fund Balances</b>						
Nonspendable	13,132	-	-	-	-	13,132
Restricted for						
Pensions	178,707	-	-	-	5,256	183,963
Capital projects	-	-	9,071,671	-	-	9,071,671
Drug education and investigations	-	-	-	-	384,947	384,947
Drug prevention	162,617	-	-	-	-	162,617
State street aid	-	-	-	-	2,492,629	2,492,629
Sanitation	-	-	-	-	1,328,261	1,328,261
Economic development and tourism	-	-	-	-	1,325,814	1,325,814
Infrastructure	17,352	-	-	-	-	17,352
Committed	-	16,054,821	432,741	3,111,188	5,056,312	24,655,062
Unassigned	38,486,155	-	-	-	-	38,486,155
<b>Total fund balances</b>	<b>38,857,963</b>	<b>16,054,821</b>	<b>9,504,412</b>	<b>3,111,188</b>	<b>10,593,219</b>	<b>78,121,603</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 59,100,678</b>	<b>\$ 16,303,690</b>	<b>\$ 9,524,617</b>	<b>\$ 4,635,037</b>	<b>\$ 13,784,151</b>	<b>\$ 103,348,173</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, 2023

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

Total governmental fund balances		\$ 78,121,603
Capital assets of \$143,308,260 net of accumulated depreciation of \$65,950,944, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		77,357,316
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	\$ 8,246,989	
Deferred outflows - OPEB related	9,536,797	
Deferred inflows - pension related	(1,417,355)	
Deferred inflows - OPEB related	<u>(13,669,442)</u>	2,696,989
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		3,907,637
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.		1,988,729
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	(30,965,000)	
Compensated absences	(1,136,274)	
Accrued interest payable on long-term debt	(78,786)	
Net pension liabilities	(1,837,107)	
OPEB liability	<u>(23,623,072)</u>	(57,640,239)
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	(2,096,526)	
Deferred inflows - gain on refunding	<u>(94,769)</u>	(2,191,295)
<b>Net position of governmental activities</b>		<b>\$ 104,240,740</b>

**City of Cookeville, Tennessee**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2023

	General	Debt service	Capital projects	Transportation	Other governmental	Total governmental
<b>Revenues</b>						
Taxes	\$ 30,786,644	\$ 1,103,027	\$ -	\$ 1,508,192	\$ 1,788,241	\$ 35,186,104
Licenses and permits	998,095	-	-	-	-	998,095
Fines and forfeitures	191,530	-	-	-	112,210	303,740
Charges for services	299,647	-	-	-	2,318,504	2,618,151
Intergovernmental	2,090,130	4,145,241	-	-	2,181,030	8,416,401
Uses of money and property	1,636,909	589,122	22,011	135,351	389,695	2,773,088
Other	<u>730,918</u>	<u>26,172</u>	<u>2,674</u>	<u>-</u>	<u>104,959</u>	<u>864,723</u>
Total revenues	36,733,873	5,863,562	24,685	1,643,543	6,894,639	51,160,302
<b>Expenditures</b>						
Current						
General government	3,838,712	2,257	345	178	-	3,841,492
Public safety	15,821,663	-	205,131	-	615,103	16,641,897
Community development	1,178,065	-	-	-	-	1,178,065
Parks and maintenance	1,664,542	-	-	-	-	1,664,542
Public works	4,281,664	-	-	-	4,351,143	8,632,807
Culture and recreation	2,126,719	-	-	-	238,024	2,364,743
Community support	833,273	-	-	-	-	833,273
Economic development	-	-	-	-	33,108	33,108
Debt service						
Principal	-	2,870,000	-	-	-	2,870,000
Interest	-	816,843	-	-	-	816,843
Issuance costs	-	-	146,224	-	-	146,224
Capital outlay	<u>1,497,766</u>	<u>-</u>	<u>4,738,749</u>	<u>720,197</u>	<u>2,346,133</u>	<u>9,302,845</u>
Total expenditures	31,242,404	3,689,100	5,090,449	720,375	7,583,511	48,325,839
Excess (deficiency) of revenues over expenditures	5,491,469	2,174,462	(5,065,764)	923,168	(688,872)	2,834,463
<b>Other Financing Sources (Uses)</b>						
Transfers in	1,833,879	950,000	-	-	2,294,000	5,077,879
Transfers out	(2,794,000)	-	-	(950,000)	(106,400)	(3,850,400)
Bonds issued	-	-	9,650,000	-	-	9,650,000
Premium on bonds issued	-	-	349,244	-	-	349,244
Insurance proceeds	64,132	-	-	-	20,402	84,534
Sale of capital assets	<u>790,277</u>	<u>-</u>	<u>5,297</u>	<u>-</u>	<u>780,335</u>	<u>1,575,909</u>
Total other financing sources (uses)	(105,712)	950,000	10,004,541	(950,000)	2,988,337	12,887,166
Net change in fund balances	5,385,757	3,124,462	4,938,777	(26,832)	2,299,465	15,721,629
Fund balances, beginning of year	33,479,585	12,930,359	4,565,635	3,138,020	8,293,916	62,407,515
Prior period adjustment	<u>(7,379)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(162)</u>	<u>(7,541)</u>
Fund balances, end of year	<b>\$ 38,857,963</b>	<b>\$ 16,054,821</b>	<b>\$ 9,504,412</b>	<b>\$ 3,111,188</b>	<b>\$ 10,593,219</b>	<b>\$ 78,121,603</b>

**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, 2023

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

Net change in fund balances, total governmental funds		\$ 15,721,629
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
		4,255,081
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Equity in current year earnings of joint venture		(7,989)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) and other long-term assets is to increase net position.</p>		
Donation of capital assets	\$ 493,078	
(Gain) loss on sale of assets	<u>(1,098,894)</u>	(605,816)
<p>Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Issuance of bonds	(9,650,000)	
Premium	(349,244)	
Principal paid on bonds and notes	<u>2,870,000</u>	(7,129,244)
<p>The internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
		1,741,882
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Accrued interest on long-term debt	(27,633)	
Amortization of bond premiums and discounts and deferred amounts of refunding	196,625	
Compensated absences	(115,472)	
Changes in pension assets and liabilities and related deferred outflows and inflows of resources	16,014,108	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	<u>15,299,954</u>	31,367,582
Change in net position of governmental activities		<b>\$ 45,343,125</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, 2023

	<u>Budgeted amounts</u>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes				
Property taxes current	\$ 6,741,200	\$ 6,741,200	\$ 7,001,942	\$ 260,742
Property taxes delinquent	120,000	120,000	239,156	119,156
Property taxes penalty and interest	35,000	35,000	56,325	21,325
PILOT Highlands Residential	50,000	50,000	77,814	27,814
PILOT Laurel Creek	500	500	1,015	515
PILOT Academy LTD	75,000	75,000	68,936	(6,064)
PILOT Ficosa North America	62,500	62,500	82,374	19,874
PILOT Automation Tool Company	6,890	6,890	6,890	-
PILOT TTI Floor Care	-	-	40,462	40,462
Local option sales tax	17,413,400	18,913,400	19,130,904	217,504
Wholesale beer tax	1,150,000	1,150,000	1,176,820	26,820
Wholesale liquor tax	475,000	475,000	594,650	119,650
Business tax	1,588,619	1,588,619	2,034,452	445,833
Cable TV franchise tax	285,000	285,000	274,904	(10,096)
Licenses and permits				
Beer permits	4,376	4,376	2,750	(1,626)
Beer license	12,460	12,460	12,275	(185)
Liquor license	33,327	33,327	34,863	1,536
Building permits	336,000	411,000	512,429	101,429
Electrical permits	84,000	104,000	119,272	15,272
Plumbing permits	33,600	43,600	51,500	7,900
Mechanical permits	43,680	73,680	94,427	20,747
Plan review fees	94,080	94,080	111,154	17,074
Fireworks permits	12,000	12,000	13,800	1,800
Miscellaneous permits	36,381	36,381	45,625	9,244
Intergovernmental revenues				
State excise tax	133,746	133,746	214,193	80,447
State income tax	-	-	14,850	14,850
State beer tax	16,000	16,000	15,909	(91)
Mixed drink tax	200,000	260,000	276,397	16,397
Gasoline inspection fee	63,000	63,000	63,831	831
Telecommunications sales tax	62,000	62,000	58,434	(3,566)
TVA in-lieu tax	365,000	365,000	418,914	53,914
State sports gaming	25,000	25,000	62,118	37,118
Training supplement	108,800	108,800	104,000	(4,800)
Grants-other	1,194,773	1,447,773	861,484	(586,289)
Fines, forfeitures, and penalties				
Court fines and fees	232,059	232,059	164,134	(67,925)
Parking violations	1,878	1,878	1,309	(569)
Other	23,453	23,453	26,087	2,634
Charges for services				
Clerk's fee	14,217	14,217	18,613	4,396
Recreation concessions	48,417	48,417	87,177	38,760
Recreational rentals/admissions	117,495	117,495	144,018	26,523
Day camp fees	56,775	56,775	48,919	(7,856)
Miscellaneous	-	-	920	920
Miscellaneous				
Uses of money and property	143,100	1,403,100	1,636,909	233,809
Contributions	2,500	9,900	9,717	(183)
Admin charges to other funds	482,987	482,987	476,783	(6,204)
Other	40,434	40,434	244,418	203,984
Total revenues	<u>32,024,647</u>	<u>35,240,047</u>	<u>36,733,873</u>	<u>1,493,826</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, 2023

	<u>Budgeted amounts</u>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures</b>				
General government				
Salaries and wages	1,725,208	1,655,208	1,487,747	167,461
Payroll taxes and fringes	737,500	757,500	658,116	99,384
Contractual services	222,000	267,800	229,252	38,548
Utilities	1,100,000	1,130,000	1,112,857	17,143
Supplies and maintenance	390,400	397,800	255,559	142,241
Fixed charges	42,000	62,000	50,676	11,324
Miscellaneous	39,100	40,100	44,505	(4,405)
Public safety - police				
Salaries and wages	6,328,342	6,188,342	5,836,792	351,550
Payroll taxes and fringes	2,829,471	2,869,471	2,526,001	343,470
Supplies and maintenance	1,248,120	1,284,620	1,171,035	113,585
Fixed charges	217,000	327,000	223,277	103,723
Miscellaneous	20,000	155,500	74,104	81,396
Public safety - fire				
Salaries and wages	3,991,300	3,966,300	3,633,301	332,999
Payroll taxes and fringes	2,031,913	2,031,913	1,771,014	260,899
Supplies and maintenance	456,650	473,450	474,527	(1,077)
Fixed charges	125,000	135,000	108,726	26,274
Miscellaneous	5,000	5,000	2,886	2,114
Community development				
Salaries and wages	933,000	933,000	795,662	137,338
Payroll taxes and fringes	369,478	369,478	323,215	46,263
Supplies and maintenance	117,300	117,300	51,334	65,966
Fixed charges	18,100	18,100	3,729	14,371
Miscellaneous	4,500	4,500	4,125	375
Parks and maintenance				
Salaries and wages	1,173,720	1,138,720	1,016,531	122,189
Payroll taxes and fringes	427,240	447,240	380,288	66,952
Supplies and maintenance	270,750	285,750	248,595	37,155
Fixed charges	25,850	25,850	18,593	7,257
Miscellaneous	500	500	535	(35)
Public works				
Salaries and wages	2,449,000	2,389,000	2,335,111	53,889
Payroll taxes and fringes	1,132,465	1,132,465	1,029,957	102,508
Supplies and maintenance	640,700	760,700	742,919	17,781
Fixed charges	37,900	133,900	142,218	(8,318)
Miscellaneous	21,250	21,950	31,459	(9,509)
Capital outlay	2,937,450	3,322,450	1,497,766	1,824,684
Culture and recreation				
Salaries and wages	1,356,190	1,331,190	1,248,474	82,716
Payroll taxes and fringes	484,334	497,334	436,116	61,218
Supplies and maintenance	437,000	442,000	386,148	55,852
Fixed charges	48,900	48,900	25,370	23,530
Miscellaneous	19,700	24,700	30,611	(5,911)

*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, 2023

	<u>Budgeted amounts</u>		<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.	2,500	2,500	2,500	-
Tennessee Rehabilitation Center	43,149	43,149	43,149	-
U C Regional Airport	35,000	35,000	35,000	-
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	10,000	10,000	10,000	-
Operation CityScope	50,000	50,000	50,000	-
Genesis House, Inc.	12,000	12,000	12,000	-
Stephens Center for Child Abuse	6,000	6,000	6,000	-
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	55,000	55,000	55,000	-
UC Family Justice Center	10,000	10,000	10,000	-
UC Child Advocacy Center	6,000	6,000	6,000	-
TN Central Heritage Rail Trail	6,400	7,674	7,674	-
Thirteenth Judicial District				
Recovery Courts	15,000	15,000	15,000	-
UCHRA - CASA	5,400	5,400	5,400	-
Cookeville Impact	3,000	3,000	3,000	-
Mana Hana's Riding Center	3,600	3,600	3,600	-
Cookeville Rescue Mission	2,500	2,500	2,500	-
Veterans Honor Guard	1,500	1,500	1,500	-
Biz Foundry (UCEF)	7,500	7,500	7,500	-
Total expenditures	<u>35,246,330</u>	<u>36,025,304</u>	<u>31,242,404</u>	<u>4,782,900</u>
Excess (deficiency) of revenues over expenditures	(3,221,683)	(785,257)	5,491,469	(3,289,074)
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,795,534	1,795,534	1,833,879	38,345
Transfers out	(1,651,000)	(2,794,000)	(2,794,000)	-
Insurance proceeds	-	-	64,132	64,132
Sale of capital assets	-	753,286	790,277	36,991
Total other financing sources (uses)	<u>144,534</u>	<u>(245,180)</u>	<u>(105,712)</u>	<u>139,468</u>
Net change in fund balance	(3,077,149)	(1,030,437)	5,385,757	6,416,194
Fund balance, beginning of year	33,479,585	33,479,585	33,479,585	-
Prior period adjustment	(7,379)	(7,379)	(7,379)	-
Fund balance, end of year	<b>\$ 30,395,057</b>	<b>\$ 32,441,769</b>	<b>\$ 38,857,963</b>	<b>\$ 6,416,194</b>

**City of Cookeville, Tennessee**  
Statement of Net Position  
Proprietary Funds  
June 30, 2023

	<b>Business-type Activities - Enterprise funds</b>				<b>Governmental Activities - Internal service funds</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	\$ 18,257,341	\$ 23,057,378	\$ 10,167,164	\$ 51,481,883	\$ 3,048,163
Receivables					
Accounts, net	3,705,440	223,801	6,513,730	10,442,971	-
Due from other funds	46,155	10,672	68,761	125,588	37,888
Other	18,959	28,092	-	47,051	143,739
Unbilled utility revenues	2,630,663	737,184	1,471,948	4,839,795	-
Inventories	1,339,672	1,247,355	965,460	3,552,487	-
Prepaid expenses and other current assets	273,742	-	329,020	602,762	-
Restricted cash and cash equivalents	<u>743,284</u>	<u>80,703</u>	<u>33,015</u>	<u>857,002</u>	<u>51,538</u>
Total current assets	27,015,256	25,385,185	19,549,098	71,949,539	3,281,328
Noncurrent assets					
Capital assets, net of accumulated depreciation	48,867,818	6,499,191	83,197,646	138,564,655	451,396
Net pension assets	654,515	316,837	731,094	1,702,446	42,451
Other assets	<u>125,605</u>	<u>-</u>	<u>-</u>	<u>125,605</u>	<u>-</u>
Total noncurrent assets	<u>49,647,938</u>	<u>6,816,028</u>	<u>83,928,740</u>	<u>140,392,706</u>	<u>493,847</u>
Total assets	76,663,194	32,201,213	103,477,838	212,342,245	3,775,175
<b>Deferred Outflows of Resources</b>					
Pension related items	1,813,117	591,402	1,657,230	4,061,749	346,366
OPEB related items	1,121,522	258,411	549,597	1,929,530	251,929
Other items	<u>-</u>	<u>-</u>	<u>590,320</u>	<u>590,320</u>	<u>-</u>
Total deferred outflows of resources	2,934,639	849,813	2,797,147	6,581,599	598,295
<b>Liabilities</b>					
Current liabilities					
Accounts payable and other payables	4,535,811	594,288	1,622,333	6,752,432	37,674
Claims payable	-	-	-	-	287,822
Due to other funds	165,657	39,557	88,707	293,921	133,163
Unearned revenues	-	45,333	-	45,333	5,742
Long-term debt, current maturities	<u>300,000</u>	<u>-</u>	<u>219,081</u>	<u>519,081</u>	<u>54,948</u>
Total current liabilities	5,001,468	679,178	1,930,121	7,610,767	519,349
Noncurrent liabilities					
Customer deposits	352,160	77,509	-	429,669	38,216
Compensated absences	246,926	91,349	234,722	572,997	45,259
Other noncurrent liabilities	116,180	-	-	116,180	-
Long-term debt, net of current maturities	900,000	-	3,787,509	4,687,509	283,898
Net pension liability	3,259	905	7,093	11,257	2,244
OPEB liability	<u>2,569,306</u>	<u>904,526</u>	<u>2,057,400</u>	<u>5,531,232</u>	<u>808,536</u>
Total noncurrent liabilities	<u>4,187,831</u>	<u>1,074,289</u>	<u>6,086,724</u>	<u>11,348,844</u>	<u>1,178,153</u>
Total liabilities	9,189,299	1,753,467	8,016,845	18,959,611	1,697,502
<b>Deferred Inflows of Resources</b>					
Pension related items	156,814	13,436	211,453	381,703	31,730
OPEB related items	1,455,053	508,852	1,524,271	3,488,176	433,579
Gain on debt refunding	<u>45,818</u>	<u>-</u>	<u>-</u>	<u>45,818</u>	<u>-</u>
Total deferred inflows of resources	1,657,685	522,288	1,735,724	3,915,697	465,309
<b>Net Position</b>					
Net investment in capital assets	47,622,000	6,499,191	79,781,376	133,902,567	112,550
Restricted	670,856	320,031	764,109	1,754,996	55,758
Unrestricted	<u>20,457,993</u>	<u>23,956,049</u>	<u>15,976,931</u>	<u>60,390,973</u>	<u>2,042,351</u>
Total net position	<b>\$ 68,750,849</b>	<b>\$ 30,775,271</b>	<b>\$ 96,522,416</b>	196,048,536	<b>\$ 2,210,659</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>221,928</u>	
Net position of business-type activities				<b>\$ 196,270,464</b>	

**City of Cookeville, Tennessee**  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2023

	<b>Business-type Activities - Enterprise funds</b>			<b>Total</b>	<b>Governmental Activities - Internal service funds</b>
	<b>Electric department</b>	<b>Gas department</b>	<b>Water quality control department</b>		
<b>Operating Revenues</b>					
Charges for services	\$ 58,909,816	\$ 17,317,408	\$ 21,010,221	\$ 97,237,445	\$ 8,682,045
Other revenues from operations	<u>1,329,493</u>	<u>276,153</u>	<u>1,273,244</u>	<u>2,878,890</u>	<u>47,731</u>
Total operating revenues	60,239,309	17,593,561	22,283,465	100,116,335	8,729,776
<b>Operating Expenses</b>					
Purchased electricity and gas	47,537,075	11,316,003	-	58,853,078	-
Operations	3,901,225	853,543	4,264,433	9,019,201	338,602
General and administrative	(4,052,299)	(94,333)	967,077	(3,179,555)	1,235,526
Maintenance	1,574,910	125,637	946,491	2,647,038	69,717
Utilities	-	-	2,438,296	2,438,296	-
Claims	-	-	-	-	5,929,354
Depreciation and amortization	<u>3,002,599</u>	<u>598,984</u>	<u>4,805,660</u>	<u>8,407,243</u>	<u>21,836</u>
Total operating expenses	51,963,510	12,799,834	13,421,957	78,185,301	7,595,035
Operating income (loss)	8,275,799	4,793,727	8,861,508	21,931,034	1,134,741
Nonoperating revenues (expenses)					
Uses of money and property	794,725	785,823	518,312	2,098,860	104,090
Operating grants	-	-	5,795,562	5,795,562	-
Interest expense	<u>(13,525)</u>	<u>-</u>	<u>(68,606)</u>	<u>(82,131)</u>	<u>-</u>
Total nonoperating revenues (expenses)	781,200	785,823	6,245,268	7,812,291	104,090
Income (loss) before transfers	9,056,999	5,579,550	15,106,776	29,743,325	1,238,831
Transfers in	-	-	-	-	500,000
Transfers out	(1,269,983)	(156,293)	(301,203)	(1,727,479)	-
Change in net position	7,787,016	5,423,257	14,805,573	28,015,846	1,738,831
Net position, beginning of year	61,049,643	25,398,266	81,818,166		2,020,804
Prior period adjustment	<u>(85,810)</u>	<u>(46,252)</u>	<u>(101,323)</u>		<u>(1,548,976)</u>
Net position, end of year	<b>\$ 68,750,849</b>	<b>\$ 30,775,271</b>	<b>\$ 96,522,416</b>		<b>\$ 2,210,659</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(3,046)</u>	
Change in net position of business-type activities				<b>\$ 28,012,800</b>	

**City of Cookeville, Tennessee**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2023

	<b>Business-type Activities - Enterprise funds</b>				<b>Governmental</b>
	<b>Electric department</b>	<b>Gas department</b>	<b>Water quality control department</b>	<b>Total</b>	<b>Activities - Internal service funds</b>
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 61,803,306	\$ 17,608,330	\$ 22,247,203	\$ 101,658,839	\$ 8,782,673
Cash paid to suppliers for goods and services	(50,269,949)	(13,013,043)	(8,508,969)	(71,791,961)	(1,604,733)
Cash paid to employees for services	(4,292,783)	(1,528,544)	(4,638,064)	(10,459,391)	(1,158,739)
Cash paid for claims	-	-	-	-	(6,206,539)
Cash received from (paid to) other City funds	<u>67,478</u>	<u>(20,915)</u>	<u>(120,754)</u>	<u>(74,191)</u>	<u>152,560</u>
Net cash provided (used) by operating activities	7,308,052	3,045,828	8,979,416	19,333,296	(34,778)
<b>Cash flows from noncapital financing activities</b>					
Operating grants	-	-	829,696	829,696	-
Transfers in	-	-	-	-	500,000
Transfers out	<u>(1,269,983)</u>	<u>(156,293)</u>	<u>(301,203)</u>	<u>(1,727,479)</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	(1,269,983)	(156,293)	528,493	(897,783)	500,000
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(5,284,749)	(393,500)	(15,439,249)	(21,117,498)	(29,775)
Proceeds from sales of equipment	(103,925)	7,280	21,390	(75,255)	-
Proceeds from issuance of debt	-	-	1,846,605	1,846,605	-
Payments on SBITA	-	-	-	-	(28,619)
Principal payments on debt	(305,000)	-	(213,320)	(518,320)	-
Interest payments on debt	<u>(28,798)</u>	<u>-</u>	<u>(68,606)</u>	<u>(97,404)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	(5,722,472)	(386,220)	(13,853,180)	(19,961,872)	(58,394)
<b>Cash flows from investing activities</b>					
Acquisition of other property	-	-	-	-	-
Proceeds of sale of investments	-	-	287,953	287,953	-
Interest received	<u>794,725</u>	<u>785,823</u>	<u>518,312</u>	<u>2,098,860</u>	<u>104,090</u>
Net cash provided (used) by investing activities	794,725	785,823	806,265	2,386,813	104,090
Net change in cash and cash equivalents	1,110,322	3,289,138	(3,539,006)	860,454	510,918
Cash and cash equivalents, beginning of year, as restated	<u>17,890,303</u>	<u>19,848,943</u>	<u>13,739,185</u>	<u>51,478,431</u>	<u>2,588,783</u>
Cash and cash equivalents, end of year	<b>\$ 19,000,625</b>	<b>\$ 23,138,081</b>	<b>\$ 10,200,179</b>	<b>\$ 52,338,885</b>	<b>\$ 3,099,701</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	\$ 18,257,341	\$ 23,057,378	\$ 10,167,164	\$ 51,481,883	\$ 3,048,163
Restricted cash and cash equivalents	<u>743,284</u>	<u>80,703</u>	<u>33,015</u>	<u>857,002</u>	<u>51,538</u>
	<b>\$ 19,000,625</b>	<b>\$ 23,138,081</b>	<b>\$ 10,200,179</b>	<b>\$ 52,338,885</b>	<b>\$ 3,099,701</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	\$ 8,275,799	\$ 4,793,727	\$ 8,861,508	\$ 21,931,034	\$ 1,134,741
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	3,002,599	598,984	4,805,660	8,407,243	84,561
Change in:					
Accounts receivable, net	1,564,636	13,369	(36,262)	1,541,743	36,463
Inventories	(150,625)	(21,939)	(251,448)	(424,012)	-
Due from other City funds	94,781	(852)	(35,633)	58,296	130,238
Prepaid expenses and other current assets	(22,463)	-	-	(22,463)	-
TVA heat pump notes receivable	21,608	-	-	21,608	-
Other assets	-	-	304,887	304,887	-
Accounts payable and other payables	(444,038)	(573,775)	847,609	(170,204)	3,861
Accrued expenses	-	-	(873,275)	(873,275)	(277,185)
Due to other City funds	(27,303)	(20,063)	(85,121)	(132,487)	22,322
Other current liabilities	680	2,453	21,757	24,890	16,434
Compensated absences	20,141	9,454	23,896	53,491	3,207
TVA heat pump notes payable	(22,247)	-	-	(22,247)	-
Net pension and OPEB assets and liabilities	1,201,540	242,291	727,868	2,171,699	(79,548)
Deferred outflows of resources related to pensions and OPEB	(310,656)	(82,327)	(144,206)	(537,189)	23,088
Deferred inflows of resources related to pensions and OPEB	(5,890,921)	(1,916,894)	(5,187,824)	(12,995,639)	(1,132,960)
Customer deposits and other noncurrent liabilities	<u>9,150</u>	<u>1,400</u>	<u>-</u>	<u>10,550</u>	<u>-</u>
Net cash provided (used) by operating activities	<b>\$ 7,322,681</b>	<b>\$ 3,045,828</b>	<b>\$ 8,979,416</b>	<b>\$ 19,347,925</b>	<b>\$ (34,778)</b>

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2023

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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 269-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, 2023

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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 63), as audited by other auditors.

The City has recorded \$700,000 in payments in lieu of taxes and \$3,649,427 for utilities services from the Medical Center during the year ended June 30, 2023.

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, 2023

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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, 2023

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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 funds account for the financing of goods or services provided by one department to other departments within the City on a cost-reimbursement basis. The internal services funds are used to collect health insurance premiums and make health claim payments and perform billing and collection services for sanitation and utility services.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2023

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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 2023 fiscal budget, which approved such additional expenditures/expenses. Actual expenditures exceeded budgeted appropriations by \$4,446 in the Animal Control fund.

**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 \$119,000 for the year ended June 30, 2023.

**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 \$4,926,000 as of June 30, 2023.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2023

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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, 2023

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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 4 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, 2023, the liability for accrued vacation leave is approximately \$1,755,000.

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, 2023

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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, 2023

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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 \$35,000 to the UCRA for the year ended June 30, 2023.

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, 2023. 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 \$7,674 to the Rail Trail Authority for the year ended June 30, 2023.

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, 2023.

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, 2023

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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 \$104,000 for the year ended June 30, 2023.

**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, 2023

**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	\$ 325,023	\$ 1,187,363
Debt service	2,829	-
Capital projects	-	131
Transportation	6,223	-
Nonmajor	1,146,811	29,784
Internal payable created by internal service fund elimination	<u>-</u>	<u>34,633</u>
	<u>1,480,886</u>	<u>1,251,911</u>
Net governmental activities receivable	<b>\$ 228,975</b>	
<b>Business-type activities</b>		
Electric department	\$ 46,155	\$ 165,657
Gas department	68,761	88,707
Water quality control department	10,672	39,557
Internal receivable created by internal service fund elimination	<u>37,888</u>	<u>98,530</u>
	<u>163,476</u>	<u>392,451</u>
Net business-type activities payable		<b>\$ 228,975</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	\$ 1,833,879	\$ 2,794,000
Debt service	950,000	-
Capital projects	-	-
Transportation	-	950,000
Nonmajor	2,294,000	106,400
Internal service	<u>500,000</u>	<u>-</u>
	<u>5,577,879</u>	<u>3,850,400</u>
Net governmental activities transfers	<b>\$ 1,727,479</b>	
<b>Business-type activities</b>		
Electric department	\$ -	\$ 1,269,983
Gas department	-	301,203
Water quality control department	<u>-</u>	<u>156,293</u>
Net business-type activities transfers		<b>\$ 1,727,479</b>

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**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	\$ 15,251,355	\$ 5,059,853	\$ (1,084,011)	\$ 19,227,197
Construction in progress	<u>1,570,816</u>	<u>2,269,843</u>	<u>(1,632,384)</u>	<u>2,208,275</u>
Total capital assets not being depreciated	16,822,171	7,329,696	(2,716,395)	21,435,472
Capital assets being depreciated				
Buildings and structures	28,726,446	-	-	28,726,446
Improvements other than buildings	5,340,645	1,551,225	-	6,891,870
Vehicles	15,663,369	1,174,213	(856,369)	15,981,213
Machinery and equipment	6,880,979	645,242	(105,678)	7,420,543
Software	292,621	-	-	292,621
Infrastructure	<u>62,067,017</u>	<u>493,078</u>	<u>-</u>	<u>62,560,095</u>
Total capital assets being depreciated	118,971,077	3,863,758	(962,047)	121,872,788
Less: accumulated depreciation				
Buildings and structures	(6,000,908)	(589,655)	-	(6,590,563)
Improvements other than buildings	(2,339,384)	(339,458)	-	(2,678,842)
Vehicles	(10,957,344)	(1,210,053)	758,885	(11,408,512)
Machinery and equipment	(4,151,247)	(529,711)	38,984	(4,641,974)
Software	(255,097)	(22,838)	-	(277,935)
Infrastructure	<u>(38,381,217)</u>	<u>(1,971,901)</u>	<u>-</u>	<u>(40,353,118)</u>
Total accumulated depreciation	<u>(62,085,197)</u>	<u>(4,663,616)</u>	<u>797,869</u>	<u>(65,950,944)</u>
Governmental activities capital assets, net	<b>\$ 73,708,051</b>	<b>\$ 6,529,838</b>	<b>\$ (2,880,573)</b>	<b>\$ 77,357,316</b>

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

General government	\$ 206,059
Community Development	27,955
Public safety	1,215,123
Public works	2,858,817
Parks and maintenance	24,402
Culture and recreation	<u>331,261</u>
Total depreciation expense, governmental activities	<b>\$ 4,663,616</b>

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2023

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	\$ 3,663,823	\$ -	\$ -	\$ 3,663,823
Water rights	4,889,052	-	-	4,889,052
Construction in progress	<u>10,229,880</u>	<u>16,691,432</u>	<u>(8,678,708)</u>	<u>18,242,604</u>
Total capital assets not being depreciated	18,782,755	16,691,432	(8,678,708)	26,795,479
Capital assets being depreciated				
Utility plant in service	205,303,714	11,712,810	(2,435,161)	214,581,363
Buildings, structures, and improvements	3,779,441	-	-	3,779,441
Machinery and equipment	16,712,394	1,403,156	(260,155)	17,855,395
Furniture and fixtures	681,200	16,784	(154,660)	543,324
SBITA asset	627,250	-	-	627,250
Plant acquisition adjustment	<u>5,648,191</u>	<u>-</u>	<u>(379,750)</u>	<u>5,268,441</u>
Total capital assets being depreciated	232,752,190	13,132,750	(3,229,726)	242,655,214
Less: accumulated depreciation				
Utility plant in service	(113,624,528)	(7,216,485)	2,584,940	(118,256,073)
Buildings, structures, and improvements	(3,161,685)	(72,643)	-	(3,234,328)
Machinery and equipment	(7,750,971)	(641,035)	214,300	(8,177,706)
Furniture and fixtures	(589,850)	(14,414)	88,629	(515,635)
SBITA asset	<u>(188,175)</u>	<u>(62,725)</u>	<u>-</u>	<u>(250,900)</u>
Total accumulated depreciation	<u>(125,219,736)</u>	<u>(8,007,302)</u>	<u>2,887,869</u>	<u>(130,434,642)</u>
Business type activities capital assets, net	<b>\$ 126,219,736</b>	<b>\$ 21,816,880</b>	<b>\$ (9,020,565)</b>	<b>\$ 139,016,051</b>

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

Electric department	\$ 3,002,599
Gas department	598,984
Water quality control department	<u>4,824,630</u>
Total depreciation expense, business-type activities	<b>\$ 8,426,213</b>

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**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	\$ 24,185,000	\$ 9,650,000	\$ (2,870,000)	\$ 30,965,000	\$ 2,825,000
Bond premiums	<u>1,936,109</u>	<u>349,244</u>	<u>(188,827)</u>	<u>2,096,526</u>	<u>-</u>
Total bonds	26,121,109	9,999,244	(3,058,827)	33,061,526	2,825,000
Compensated absences	<u>989,648</u>	<u>146,626</u>	<u>-</u>	<u>1,136,274</u>	<u>-</u>
Total governmental activities	<b>\$ 27,110,757</b>	<b>\$ 10,145,870</b>	<b>\$ (3,058,827)</b>	<b>\$ 34,197,800</b>	<b>\$ 2,825,000</b>
<b>Business-type activities</b>					
General obligation					
bonds	\$ 1,505,000	\$ -	\$ (305,000)	\$ 1,200,000	\$ 300,000
Direct borrowing notes	1,028,912	1,846,605	(107,676)	2,767,841	110,400
Bond premiums	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total bonds and notes	2,533,912	1,846,605	(412,676)	3,967,841	410,400
Compensated absences	576,187	42,069	-	618,256	-
SBITA Payable	393,794	-	(54,948)	338,846	54,948
TVA heat pump notes	138,427	-	(22,247)	116,180	-
Water storage rights	<u>1,344,393</u>	<u>-</u>	<u>(105,644)</u>	<u>1,238,749</u>	<u>108,681</u>
Total business-type activities	<b>\$ 4,986,713</b>	<b>\$ 1,888,674</b>	<b>\$ (595,515)</b>	<b>\$ 6,279,872</b>	<b>\$ 574,029</b>

*Governmental Activities*

In the current fiscal year, the City issued \$9,650,000 in general obligation refunding bonds, series 2022, with interest rates of 4.00%-5.00% and annual installments of \$640,000, for the purpose of financing various City capital expenditures, including but not limited to planning, design, engineering, and architectural expenses related to the construction of improvements to various city streets; the acquisition, construction, and equipping of a recreation facility; and the acquisition of real property for preservation of open space projects.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**Note 5. Long-term Liabilities**

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 6 to 30 years. General obligation bonds outstanding 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	\$ 1,805,000
Series 2020	\$ 8,875,000	3.00%	2035	7,090,000
Refunding, Series 2021A	\$ 6,570,000	1.15% - 2.00%	2031	5,250,000
Series 2021B	\$ 9,175,000	2.00% - 3.00%	2035	7,860,000
Series 2022	\$ 9,650,000	4.00% - 5.00%	2037	<u>8,960,000</u>
Total governmental activities				<b>\$ 30,965,000</b>
<b>Business-type activities</b>				
Refunding, Series 2021C (Electric System)	\$ 1,505,000	1.00%	2027	\$ 1,200,000

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

**Direct Borrowings**

In 2009 the City issued a note payable in the amount of \$2,074,887 to the State of Tennessee through its state revolving loan fund. The note pays interest at a rate of 2.50% and matures in 2031. The outstanding balance at year-end is \$921,236.

In 2022 the City issued a note payable in the amount of \$17,500,000 to the State of Tennessee through its state revolving loan fund. The note pays interest at a rate of 1.07% and matures after the full note amount has been drawn. The outstanding balance at year end is \$1,846,605.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**Note 5. Long-term Liabilities**

**Debt Service Requirements**

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

		<b>Governmental Activities</b>						
		<b>Bonds</b>						
<b>Year</b>	<b>Principal</b>	<b>Interest</b>						
2024	\$ 2,825,000	\$ 945,435						
2025	2,835,000	854,485						
2026	2,835,000	762,665						
2027	2,845,000	670,775						
2028	2,855,000	578,565						
2029-2033	11,720,000	1,735,510						
2034-2037	<u>5,050,000</u>	<u>348,400</u>						
	<b>\$ 30,965,000</b>	<b>\$ 5,895,835</b>						

		<b>Business-type Activities</b>		<b>Business-type Activities</b>		<b>Total Business-type Activities</b>	
		<b>Bonds</b>		<b>Direct borrowing notes</b>			
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2024	\$ 300,000	\$ 10,500	\$ 110,400	\$ 21,768	\$ 410,400	\$ 32,268	
2025	300,000	7,500	113,184	18,984	413,184	26,484	
2026	300,000	4,500	116,052	16,116	416,052	20,616	
2027	300,000	1,500	118,980	13,188	418,980	14,688	
2028	-	-	121,992	10,176	121,992	10,176	
2029-2031	-	-	340,628	11,737	340,628	11,737	
*	-	-	<u>1,846,605</u>	<u>-</u>	<u>1,846,605</u>	<u>-</u>	
	<b>\$ 1,200,000</b>	<b>\$ 24,000</b>	<b>\$ 2,767,841</b>	<b>\$ 91,969</b>	<b>\$ 3,967,841</b>	<b>\$ 115,969</b>	

		<b>Total Primary Government</b>	
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	
2024	\$ 3,235,400	\$ 977,703	
2025	3,248,184	880,969	
2026	3,251,052	783,281	
2027	3,263,980	685,463	
2028	2,976,992	588,741	
2029-2033	12,060,628	1,747,247	
2034-2037	5,050,000	348,400	
*	<u>1,846,605</u>	<u>-</u>	
	<b>\$ 34,932,841</b>	<b>\$ 6,011,804</b>	

\*This is for certain state revolving loan funds drawn down in 2023; amortization will be over 30 years and will begin upon completion of the project.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**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 %.

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>
2024	\$ 108,681	\$ 35,614
2025	111,806	32,489
2026	115,020	29,275
2027	118,327	25,968
2028	121,729	22,566
2029-2032	<u>663,186</u>	<u>58,280</u>
<b>Totals</b>	<b>\$ 1,238,749</b>	<b>\$ 204,192</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	\$ 8,593,355	\$ 4,061,749
OPEB related items	9,788,726	1,929,530
Other	<u>-</u>	<u>590,320</u>
	<b>\$ 18,382,081</b>	<b>\$ 6,581,599</b>

Deferred inflows of resources consist of the following:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Property taxes		
2023 estimated levy	\$ 11,215,423	\$ -
Debt refunding	94,769	45,818
Pension related items	1,449,085	381,703
OPEB related items	<u>14,103,021</u>	<u>3,488,176</u>
	<b>\$ 26,862,298</b>	<b>\$ 3,915,697</b>

**City of Cookeville, Tennessee**  
**Notes to Financial Statements**  
For the Year Ended June 30, 2023

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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, 2023, 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	\$ 126,148,050	\$ 560,667	\$ 126,708,717
Net pension assets	\$ 1,700,573	\$ -	\$ 1,700,573
Net pension liabilities	\$ 1,759,205	\$ 47,078	\$ 1,806,283
Government wide net pension liability	\$ 58,632	\$ -	\$ 58,632
Deferred outflows of resources	\$ 12,317,458	\$ 338,202	\$ 12,655,660
Deferred inflows of resources	\$ 1,831,343	\$ -	\$ 1,831,343
Pension expense (negative pension expense)	\$ (22,112,494)	\$ 38,489	\$ (22,074,005)

**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, 2023

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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 years of 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, 2022, the following employees were covered by the benefit terms:

*TCRS Legacy*

Inactive employees or beneficiaries currently receiving benefits	299
Inactive employees entitled to but not yet receiving benefits	211
Active employees	312
	<b>822</b>

*TCRS Hybrid*

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	44
Active employees	126
	<b>170</b>

The TCRS Legacy plan is closed to new entrants.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2023

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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 are noncontributory. 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, 2023, the employer contributions for the City were \$2,437,039 based on a rate of 12.91% 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, 2023, the employer contributions by the City were \$177,619 based on a rate of 2.98% 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, 2022, 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, 2022 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, 2023

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**Note 7. Defined Benefit Pension Plans**

**Net Pension Liabilities (Assets)**

The actuarial assumptions used in the June 30, 2022 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.

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%
		<b>100%</b>

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, 2023

**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, 2021	\$ 117,808,577	\$ 134,482,284	\$ (16,673,707)
Service cost	1,687,504	-	1,687,504
Interest	7,817,577	-	7,817,577
Experience differences	6,194,655	-	6,194,655
Changes in assumptions	-	-	-
Contributions, employer	-	3,985,274	(3,985,274)
Contributions, employee	-	95,928	(95,928)
Net investment income	-	(5,081,440)	5,081,440
Benefit payments, including refunds of employee contributions	(7,360,263)	(7,360,263)	-
Administrative expenses	-	(32,365)	32,365
Other changes	-	-	-
Net changes	<u>8,339,473</u>	<u>(8,392,866)</u>	<u>16,732,339</u>
Balance, June 30, 2022	<b>\$ 126,148,050</b>	<b>\$ 126,089,418</b>	<b>\$ 58,632</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, 2021	\$ 242,306	\$ 271,118	\$ (28,812)
Service cost	197,158	-	197,158
Interest	29,509	-	29,509
Experience differences	96,285	-	96,285
Changes in Assumptions	-	-	-
Contributions, employer	-	81,594	(81,594)
Contributions, employee	-	191,837	(191,837)
Net investment income	-	(15,302)	15,302
Benefit payments, including refunds of employee contributions	(4,591)	(4,591)	-
Administrative expenses	-	(11,067)	11,067
Net change	<u>318,361</u>	<u>242,471</u>	<u>75,890</u>
Balance, June 30, 2022	<b>\$ 560,667</b>	<b>\$ 513,589</b>	<b>\$ 47,078</b>

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**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)	\$ 17,353,257	\$ 58,632	\$ (14,221,536)
TCRS Hybrid net pension liability (asset)	\$ 221,803	\$ 47,078	\$ (81,144)

**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, 2023, the City recognized pension expense (negative pension expense) of (\$22,112,494) for the Legacy plan and \$38,489 for the Hybrid plan.

*Deferred Outflows of Resources and Deferred Inflows of Resources*

At June 30, 2023, 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	\$ 5,162,212	\$ 924,576
Net difference between projected and actual earnings on pension plan investments	-	906,767
Changes in Assumptions	4,718,207	-
Contributions subsequent to the measurement date of June 30, 2022	<u>2,437,039</u>	<u>-</u>
	<b>\$ 12,317,458</b>	<b>\$ 1,831,343</b>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2022," 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, 2023

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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>	
2024	\$ 646,332
2025	1,044,641
2026	447,933
2027	4,877,730
2028	1,032,440
Thereafter	-

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

At June 30, 2023, 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	\$ 121,830	\$ -
Net difference between projected and actual earnings on pension plan investments	16,697	-
Changes in Assumptions	22,056	-
Contributions subsequent to the measurement date of June 30, 2022	<u>177,619</u>	<u>-</u>
	<b>\$ 338,202</b>	<b>\$ -</b>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2022," 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, 2023

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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>		
2024	\$	19,592
2025		19,592
2026		19,403
2027		25,243
2028		16,783
Thereafter		59,970

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, 2023, the City reported payables of \$6,737 for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2023.

**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 2023 pension contributions. A summary of the pension-related activity follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Net pension assets	\$ -	\$ 1,700,573
Net pension liabilities	\$ 1,796,900	\$ 9,383
Deferred outflows	\$ 8,593,355	\$ 4,061,749
Deferred inflows	\$ 1,449,640	\$ 381,703

**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 hired prior to January 1, 2023, 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 July 1, 2023 for the fiscal year ended June 30, 2023.

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2023

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**Note 8. OPEB Plan**

**General Information about the OPEB Plan**

*Benefits Provided*

Employees hired prior to January 1, 2023, 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 may range 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 service 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.

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, 2023, the following were covered by the benefit terms:

Active in valuation (with medical, dental, or life coverage)	416
Active employees with medical coverage	382
Active employees with dental coverage	403
Active employees with life insurance coverage	242
Retirees, beneficiaries, and spouses in valuation (with any benefit)	190
Retirees and beneficiaries with medical coverage	154
Spouses with medical coverage	64
Retirees and beneficiaries with dental coverage	162
Spouses with dental coverage	68
Retirees with life insurance coverage	152

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2023

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**Note 8. OPEB Plan**

**General Information about the OPEB Plan**

The City's total OPEB liability was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2023.

*Actuarial Assumptions and Other Inputs*

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Discount rate	4.13% per annum based on the S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2023, compared to the prior discount rate of 4.09%
Healthcare cost trend rates	
Medical	6.25% graded uniformly to 5.20% over 2 years and following the Getzen model thereafter, to an ultimate rate of 3.94% in the year 2075
Dental	4.00%
Mortality	
Pre-decrement	PUB-10 general headcount-weighted mortality tables with generational mortality using mortality improvement scale MP-2021
Post-decrement	PUB-10 general headcount-weighted below median table weighted 106% for males and 114% for females with mortality improvement scale MP-2021
Salary increases	4.50% per annum
Retirement age	Age 55 and 5 years of service

*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, 2023

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**Note 8. OPEB Plan**

**Summary of Assumptions**

TCRS Rates are used. Sample rates for ages 60-75 are shown.

*TCRS Local Government Retirement Rates*

Age	Male Service		Female Service	
	0-14 years	15+ years	0-14 years	15+ years
60	10.5%	12.5%	11.0%	13.0%
61	15.0%	17.0%	13.0%	15.0%
62	20.0%	22.0%	18.0%	20.0%
63 – 64	17.5%	19.5%	16.0%	18.0%
65	24.0%	26.0%	22.0%	24.0%
66	18.5%	20.5%	19.0%	21.0%
67 – 68	16.0%	18.0%	19.0%	21.0%
69	16.5%	18.5%	19.0%	21.0%
70 – 74	18.0%	20.0%	19.0%	21.0%
75	100.0%	100.0%	100.0%	100.0%

*TCRS Local Government Withdrawal Rates – Estimated Experience*

Age	1 <sup>st</sup> year unisex	2 <sup>nd</sup> year unisex	Ultimate male	Ultimate female
20	25.192%	19.595%	13.7344%	19.6101%
25	22.107%	17.226%	10.2858%	15.0742%
30	20.960%	16.073%	7.3626%	11.0655%
35	19.843%	15.301%	5.0962%	7.7157%
40	18.431%	14.270%	3.4720%	5.4122%
45	16.975%	12.646%	2.7525%	4.1474%
50	16.305%	11.739%	2.7752%	3.7905%
55	16.740%	11.735%	3.6002%	4.3322%
60	19.590%	13.395%	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, 2023

**Note 8. OPEB Plan**

**Summary of Assumptions**

*Discount Rate*

The discount rate used to measure the total OPEB liability was 4.13%. This rate reflects the interest rate derived from yields on the S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2023.

The actuarial demographic assumptions used in the June 30, 2023 valuation were developed from results of an actuarial experience study of plan data as of July 1, 2023, 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) All health insurance plans have moved to a fully insured BCBS plan; (2) Postretirement medical and dental benefits are no longer provided to employees hired after January 1, 2023; (3) The discount rate is 4.13% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2023, compared to the prior discount rate of 4.09% based on the S&P 500 High Grade 20 Year Rate Index; (4) The medical trend assumption was updated to 6.25% grading uniformly to 5.20% over 2 years and following the Getzen model thereafter to an ultimate rate of 3.94% in 2075; (5) Mortality rates were updated to the Pub-10 General Headcount weighted tables with adjustments to match the June 30, 2022 TCRS actuarial report; and (6) Withdrawal rates were updated to match the June 30, 2022 TCRS actuarial report.

**OPEB Liability**

The City's OPEB liability of \$47,310,418 was measured as of June 30, 2023, 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, 2022	\$ 47,310,418	\$ -	\$ 47,310,418
Service cost	780,798	-	780,798
Interest	1,916,411	-	1,916,411
Changes in benefit terms	(19,616,996)	-	(19,616,996)
Experience losses (gains)	2,532,176	-	2,532,176
Changes in assumptions	(1,724,762)	-	(1,724,762)
Contributions, employer	-	1,235,205	(1,235,205)
Contributions, employees	-	-	-
Net investment income	-	-	-
Benefits paid	<u>(1,235,205)</u>	<u>(1,235,205)</u>	<u>-</u>
Net change	<u>(17,347,578)</u>	<u>-</u>	<u>(17,347,578)</u>
Balance, June 30, 2023	<b>\$ 29,962,840</b>	<b>\$ -</b>	<b>\$ 29,962,840</b>

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**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	\$ 25,835,020	\$ 29,962,840	\$ 35,215,411

**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 (3.13%)</b>	<b>Current rate (4.13%)</b>	<b>1% Increase (5.13%)</b>
OPEB liability	\$ 34,314,902	\$ 29,962,840	\$ 26,392,860

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

*OPEB Expense*

For the fiscal year ended June 30, 2023, the City recognized negative OPEB expense as follows:

	<b>Year ended June 30, 2023</b>
Service cost	\$ 780,798
Interest	1,916,411
Changes in benefits	(19,616,996)
Experience losses (gains)	361,739
Changes in assumptions	(246,395)
Amortization of or change in beginning balances	<u>(1,136,302)</u>
	<b>\$ (17,940,745)</b>

*Deferred Outflows of Resources and Deferred Inflows of Resources*

At June 30, 2023, 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	\$ 5,182,780	\$ 4,034,439
Changes in assumptions	<u>6,312,757</u>	<u>13,334,039</u>
	<b>\$ 11,495,537</b>	<b>\$ 17,368,478</b>

**City of Cookeville, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2023

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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>		
2024	\$	(1,020,958)
2025		(1,020,958)
2026		(1,020,957)
2027		(669,630)
2028		(2,255,788)
Thereafter		115,350

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, 2023, 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	\$ 24,431,608	\$ 5,531,232
Deferred outflows	\$ 9,788,726	\$ 1,929,530
Deferred inflows	\$ 14,103,021	\$ 3,488,176

**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, 2023

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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, 2023

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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, 2023 totaled approximately \$255,000 for general liability and \$180,000 for workers' compensation. Liabilities for claims incurred but not reported as of June 30, 2023 are not calculated by an actuary. The plan administrator reported claims payable of approximately \$245,000 as of June 30, 2023, which have been included in these financial statements.

The employee health care coverage program is partially self-insured by the City, up to \$175,000 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, 2023 are not calculated by an actuary. The plan administrator reported health claims payable of approximately \$300,000 as of June 30, 2023. 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, 2023, the amount for health insurance claims and premiums totaled approximately \$7,200,000.

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. Negative Pension and OPEB Expenses**

In 2022, the City transferred certain TCRS pension plan obligations to Cookeville Regional Medical Center. The result of the transfer was a large pension expense charge in 2022 with an offsetting negative pension expense benefit of \$15,451,942 in 2023. In addition, the City made certain OPEB changes in benefits in 2023, resulting in a negative OPEB expense benefit of \$19,616,996. The combined impact of the above two items amounts to \$35,068,938 in nonrecurring negative pension and OPEB expenses.

**City of Cookeville, Tennessee**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

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**Note 13. Prior Period Adjustments**

A prior period adjustment was made to reflect a change in accounting policy. Historically, the City's enterprise funds have reported a proportionate share of the City's customer service fund in its financial statements. Effective July 1, 2022, the City began reporting the customer service fund as an internal service fund in its financial statements and no longer allocates such amounts to other funds. The result of the change shifted stabilization reserve cash and net pension assets, OPEB liability, and related deferred items from business-type activities and enterprise funds to governmental activities and the customer service fund, respectively.

An additional adjustment was made to beginning net position in the customer service fund to record the adoption adjustment for GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). On adoption of the statement effective July 1, 2022, the City recognized SBITA assets of \$439,075 and SBITA liabilities of \$367,465.

The City made additional insignificant prior period adjustments in the general fund and nonmajor governmental funds.

Prior period adjustments, including adoption of the SBITA statement, are summarized as follows:

	<u>Customer Service fund</u>	<u>SBITA</u>	<u>Other</u>	<u>Total</u>
Governmental activities	\$ 129,848	\$ -	\$ -	\$ 129,848
Business-type activities	\$ (165,635)	\$ 71,610	\$ -	\$ (94,025)
General fund	\$ -	\$ -	\$ (7,379)	\$ (7,379)
Other governmental funds	\$ -	\$ -	\$ (162)	\$ (162)
Electric department	\$ (85,810)	\$ -	\$ -	\$ (85,810)
Gas department	\$ (46,252)	\$ -	\$ -	\$ (46,252)
Water quality control department	\$ (101,323)	\$ -	\$ -	\$ (101,323)
Internal service funds	\$ (1,620,586)	\$ 71,610	\$ -	\$ (1,548,976)

**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*

*Years Ended June 30, 2023 and 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*

***Years Ended June 30, 2023 and 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, was 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 statements of net position as of June 30, 2023 and 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 May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which requires balance sheet recognition of a subscription liability and right-to-use subscription asset for substantially all SBITAs with a maximum possible term exceeding 12 months. The subscription liability is initially

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

*Notes to Financial Statements - Continued*

*Years Ended June 30, 2023 and 2022*

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measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the entity, which may be implicit, or the entity's incremental borrowing rate if the interest rate is not readily determinable. An entity should recognize amortization of the discount on the subscription liability as an outflow of resources (interest expense) for the period. The subscription asset should be initially measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. An entity should recognize amortization of the subscription asset as an outflow of resources over the subscription term. The Medical Center has adopted the Statement in the basic financial statements effective July 1, 2022. Due to the insignificant amount of SBITAs existing as of and for the year ended June 30, 2022, the Medical Center elected to not restate the prior period presented.

*Cash and Cash Equivalents:* The Medical Center considers all highly liquid investments with a maturity of three months or less when originally purchased, excluding amounts limited as to use, to be cash equivalents. Cash and cash equivalents consists of deposit accounts with financial institutions and cash deposits with a financial services company. The financial institutions utilized by the Medical Center are participating in the State of Tennessee Collateral Pool and/or are members of the Federal Deposit Insurance Corporation (FDIC). The Medical Center's deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's Collateral Pool. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the State of Tennessee's Collateral Pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the State of Tennessee's Collateral Pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the State of Tennessee's Collateral Pool are considered to be insured for purposes of credit risk disclosure. At June 30, 2023, 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, 2023 and 2022, the Medical Center had \$4,670,343 and \$80,725, respectively, in these cash deposits. These deposits are held by the financial services company's trust department or agent in the Medical Center's name.

*Patient Accounts Receivable and Patient Service Revenue:* The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from

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

*Notes to Financial Statements - Continued*

*Years Ended June 30, 2023 and 2022*

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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.

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 or subscription liability plus any initial direct costs,

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

*Notes to Financial Statements - Continued*

*Years Ended June 30, 2023 and 2022*

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prepayments, or incentives and is amortized over the shorter of the lease or subscription 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 and Right-of-Use Lease Assets:* 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 include options to extend, or terminate, if the Medical Center determines that it is reasonably certain that such options will be exercised. A right-of-use asset is also recorded equal to the lease liability plus any initial direct costs, prepayments, or incentives.

*Subscription Liabilities and Right-of-Use Subscription Assets:* The present value of subscription payments is recorded as a subscription 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 agreement or, if not stated or implied, the Medical Center's incremental borrowing rate. Payments include options to extend, or terminate, if the Medical Center determines that it is reasonably certain that such options will be exercised. A right-of-use asset is also recorded equal to the subscription liability plus any implementation costs, prepayments, or incentives.

*Pensions:* For purposes of measuring the net pension asset/liability, 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.

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

*Notes to Financial Statements - Continued*

*Years Ended June 30, 2023 and 2022*

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*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. No interest was earned for the year ended June 30, 2023.
- 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.

*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

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

*Years Ended June 30, 2023 and 2022*

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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, 2023 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.

*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 \$1,097,000 and \$988,000 in 2023 and 2022, respectively.

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*Notes to Financial Statements - Continued*

*Years Ended June 30, 2023 and 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:

	<u>2023</u>	<u>2022</u>
Gross patient accounts receivable	\$ 100,044,098	\$ 91,828,514
Less: Estimated allowance for uncollectible accounts	(59,722,778)	(52,533,062)
Patient accounts receivable, net	<u>\$ 40,321,320</u>	<u>\$ 39,295,452</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, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Medicare and Medicare Advantage	49%	49%
Medicaid/TennCare	3%	4%
Blue Cross and commercial	27%	22%
Patients, including self-insured	21%	25%
	<u>100%</u>	<u>100%</u>

**NOTE D--OTHER RECEIVABLES**

Other current and long-term receivables at June 30, 2023 and 2022 includes \$762,262 and \$1,011,431 and \$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:

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*Notes to Financial Statements - Continued*

*Years Ended June 30, 2023 and 2022*

	<u>2023</u>	<u>2022</u>
Medical and surgical supplies	\$ 7,792,957	\$ 8,324,955
General store supplies	325,912	344,206
Pharmacy and drugs	3,214,267	2,749,344
Dietary foods	81,394	38,097
	<u>\$ 11,414,530</u>	<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.

The carrying amounts of deposits and investments included in the Medical Center’s statements of net position are as follows:

	<i>June 30,</i>	
	<u>2023</u>	<u>2022</u>
Carrying amount:		
Cash and cash equivalents	\$ 38,480,930	\$ 41,411,832
Investments	16,035,263	10,977,386
Total deposits and investments	<u>\$ 54,516,193</u>	<u>\$ 52,389,218</u>
Included in the following statements of net position captions:		
Cash and cash equivalents	\$ 28,480,930	\$ 31,411,832
Long-term investments	16,035,263	10,977,386
Assets internally designated for capital acquisition	10,000,000	10,000,000
	<u>\$ 54,516,193</u>	<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.

The distribution of the Medical Center’s cash and cash equivalents, investments and assets limited as to use by maturity as of June 30, 2023 is as follows:

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*Notes to Financial Statements - Continued*

***Years Ended June 30, 2023 and 2022***

	<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	\$ 16,035,263	\$ 877,149	\$ 9,207,888	\$ 1,016,232	\$ 4,933,994
Assets internally designated for capital acquisition	10,000,000	10,000,000	-	-	-
Cash and cash equivalents	28,480,930	28,480,930	-	-	-
Total	<u>\$ 54,516,193</u>	<u>\$ 39,358,079</u>	<u>\$ 9,207,888</u>	<u>\$ 1,016,232</u>	<u>\$ 4,933,994</u>

*Credit Risk:* The Medical Center’s investment policy requires that investments be made only in U.S. government agency securities, U.S. Treasury securities, mortgage-backed securities, collateralized mortgage obligations, certificates of deposits, and repurchase agreements. The Medical Center has no investment policy that would further limit its investment choices. As of June 30, 2023 and 2022, \$4,920,081 and \$3,980,309 of the Medical Center’s investments was backed by the full faith of the U.S. Government and \$11,115,182 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+, respectively.

*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, 2023, no more than \$1,500,000 is invested in any one investment security. As of June 30, 2023 and 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 years ended June 30:

	<u>2023</u>	<u>2022</u>
Interest income and net realized gains/losses	\$ 1,731,705	\$ 546,568
Unrealized loss on investments	(120,265)	(458,934)
	<u>\$ 1,611,440</u>	<u>\$ 87,634</u>

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*Notes to Financial Statements - Continued*

**Years Ended June 30, 2023 and 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 July 1, 2022</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2023</i>
<u>Capital assets not being depreciated:</u>					
Land	\$ 16,717,688	\$ 753,286	\$ -	\$ -	\$ 17,470,974
Construction in progress	2,848,652	5,389,304	-	(6,465,908)	1,772,048
Total capital assets not being depreciated	19,566,340	6,142,590	-	(6,465,908)	19,243,022
<u>Capital assets being depreciated:</u>					
Land improvements	6,019,466	-	-	-	6,019,466
Building	207,761,016	169,315	-	-	207,930,331
Automobiles	371,804	-	-	-	371,804
Equipment	118,946,941	2,736,713	(7,967)	6,461,250	128,136,937
Total capital assets being depreciated	333,099,227	2,906,028	(7,967)	6,461,250	342,458,538
Less: accumulated depreciation:					
Land improvements	4,698,558	236,049	-	-	4,934,607
Building	95,740,171	5,858,207	-	-	101,598,378
Automobiles	300,550	27,659	-	-	328,209
Equipment	104,779,156	8,564,433	(7,967)	(4,658)	113,330,964
Total accumulated depreciation	205,518,435	14,686,348	(7,967)	(4,658)	220,192,158
Total capital assets being depreciated, net	127,580,792	(11,780,320)	-	6,465,908	122,266,380
<u>Capital assets being amortized:</u>					
Right-of-use lease assets	3,382,919	137,762	-	-	3,520,681
Right-of-use subscription assets	-	2,788,544	-	-	2,788,544
Total capital assets being amortized	3,382,919	2,926,306	-	-	6,309,225
Less: accumulated amortization:					
Right-of-use lease assets	743,221	817,264	-	-	1,560,485
Right-of-use subscription assets	-	772,409	-	-	772,409
Total accumulated amortization	743,221	1,589,673	-	-	2,332,894
Total capital assets being amortized, net	2,639,698	1,336,633	-	-	3,976,331
Total capital assets, net	\$ 149,786,830	\$ (4,301,097)	\$ -	\$ -	\$ 145,485,733
	<i>Balance at July 1, 2021</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at 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

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*Notes to Financial Statements - Continued*

***Years Ended June 30, 2023 and 2022***

	<i>Balance at July 1, 2021</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2022</i>
<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 lease 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 lease 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	<u>\$ 152,456,678</u>	<u>\$ (2,501,079)</u>	<u>\$ (50)</u>	<u>\$ -</u>	<u>\$ 149,955,549</u>

The Medical Center has recorded right-of-use lease assets as a result of implementing GASB Statement No. 87. The right-of-use lease 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 lease 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.

The Medical Center has recorded right-of-use subscription assets as a result of implementing GASB Statement No. 96. The right-of-use subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any payments made prior to the agreement term, less any incentives, plus any implementation costs that can be capitalized. The right-of-use subscription assets are amortized on a straight-line basis over the life of the related agreement. Further discussion regarding the related subscription liabilities can be found in Note J.

Construction in progress at June 30, 2023 consists of facility renovations and expansions. Estimated costs to complete the projects amounted to approximately \$21,008,000 at June 30, 2023, and all projects are anticipated to be completed by the year ending June 30, 2025.

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*Notes to Financial Statements - Continued*

*Years Ended June 30, 2023 and 2022*

**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 is as follows:

	<i>Balance at July 1, 2022</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at June 30, 2023</i>	<i>Amounts Due Within One Year</i>
Series 2009 Bonds	\$ 21,092,909	\$ -	\$ (919,121)	\$ 20,173,788	\$ 942,392
Series 2010-A Bonds	5,885,846	-	(710,487)	5,175,359	728,474
Series 2010-B Bonds	7,942,430	-	(957,324)	6,985,106	981,559
Series 2010-C Bonds	20,432,500	-	(937,000)	19,495,500	957,000
	<u>\$ 55,353,685</u>	<u>\$ -</u>	<u>\$ (3,523,932)</u>	<u>\$ 51,829,753</u>	<u>\$ 3,609,425</u>

	<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>
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>\$ 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.

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*Notes to Financial Statements - Continued*

***Years Ended June 30, 2023 and 2022***

Each Series bears interest at a variable rate equal to the CME Term Secured Overnight Financing Rate (SOFR) plus 1.824%, multiplied by 0.825, and is payable monthly. The rate was 5.76% and 4.02% at June 30, 2023 and 2022, respectively.

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 1<sup>st</sup> and December 1<sup>st</sup> 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, 2023 related to long-term debt are as follows:

<i>Year Ending June 30,</i>	<i>Bonds</i>	
	<i>Principal</i>	<i>Interest</i>
2024	\$ 3,609,425	\$ 811,549
2025	3,696,575	751,702
2026	3,785,427	692,644
2027	3,876,022	632,167
2028	3,968,404	571,764
2029 - 2033	14,272,946	2,017,356
2034 - 2038	12,429,583	1,045,447
2039 - 2040	6,191,372	116,101
<b>TOTAL</b>	<b>\$ 51,829,753</b>	<b>\$ 6,638,730</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 not in compliance with certain of these covenants as of June 30, 2023. The Medical Center has obtained a waiver letter dated December 13, 2023 indicating the bond holder waives their rights for remediation due to the Medical Center's noncompliance as of and for the year ended June 30, 2023.

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*Notes to Financial Statements - Continued*

*Years Ended June 30, 2023 and 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 CME Term SOFR plus 1.824% multiplied by 0.825. 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, 2023 and 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, 2023, derivative financial instruments consisted of the following:

*Designated for Hedging:*

	<i>Balance at</i>		<i>Pay</i>	<i>Receive</i>	<i>Fair</i>
	<i>Notional</i>	<i>Maturity</i>	<i>Index</i>	<i>Index</i>	<i>Value</i>
				82.5% of CME Term	
Fixed payer	\$ 51,829,753	May 22, 2025	1.83%	SOFR + 1.824%	\$ 3,435,099

**NOTE J--LEASE AND SUBSCRIPTION 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 multiple 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 lease assets are discussed in more detail in Note G.

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*Notes to Financial Statements - Continued*

***Years Ended June 30, 2023 and 2022***

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

	<i>Balance at July 1, 2022</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at June 30, 2023</i>	<i>Amounts Due Within One Year</i>
Building	\$ 2,699,365	\$ 137,762	\$ (840,982)	\$ 1,996,145	\$ 684,676

	<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

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>
2024	\$ 684,676	\$ 28,021	\$ 712,697
2025	684,709	16,266	700,975
2026	495,744	5,869	501,613
2027	131,016	415	131,431
<b>TOTAL</b>	<b>\$ 1,996,145</b>	<b>\$ 50,571</b>	<b>\$ 2,046,716</b>

The Medical Center has entered into certain SBITAs. The agreements qualify as other than short-term under GASB Statement No. 96 and, therefore, have been recorded at the present value of the future minimum payments as of the date of their inception. There are no variable payment components for any agreement. Each subscription liability measured at July 1, 2022 was measured at a 4.02% discount rate. Any additions during 2023 were measured at the risk-free discount rate at the lease inception date. The associated right-of-use subscription asset is discussed in more detail in Note G.

The Medical Center has subscription liabilities that expire at various dates. Future minimum agreement payments under the subscription liabilities are as follows:

<i>Year Ending June 30,</i>	<i>Principal Payments</i>	<i>Interest Payments</i>	<i>Total</i>
2024	\$ 812,761	\$ 7,020	\$ 819,781
2025	733,000	37,814	770,814
2026	437,022	11,572	448,594
2027	87,960	1,883	89,843
<b>TOTAL</b>	<b>\$ 2,070,743</b>	<b>\$ 58,289</b>	<b>\$ 2,129,032</b>

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*Notes to Financial Statements - Continued*

*Years Ended June 30, 2023 and 2022*

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

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

<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	\$ 3,678,368	\$ -	\$ 3,678,368	\$ -	\$ -
Medicare Accelerated and Advance Payments	12,695,201	-	12,695,201	-	-
	<u>\$ 16,373,569</u>	<u>\$ -</u>	<u>\$ 16,373,569</u>	<u>\$ -</u>	<u>\$ -</u>

**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 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,

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***Years Ended June 30, 2023 and 2022***

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, 2023.

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

	<u>2023</u>	<u>2022</u>
Gross patient service revenue	\$ 1,198,571,617	\$ 1,123,380,652
Less: Provisions for contractual adjustments	(770,144,183)	(703,749,016)
Less: Provisions for bad debt	(26,067,079)	(26,566,964)
Less: Charity care	(3,655,420)	(3,292,484)
Net patient service revenue	<u>\$ 398,704,935</u>	<u>\$ 389,772,188</u>

The composition of gross revenue for patient services rendered for the years ended June 30, 2023 and 2022 were as follows:

	<u>Total</u>	<u>Ratio</u>
<b>2023</b>		
Medicare and Medicare Advantage	\$ 692,164,241	58%
Medicaid/TennCare	138,201,710	12%
Blue Cross and commercial	329,409,890	27%
Patients, including self-insured	38,795,776	3%
Total	<u>\$ 1,198,571,617</u>	<u>100%</u>
<b>2022</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>

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*Notes to Financial Statements - Continued*

*Years Ended June 30, 2023 and 2022*

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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.

*Employees Covered by Benefit Terms:* At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	649
Inactive employees entitled to but not yet receiving benefits	485
Active employees	227
Total employees	<u>1,361</u>

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

*Notes to Financial Statements - Continued*

*Years Ended June 30, 2023 and 2022*

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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 years ended June 30, 2023 and 2022, the Actuarially Determined Contribution (ADC) for the Medical Center was \$548,028 and \$529,484, respectively, based on a rate of 3.05 percent and 3.63 percent, respectively, 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 Liability (Asset):* The Medical Center's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions:* The total pension liability as of June 30, 2022 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

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

The actuarial assumptions used in the June 30, 2022 actuarial valuation are 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.

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*Notes to Financial Statements - Continued*

***Years Ended June 30, 2023 and 2022***

*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%
		<u>100%</u>

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.

*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.

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

*Notes to Financial Statements - Continued*

*Years Ended June 30, 2023 and 2022*

	<i>Total Pension Liability</i>	<i>Increase (Decrease) 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, 2022	\$ 188,784,052	\$ 198,732,789	\$ (9,948,737)
Changes for the year:			
Service Cost	1,497,416	-	1,497,416
Interest	12,641,833	-	12,641,833
Differences between expected and actual experience	4,186,123	-	4,186,123
Changes in Assumptions	-	-	-
Contributions-employer	-	548,028	(548,028)
Contributions-employees	-	-	-
Net investment income	-	(7,498,215)	7,498,215
Benefit payments, including refunds of employee contributions	(5,990,120)	(5,990,120)	-
Administrative expense	-	(23,416)	23,416
Other	-	-	-
Net Changes	12,335,252	(12,963,723)	25,298,975
Balance at June 30, 2023	\$ 201,119,304	\$ 185,769,066	\$ 15,350,238

*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)	\$ 41,369,043	\$ 15,350,238	\$ (6,358,657)

*Pension Expense:* For the year ended June 30, 2023, the Medical Center recognized pension expense of \$32,817,520.

*Deferred Outflows of Resources and Deferred Inflows of Resources:* For the year ended June 30, 2023, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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*Notes to Financial Statements - Continued*

***Years Ended June 30, 2023 and 2022***

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ 2,093,061	\$ -
Net difference between projected and actual earnings on pension plan investments	1,201,444	-
Changes in assumptions	-	-
Contributions subsequent to the measurement date of June 30, 2022	2,573,913	-
Total	<u>\$ 5,868,418</u>	<u>\$ -</u>

The amount shown above for “contributions subsequent to the measurement date of June 30, 2022,” will be recognized as a reduction to net pension liability 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>	
2024	\$ 3,854,063
2025	(764,146)
2026	(1,367,142)
2027	4,145,643
2028	-
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, 2023, the Medical Center reported a payable of \$321,499 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, 2023.

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

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*Notes to Financial Statements - Continued*

***Years Ended June 30, 2023 and 2022***

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rendered through employment with Cookeville General Hospital prior to December 10, 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. For the year ended June 30, 2023, \$23,779,638 of the pension expense recognized relates to the amortization of the TCRS liabilities associated with the transfer and is being treated as a special item, as defined by GASB, in the statement of revenue, expenses, and changes in net position for the year ended June 30, 2023.

**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 \$110,051 and \$105,619 for the years ended June 30, 2023 and 2022, respectively.

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

The Medical Center's contributions, including the special nonelective contributions, to the Plan were \$2,810,848 and \$2,598,271 for the years ended June 30, 2023 and 2022, respectively. The Plan members' contributions to the Plan were \$2,573,913 and \$3,972,665 for the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, the Medical Center reported a payable of \$94,920 and \$72,760, respectively, to the Plan in accrued salaries and related liabilities in the statements of net position.

Vesting of the Medical Center's contributions on behalf of the participants in the Plan is as follows: service of one year - 20%, two years - 40%, three years - 60%, four years - 80%, and five or more years - 100%. Forfeitures of unvested amounts are used to pay administrative expenses of the Plan.

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*Notes to Financial Statements - Continued*

*Years Ended June 30, 2023 and 2022*

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Forfeitures totaled approximately \$69,000 and \$49,000, respectively, for the years ended June 30, 2023 and 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, 2023 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.

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*Notes to Financial Statements - Continued*

*Years Ended June 30, 2023 and 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, 2023:

<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	\$ 2,160,502	\$ 17,223,978	\$ 17,133,508	\$ 2,250,972
Workers' compensation	1,410,839	41,367	149,620	1,302,586
Total	<u>\$ 3,571,341</u>	<u>\$ 17,265,345</u>	<u>\$ 17,283,128</u>	<u>\$ 3,553,558</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, 2023.

Based on a qui tam investigation conducted by the United States Department of Justice 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 three reporting periods.

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*Notes to Financial Statements - Continued*

*Years Ended June 30, 2023 and 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, 2023 and 2022, the Medical Center recorded a reserve which is shown as a reduction in patient accounts receivable in the accompanying statements of net position. The reserve is based on the percentage success rate and the total dollar of potential claims that are under audit.

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

*COVID-19:* On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Medical Center operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Medical Center, the Medical Center is maintaining close contact with its internal leadership teams to evaluate the evolving situation and will implement appropriate countermeasures as needed.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The CARES Act provides an economic relief package to many businesses in the US as a direct response to the adverse impacts of COVID-19. Additionally, the CARES Act provided for HHS to distribute funds from the Public Health and Social Services Emergency Fund (Provider Relief Fund) to healthcare providers that billed Medicare in 2019 and provided treatment to individuals with possible or actual cases of COVID-19 during 2020, amongst other various certifications required in the Act. The funds are distributed in multiple stages and are grant funds, not loans, to healthcare providers, and may not need to be repaid if the conditional terms for the uses of those funds are met. Within 30 days of receiving the payment, providers must sign an

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*Notes to Financial Statements - Continued*

***Years Ended June 30, 2023 and 2022***

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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 were recouped from Medicare claims submitted beginning twelve months after the receipt of the funds (April 2021). All amounts remaining had been recouped or repaid as of June 30, 2023.

**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, 2023, are as follows:

<u><i>Year Ending June 30,</i></u>	
2024	\$ 10,058,754
2025	8,023,134
2026	5,455,365
2027	1,587,157
	<u>\$ 25,124,410</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 years ended June 30, 2023 and 2022. Operating expenses also include \$3,649,427 and \$3,125,613 in 2023 and 2022, respectively, for the purchase of utilities.

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

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*Notes to Financial Statements - Continued*

*Years Ended June 30, 2023 and 2022*

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Medical Center pays for certain direct expenses incurred by the Foundation, including salaries and benefits for Foundation employees. Estimated amounts related to these services paid by the Medical Center for the years ended June 30, 2023 and 2022 were approximately \$245,000 and \$237,000, respectively.

**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 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, 2023 and 2022, and their respective classification under GASB Statement No. 72 valuation hierarchy:

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*Notes to Financial Statements - Continued*

*Years Ended June 30, 2023 and 2022*

*Fair Value Measurement on a Recurring Basis as of June 30, 2023:*

	<i>Carrying Value</i>		<i>Quoted Prices in Active Markets (Level 1)</i>		<i>Significant Other Observable Inputs (Level 2)</i>		<i>Significant Unobservable Inputs (Level 3)</i>
Assets:							
United States government agency bonds	\$ 11,451,515	\$	-	\$	11,451,515	\$	-
United States government sponsored enterprise securities	4,583,748		-		4,583,748		-
Interest rate swap agreement	3,435,099		-		3,435,099		-
	<u>\$ 19,470,362</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>19,470,362</u>	<u>\$</u>	<u>-</u>

*Fair Value Measurement on a Recurring Basis as of June 30, 2022:*

	<i>Carrying Value</i>		<i>Quoted Prices in Active Markets (Level 1)</i>		<i>Significant Other Observable Inputs (Level 2)</i>		<i>Significant Unobservable Inputs (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>-</u>	<u>\$</u>	<u>14,097,887</u>	<u>\$</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, 2023 financial statements with the exception of that noted in Note H.

**Required Supplementary Information (Unaudited)**

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service cost	\$ 1,687,504	\$ 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	7,817,577	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	6,194,655	(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	(7,360,263)	(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	8,339,473	(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	117,808,577	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)	126,148,050	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	3,985,274	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	95,928	5,817	28,553	48,821	30,229	12,956	55,959	64,305	21,800
Net investment income	(5,081,440)	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	(7,360,263)	(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	(32,365)	(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	(8,392,866)	(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	134,482,284	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)	126,089,418	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)	\$ 58,632	\$ (16,673,707)	\$ 18,098,926	\$ 17,745,378	\$ 18,537,436	\$ 19,433,121	\$ 20,613,754	\$ 12,316,930	\$ 9,127,895
Plan fiduciary net position as a percentage of total pension liability	99.95%	114.15%	88.19%	88.14%	87.11%	85.89%	84.04%	89.76%	92.08%
Covered payroll	\$ 18,502,348	\$ 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	0.32%	-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 2023, is June 30, 2022).

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially-determined contribution	\$ 2,437,039	\$ 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>2,437,039</u>	<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	\$ 18,882,825	\$ 18,502,348	\$ 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	12.91%	21.54%	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% to 2.25%; 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. In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; and decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%.

Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 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% corridor to market value
Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44%, based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, 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	2.125%

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service cost	\$ 197,158	\$ 82,636	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	29,509	11,591	-	-	-	-	-	-	-
Changes in benefit terms	-	-	77,937	-	-	-	-	-	-
Differences between expected and actual experience	96,285	43,968	-	-	-	-	-	-	-
Changes in assumptions	-	27,570	-	-	-	-	-	-	-
Benefit payments/refunds	(4,591)	(1,396)	-	-	-	-	-	-	-
Net change in total pension liability	318,361	164,369	77,937	-	-	-	-	-	-
Total pension liability, beginning	242,306	77,937	-	-	-	-	-	-	-
Total pension liability, ending (a)	560,667	242,306	77,937	-	-	-	-	-	-
<b>Plan Fiduciary Net Position</b>									
Contributions, employer	81,594	44,375	17,001	-	-	-	-	-	-
Contributions, employee	191,837	109,357	68,166	-	-	-	-	-	-
Net investment income	(15,302)	40,616	2,042	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(4,591)	(1,396)	-	-	-	-	-	-	-
Administrative expenses	(11,067)	(6,224)	(2,819)	-	-	-	-	-	-
Net change in plan fiduciary net position	242,471	186,728	84,390	-	-	-	-	-	-
Plan fiduciary net position, beginning	271,118	84,390	-	-	-	-	-	-	-
Plan fiduciary net position, ending (b)	513,589	271,118	84,390	-	-	-	-	-	-
Net pension liability (asset), ending (a)-(b)	\$ 47,078	\$ (28,812)	\$ (6,453)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of total pension liability	91.60%	111.89%	108.28%	n/a	n/a	n/a	n/a	n/a	n/a
Covered payroll	\$ 3,836,728	\$ 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	1.23%	-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 2023, is June 30, 2022).

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially-determined contribution	\$ 177,619	\$ 81,594	\$ 44,375	\$ 17,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the										
actuarially-determined contribution	177,619	81,594	44,375	17,001	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,995,323	\$ 3,836,728	\$ 2,187,135	\$ 837,145	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	2.96%	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.

The statute governing the plan provides for a minimum employer contribution rate of 4.00% and for contributions in excess of the actuarially determined contribution rate to be deposited into a stabilization reserve. The remaining part of the 4.00% required contribution was made to the Pension Stabilization Reserve Trust.

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

Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 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% corridor to market value
Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44%, based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, 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	2.125%

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

	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>						
Service cost	\$ 780,798	\$ 2,304,545	\$ 2,194,805	\$ 1,656,278	\$ 1,577,408	\$ 1,922,342
Interest	1,916,411	1,363,473	1,078,596	1,319,600	1,345,634	1,597,292
Changes in benefit terms	(19,616,996)	-	-	-	(163,174)	-
Differences between expected and actual experience	2,532,176	-	5,271,598	-	(10,758,504)	-
Changes in assumptions	(1,724,762)	(16,597,942)	5,831,529	-	7,947,881	-
Benefit payments/refunds	(1,235,205)	(1,418,242)	(1,335,052)	(961,241)	(894,178)	(918,016)
Other	-	-	-	-	-	-
Net change in total OPEB liability	(17,347,578)	(14,348,166)	13,041,476	2,014,637	(944,933)	2,601,618
Total OPEB liability, beginning	47,310,418	61,658,584	48,617,108	46,602,471	47,547,404	44,945,786
Total OPEB liability, ending (a)	29,962,840	47,310,418	61,658,584	48,617,108	46,602,471	47,547,404
<b>Plan Fiduciary Net Position</b>						
Contributions, employer	1,235,205	1,418,242	1,335,052	961,241	894,178	918,016
Contributions, employee	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,235,205)	(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>\$ 29,962,840</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%	0.00%
Covered-employee payroll	\$ 22,960,881	\$ 20,189,568	\$ 19,320,161	\$ 19,974,898	\$ 19,114,735	\$ 18,038,717
OPEB liability as a percentage of covered-employee payroll	130.50%	234.33%	319.14%	243.39%	243.80%	263.59%

**Notes to Schedule and changes in assumptions on following page**

*Continued*

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

**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	4.13%
Healthcare cost trend rate	6.25% graded uniformly to 5.20% over 2 years and following the Getzen Model thereafter to an ultimate rate of 3.94% 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 2023, the following changes were made to the actuarial assumptions and methods for this measurement period: (1) the discount rate is 4.13% based on the S&P 500 Municipal Bond 20 Year High Grade Rate Index as of June 30, 2023, compared to prior discount rate of 4.09% 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 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 to 6.25% graded uniformly to 5.20% over 2 years and following the Getzen Model thereafter to an ultimate rate of 3.94% in the year 2075, and; (4) the disability, retirement, termination, and mortality rates were updated based on the updated decrement rate studies completed for the State of Tennessee. Changes in assumptions in previous years are available in previous year reports.

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, 2023

	Drug	State street aid	Sanitation	Animal control board	Economic development	Quality of life	Total
<b>Assets</b>							
Cash and cash equivalents	\$ 467,216	\$ 2,172,732	\$ 1,181,128	\$ 1,666,919	\$ 2,756,935	\$ 1,999,445	\$ 10,244,375
Accounts receivable	-	-	222,289	-	-	-	222,289
Taxes receivable	-	-	670,487	-	487,627	121,907	1,280,021
Other receivables	-	815,911	-	2,567	1,616	65,305	885,399
Due from other funds	-	1,143,000	1,729	-	1,644	438	1,146,811
Restricted cash and cash equivalents	-	-	4,560	696	-	-	5,256
<b>Total assets</b>	<b>\$ 467,216</b>	<b>\$ 4,131,643</b>	<b>\$ 2,080,193</b>	<b>\$ 1,670,182</b>	<b>\$ 3,247,822</b>	<b>\$ 2,187,095</b>	<b>\$ 13,784,151</b>
<b>Liabilities</b>							
Accounts payable	\$ 17,230	\$ 995,842	\$ 51,661	\$ 13,537	\$ 16	\$ 15,295	\$ 1,093,581
Due to other funds	-	1,638	25,224	2,616	306	-	29,784
Unearned revenues	65,039	4,677	-	471	-	68,327	138,514
Other liabilities	-	636,857	-	2,175	10,000	-	649,032
<b>Total liabilities</b>	<b>82,269</b>	<b>1,639,014</b>	<b>76,885</b>	<b>18,799</b>	<b>10,322</b>	<b>83,622</b>	<b>1,910,911</b>
<b>Deferred Inflows of Resources</b>							
Deferred property tax revenues	-	-	670,487	-	487,627	121,907	1,280,021
<b>Fund Balances</b>							
Restricted	384,947	2,492,629	1,332,821	696	-	1,325,814	5,536,907
Committed	-	-	-	1,650,687	2,749,873	655,752	5,056,312
<b>Total fund balances</b>	<b>384,947</b>	<b>2,492,629</b>	<b>1,332,821</b>	<b>1,651,383</b>	<b>2,749,873</b>	<b>1,981,566</b>	<b>10,593,219</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 467,216</b>	<b>\$ 4,131,643</b>	<b>\$ 2,080,193</b>	<b>\$ 1,670,182</b>	<b>\$ 3,247,822</b>	<b>\$ 2,187,095</b>	<b>\$ 13,784,151</b>

**City of Cookeville, Tennessee**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2023

	<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>Revenues</b>							
Local taxes	\$ -	\$ 20	\$ 402,302	\$ -	\$ 398,988	\$ 986,931	\$ 1,788,241
Fines and forfeitures	112,210	-	-	-	-	-	112,210
Charges for services	-	-	2,104,954	213,550	-	-	2,318,504
Intergovernmental	-	2,056,280	-	124,750	-	-	2,181,030
Rent	-	-	-	-	9,832	-	9,832
Uses of money and property	17,831	108,105	36,839	62,921	93,656	70,343	389,695
Other	-	-	2,038	92,706	-	383	95,127
Total revenues	<u>130,041</u>	<u>2,164,405</u>	<u>2,546,133</u>	<u>493,927</u>	<u>502,476</u>	<u>1,057,657</u>	<u>6,894,639</u>
<b>Expenditures</b>							
Current							
Public safety	70,099	-	-	545,004	-	-	615,103
Public works	-	2,354,330	1,996,813	-	-	-	4,351,143
Culture and recreation	-	-	-	-	-	238,024	238,024
Economic development	-	-	-	-	33,108	-	33,108
Capital outlay	<u>30,051</u>	<u>1,086,516</u>	<u>570,263</u>	<u>-</u>	<u>506,587</u>	<u>152,716</u>	<u>2,346,133</u>
Total expenditures	100,150	3,440,846	2,567,076	545,004	539,695	390,740	7,583,511
Excess (deficiency) of revenues over expenditures	29,891	(1,276,441)	(20,943)	(51,077)	(37,219)	666,917	(688,872)
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	2,184,000	-	110,000	-	-	2,294,000
Transfers out	-	-	-	-	(75,000)	(31,400)	(106,400)
Insurance proceeds	20,402	-	-	-	-	-	20,402
Sale of capital assets	<u>-</u>	<u>-</u>	<u>70,775</u>	<u>-</u>	<u>709,560</u>	<u>-</u>	<u>780,335</u>
Total other financing sources (uses)	20,402	2,184,000	70,775	110,000	634,560	(31,400)	2,988,337
Net change in fund balances	50,293	907,559	49,832	58,923	597,341	635,517	2,299,465
Fund balances, beginning of year	334,654	1,585,070	1,283,151	1,592,460	2,152,532	1,346,049	8,293,916
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(162)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(162)</u>
Fund balances, end of year	<b>\$ 384,947</b>	<b>\$ 2,492,629</b>	<b>\$ 1,332,821</b>	<b>\$ 1,651,383</b>	<b>\$ 2,749,873</b>	<b>\$ 1,981,566</b>	<b>\$ 10,593,219</b>

**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, 2023

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
<b>Revenues</b>				
Fines, forfeitures, and penalties	\$ 45,000	\$ 97,000	\$ 112,210	\$ 15,210
Uses of money and property	<u>1,500</u>	<u>4,500</u>	<u>17,831</u>	<u>13,331</u>
Total revenues	46,500	101,500	130,041	28,541
<b>Expenditures</b>				
Investigative	20,000	20,000	12,000	(8,000)
Seized property	2,500	2,500	410	(2,090)
Equipment and materials	16,000	61,000	57,299	(3,701)
Travel training	2,500	2,500	-	(2,500)
Other	500	500	390	(110)
Capital outlay	<u>200,000</u>	<u>230,051</u>	<u>30,051</u>	<u>(200,000)</u>
Total expenditures	241,500	316,551	100,150	(216,401)
Excess (deficiency) of revenues over expenditures	(195,000)	(215,051)	29,891	244,942
<b>Other Financing Sources (Uses)</b>				
Insurance proceeds	-	20,403	20,402	(1)
Net change in fund balance	(195,000)	(194,648)	50,293	244,941
Fund balance, beginning of year	<u>334,654</u>	<u>334,654</u>	<u>334,654</u>	<u>-</u>
Fund balance, end of year	<b>\$ 139,654</b>	<b>\$ 140,006</b>	<b>\$ 384,947</b>	<b>\$ 244,941</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, 2023

	<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	\$ -	\$ -	\$ 20	\$ 20
Intergovernmental				
State gasoline and motor fuel	1,254,312	1,254,312	620,851	(633,461)
State - 3 cent tax	-	-	179,410	179,410
State - Gas 1989	-	-	97,162	97,162
State - Gas 2017	-	-	312,969	312,969
Surface transportation grants	2,505,484	2,505,484	155,338	(2,350,146)
TDOT grants	1,702,106	1,702,106	690,550	(1,011,556)
Uses of money and property	<u>8,500</u>	<u>8,500</u>	<u>108,105</u>	<u>99,605</u>
Total revenues	5,470,402	5,470,402	2,164,405	(3,305,997)
<b>Expenditures</b>				
Paving and street maintenance	1,825,000	2,925,000	2,257,307	(667,693)
Sidewalk improvements	50,000	93,000	37,985	(55,015)
Intersection improvements	60,000	60,000	17,152	(42,848)
Street maintenance supplies	50,000	50,000	-	(50,000)
Sidewalk construction projects	5,291,085	5,291,085	1,086,618	(4,204,467)
Professional services	-	-	8,321	8,321
Capital outlay	42,000	42,000	-	(42,000)
Other	<u>38,220</u>	<u>38,220</u>	<u>33,463</u>	<u>(4,757)</u>
Total expenditures	7,356,305	8,499,305	3,440,846	(5,058,459)
Excess (deficiency) of revenues over expenditures	(1,885,903)	(3,028,903)	(1,276,441)	1,752,462
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,041,000	2,184,000	2,184,000	-
Net change in fund balance	(844,903)	(844,903)	907,559	1,752,462
Fund balance, beginning of year	1,585,070	1,585,070	1,585,070	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<b>\$ 740,167</b>	<b>\$ 740,167</b>	<b>\$ 2,492,629</b>	<b>\$ 1,752,462</b>

**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, 2023

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 385,050	\$ 385,050	\$ 402,302	\$ 17,252
Charges for services	1,886,000	1,966,000	2,104,954	138,954
Uses of money and property	5,000	5,000	36,839	31,839
Other	825	825	2,038	1,213
Total revenues	2,276,875	2,356,875	2,546,133	189,258
<b>Expenditures</b>				
Personnel	803,520	803,520	717,076	(86,444)
Taxes and fringes	350,277	350,277	308,827	(41,450)
Materials and supplies	15,450	15,450	12,880	(2,570)
Vehicle	510,000	572,000	509,630	(62,370)
Fixed charges	29,000	47,000	33,779	(13,221)
Other operating	131,739	131,739	127,535	(4,204)
Landfill services	70,000	70,000	76,135	6,135
Other equipment	238,500	238,500	210,951	(27,549)
Capital outlay, vehicles	571,000	571,000	570,263	(737)
Total expenditures	2,719,486	2,799,486	2,567,076	(232,410)
Excess (deficiency) of revenues over expenditures	(442,611)	(442,611)	(20,943)	421,668
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	10,000	10,000	70,775	60,775
Net change in fund balance	(432,611)	(432,611)	49,832	482,443
Fund balance, beginning of year	1,282,989	1,282,989	1,282,989	-
Fund balance, end of year	\$ 850,378	\$ 850,378	\$ 1,332,821	\$ 482,443

**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, 2023

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 188,000	\$ 205,000	\$ 213,550	\$ 8,550
Intergovernmental				
Putnam County allocation	110,000	110,000	110,000	-
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	6,600	-
Uses of money and property	22,000	52,000	62,921	10,921
Other	53,500	83,500	92,706	9,206
Total revenues	388,250	465,250	493,927	28,677
<b>Expenditures</b>				
Personnel	200,500	211,500	209,296	(2,204)
Taxes and fringes	64,138	69,138	67,847	(1,291)
Utility	32,000	32,000	34,260	2,260
Supplies and maintenance	70,870	79,870	82,192	2,322
Spay and neuter services	110,000	126,000	133,380	7,380
Other	22,050	22,050	18,029	(4,021)
Total expenditures	499,558	540,558	545,004	4,446
Excess (deficiency) of revenues over expenditures	(111,308)	(75,308)	(51,077)	24,231
<b>Other Financing Sources (Uses)</b>				
Transfers in	110,000	110,000	110,000	-
Net change in fund balance	(1,308)	34,692	58,923	24,231
Fund balance, beginning of year	1,592,460	1,592,460	1,592,460	-
Fund balance, end of year	<b>\$ 1,591,152</b>	<b>\$ 1,627,152</b>	<b>\$ 1,651,383</b>	<b>\$ 24,231</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, 2023

	<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	\$ 379,050	\$ 379,050	\$ 386,415	\$ 7,365
Delinquent property taxes	5,000	5,000	9,957	4,957
Penalties and Interest	1,000	1,000	2,616	1,616
Uses of money and property	15,000	54,500	93,656	39,156
Grant revenue	25,200	25,200	-	(25,200)
Rental income	10,000	10,000	9,832	(168)
Total revenues	<u>435,250</u>	<u>474,750</u>	<u>502,476</u>	<u>27,726</u>
<b>Expenditures</b>				
Capital outlay	725,000	762,000	506,588	(255,412)
Economic development	63,000	75,500	32,188	(43,312)
Industrial recruitment	210,000	210,000	-	(210,000)
Other	1,210	1,210	918	(292)
Total expenditures	<u>999,210</u>	<u>1,048,710</u>	<u>539,694</u>	<u>(509,016)</u>
Excess (deficiency) of revenues over expenditures	(563,960)	(573,960)	(37,218)	536,742
<b>Other Financing Sources (Uses)</b>				
Transfers out	(75,000)	(75,000)	(75,000)	-
Sale of capital assets	-	572,985	709,560	136,575
Total other financing sources (uses)	<u>(75,000)</u>	<u>497,985</u>	<u>634,560</u>	<u>136,575</u>
Net change in fund balance	(638,960)	(75,975)	597,342	673,317
Fund balance, beginning of year	<u>2,152,532</u>	<u>2,152,532</u>	<u>2,152,532</u>	<u>-</u>
Fund balance, end of year	<b>\$ 1,513,572</b>	<b>\$ 2,076,557</b>	<b>\$ 2,749,874</b>	<b>\$ 673,317</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, 2023

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Current property taxes	\$ 95,950	\$ 95,950	\$ 98,063	\$ 2,113
Delinquent property taxes	1,600	1,600	3,352	1,752
Penalties and interest	400	400	793	393
Room occupancy tax	800,000	800,000	884,723	84,723
Uses of money and property	4,000	4,000	70,343	66,343
Contributions	24,838	24,838	383	(24,455)
Total revenues	926,788	926,788	1,057,657	130,869
<b>Expenditures</b>				
Parks and recreation				
Public relations/promotions	8,000	8,000	8,000	-
Park improvements	975,000	975,000	154,216	(820,784)
Materials and supplies	52,300	52,300	8,293	(44,007)
Contributions	100,000	220,000	220,000	-
Other	750	750	231	(519)
Total expenditures	1,136,050	1,256,050	390,740	(865,310)
Excess (deficiency) of revenues over expenditures	(209,262)	(329,262)	666,917	996,179
<b>Other Financing Sources (Uses)</b>				
Transfers out	(31,400)	(31,400)	(31,400)	-
Net change in fund balance	(240,662)	(360,662)	635,517	996,179
Fund balance, beginning of year	1,346,049	1,346,049	1,346,049	-
Fund balance, end of year	<b>\$ 1,105,387</b>	<b>\$ 985,387</b>	<b>\$ 1,981,566</b>	<b>\$ 996,179</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, 2023

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Current property taxes	\$ 379,050	\$ 379,050	\$ 386,415	\$ 7,365
Delinquent property taxes	6,000	6,000	13,354	7,354
Penalties and interest	1,000	1,000	3,258	2,258
In-lieu of taxes	700,000	700,000	700,000	-
Intergovernmental				
State shared sales tax	3,867,462	3,867,462	4,145,241	277,779
Uses of money and property	33,000	33,000	589,122	556,122
Rent	26,172	26,172	26,172	-
Total revenues	5,012,684	5,012,684	5,863,562	850,878
<b>Expenditures</b>				
Administrative	3,300	3,300	2,257	(1,043)
Debt service				
Principal	3,338,000	3,338,000	2,870,000	(468,000)
Interest	1,863,835	1,863,835	816,843	(1,046,992)
Total expenditures	5,205,135	5,205,135	3,689,100	(1,516,035)
Excess (deficiency) of revenues over (under) expenditures	(192,451)	(192,451)	2,174,462	2,366,913
<b>Other Financing Sources (Uses)</b>				
Transfers in	950,000	950,000	950,000	-
Net change in fund balance	757,549	757,549	3,124,462	2,366,913
Fund balance, beginning of year	12,930,359	12,930,359	12,930,359	-
Fund balance, end of year	<b>\$ 13,687,908</b>	<b>\$ 13,687,908</b>	<b>\$ 16,054,821</b>	<b>\$ 2,366,913</b>

**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, 2023

	<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	\$ 22,011	\$ 19,011
Other revenues	-	-	2,674	2,674
Total revenues	3,000	3,000	24,685	21,685
<b>Expenditures</b>				
Administrative	400	400	345	(55)
City park improvements	14,825,000	14,825,000	3,284,499	(11,540,501)
Public safety				
Police facilities	50,000	220,000	205,131	(14,869)
Public works				
Road projects	12,963,690	12,963,690	1,454,250	(11,509,440)
Debt service				
Issuance costs	425,000	425,000	146,224	(278,776)
Total expenditures	28,264,090	28,434,090	5,090,449	(23,343,641)
Excess (deficiency) of revenues over expenditures	(28,261,090)	(28,431,090)	(5,065,764)	23,365,326
<b>Other Financing Sources (Uses)</b>				
Bonds issued	25,000,000	25,000,000	9,650,000	(15,350,000)
Premium on bonds issued	-	-	349,244	349,244
Sale of capital assets	-	-	5,297	5,297
Total other financing sources (uses)	25,000,000	25,000,000	10,004,541	(14,995,459)
Net change in fund balance	(3,261,090)	(3,431,090)	4,938,777	8,369,867
Fund balance, beginning of year	4,565,635	4,565,635	4,565,635	-
Fund balance, end of year	<b>\$ 1,304,545</b>	<b>\$ 1,134,545</b>	<b>\$ 9,504,412</b>	<b>\$ 8,369,867</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, 2023

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Current property taxes	\$ 1,424,050	\$ 1,424,050	\$ 1,449,934	\$ 25,884
Delinquent property taxes	30,000	30,000	48,710	18,710
Penalties and interest	7,000	7,000	9,548	2,548
Uses of money and property	12,000	12,000	135,351	123,351
Total revenues	1,473,050	1,473,050	1,643,543	170,493
<b>Expenditures</b>				
Other	200	200	178	(22)
Road projects				
Land, right-of way, and easements	185,000	185,000	-	(185,000)
Construction	870,000	1,640,000	720,197	(919,803)
Total expenditures	1,055,200	1,825,200	720,375	(1,104,825)
Excess (deficiency) of revenues over expenditures	417,850	(352,150)	923,168	1,275,318
<b>Other Financing Sources (Uses)</b>				
Transfers out	(950,000)	(950,000)	(950,000)	-
Net change in fund balance	(532,150)	(1,302,150)	(26,832)	1,275,318
Fund balance, beginning of year	3,138,020	3,138,020	3,138,020	-
Fund balance, end of year	<b>\$ 2,605,870</b>	<b>\$ 1,835,870</b>	<b>\$ 3,111,188</b>	<b>\$ 1,275,318</b>

**City of Cookeville, Tennessee**  
Internal Service Funds  
Combining Statement of Net Position  
June 30, 2023

	Health	Customer service	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 2,761,271	\$ 286,892	\$ 3,048,163
Receivables			
Due from other funds	-	37,888	37,888
Other	143,537	202	143,739
Restricted cash and cash equivalents	-	51,538	51,538
Total current assets	<u>2,904,808</u>	<u>376,520</u>	<u>3,281,328</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	-	451,396	451,396
Net pension asset	-	42,451	42,451
Total noncurrent assets	<u>-</u>	<u>493,847</u>	<u>493,847</u>
Total assets	<u>2,904,808</u>	<u>870,367</u>	<u>3,775,175</u>
<b>Deferred Outflows of Resources</b>			
Pension related items	-	346,366	346,366
OPEB related items	-	251,929	251,929
Total deferred outflows of resources	<u>-</u>	<u>598,295</u>	<u>598,295</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and other payables	4,075	33,599	37,674
Claims payable	287,822	-	287,822
Due to other funds	34,633	98,530	133,163
Unearned revenues	5,742	-	5,742
SBITA liabilities, current maturities	-	54,948	54,948
Total current liabilities	<u>332,272</u>	<u>187,077</u>	<u>519,349</u>
Noncurrent liabilities			
Customer deposits	-	38,216	38,216
Compensated absences	-	45,259	45,259
SBITA liabilities, net of current maturities	-	283,898	283,898
Net pension liability	-	2,244	2,244
OPEB liability	-	808,536	808,536
Total noncurrent liabilities	<u>-</u>	<u>1,178,153</u>	<u>1,178,153</u>
Total liabilities	<u>332,272</u>	<u>1,365,230</u>	<u>1,697,502</u>
<b>Deferred Inflows of Resources</b>			
Pension related items	-	31,730	31,730
OPEB related items	-	433,579	433,579
Total deferred inflows of resources	<u>-</u>	<u>465,309</u>	<u>465,309</u>
<b>Net Position</b>			
Net investment in capital assets	-	112,550	112,550
Restricted	-	55,758	55,758
Unrestricted	<u>2,572,536</u>	<u>(530,185)</u>	<u>2,042,351</u>
Total net position	<u>\$ 2,572,536</u>	<u>\$ (361,877)</u>	<u>\$ 2,210,659</u>

**City of Cookeville, Tennessee**  
Internal Service Funds  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2023

	Health	Customer service	Total
<b>Operating Revenues</b>			
Charges for services	\$ 7,092,271	\$ 1,589,774	\$ 8,682,045
Other revenues from operations	<u>47,565</u>	<u>166</u>	<u>47,731</u>
Total operating revenues	7,139,836	1,589,940	8,729,776
<b>Operating Expenses</b>			
Operations	-	338,602	338,602
General and administrative	1,235,526	-	1,235,526
Maintenance	-	69,717	69,717
Claims	5,929,354	-	5,929,354
Depreciation	<u>-</u>	<u>21,836</u>	<u>21,836</u>
Total operating expenses	7,164,880	430,155	7,595,035
Operating income (loss)	(25,044)	1,159,785	1,134,741
Nonoperating revenues (expenses)			
Uses of money and property	76,776	27,314	104,090
Income (loss) before transfers	51,732	1,187,099	1,238,831
Transfers in	500,000	-	500,000
Change in net position	551,732	1,187,099	1,738,831
Net position, beginning of year	2,020,804	-	2,020,804
Prior period adjustment	<u>-</u>	<u>(1,548,976)</u>	<u>(1,548,976)</u>
Net position, end of year	<b>\$ 2,572,536</b>	<b>\$ (361,877)</b>	<b>\$ 2,210,659</b>

**City of Cookeville, Tennessee**  
Internal Service Funds  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2023

	Health	Customer service	Total
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 7,175,443	\$ 1,607,230	\$ 8,782,673
Cash paid to suppliers for goods and services	(1,235,397)	(369,336)	(1,604,733)
Cash paid to employees for services	-	(1,158,739)	(1,158,739)
Cash paid for claims	(6,206,539)	-	(6,206,539)
Cash received from (paid to) other City funds	34,633	117,927	152,560
Net cash provided (used) by operating activities	<u>(231,860)</u>	<u>197,082</u>	<u>(34,778)</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers in	500,000	-	500,000
Transfers out	-	-	-
Net cash provided (used) by noncapital financing activities	<u>500,000</u>	<u>-</u>	<u>500,000</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	-	(29,775)	(29,775)
Payments on SBITA	-	(28,619)	(28,619)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(58,394)</u>	<u>(58,394)</u>
<b>Cash flows from investing activities</b>			
Interest received	76,776	27,314	104,090
Net change in cash and cash equivalents	344,916	166,002	510,918
Cash and cash equivalents, beginning of year, as restated	<u>2,416,355</u>	<u>172,428</u>	<u>2,588,783</u>
Cash and cash equivalents, end of year	<b>\$ 2,761,271</b>	<b>\$ 338,430</b>	<b>\$ 3,099,701</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	\$ 2,761,271	\$ 286,892	\$ 3,048,163
Restricted cash and cash equivalents	-	51,538	51,538
	<u>\$ 2,761,271</u>	<u>\$ 338,430</u>	<u>\$ 3,099,701</u>

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

Operating income (loss)	\$ (25,044)	\$ 1,159,785	\$ 1,134,741
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	-	84,561	84,561
Change in:			
Accounts receivable, net	36,515	(52)	36,463
Due from other City funds	-	130,238	130,238
Accounts payable and other payables	129	3,732	3,861
Accrued expenses	(277,185)	-	(277,185)
Due to other City funds	34,633	(12,311)	22,322
Other current liabilities	(908)	17,342	16,434
Compensated absences	-	3,207	3,207
Net pension and OPEB assets and liabilities	-	(79,548)	(79,548)
Deferred outflows of resources related to pensions and OPEB	-	23,088	23,088
Deferred inflows of resources related to pensions and OPEB	-	(1,132,960)	(1,132,960)
Net cash provided (used) by operating activities	<u>\$ (231,860)</u>	<u>\$ 197,082</u>	<u>\$ (34,778)</u>

**City of Cookeville, Tennessee**  
 Schedule of Transfers by Individual Fund  
 For the Year Ended June 30, 2023

	<b>Transfers in</b>	<b>Transfers out</b>
<b>Governmental activities</b>		
General	\$ 1,833,879	\$ 2,794,000
Debt service	950,000	-
Transportation	-	950,000
State street aid	2,184,000	-
Animal control board	110,000	-
Economic development	-	75,000
Quality of life	-	31,400
Health	<u>500,000</u>	<u>-</u>
	5,577,879	3,850,400
<b>Business-type activities</b>		
Electric department	-	1,269,983
Gas department	-	301,203
Water quality control department	<u>-</u>	<u>156,293</u>
Total expenditures	-	1,727,479
	<b>\$ 5,577,879</b>	<b>\$ 5,577,879</b>

**City of Cookeville, Tennessee**

Schedule of Changes in Property Taxes Receivable  
For the Year Ended June 30, 2023

<b>Tax year</b>	<b>Beginning balance</b>	<b>Property tax levied</b>	<b>Anticipated levy</b>	<b>Abatements and adjustments</b>	<b>Collections</b>	<b>Ending balance</b>
2023	\$ -	\$ -	\$ 11,215,423	\$ -	\$ -	\$ 11,215,423
2022	9,926,011	9,923,763	(9,926,011)	(51,586)	(9,572,831)	299,346
2021	315,819	-	-	461	(281,034)	35,246
2020	68,386	-	-	(6,679)	(43,072)	18,635
2019	23,989	-	-	(8,323)	2,520	18,186
2018	16,212	-	-	(5,443)	1,330	12,099
2017	11,753	-	-	(5,449)	1,259	7,563
2016	8,447	-	-	-	(2,972)	5,475
2015	5,460	-	-	-	(3,460)	2,000
2014	3,488	-	-	-	(1,734)	1,754
2013	2,633	-	-	(13)	(83)	2,537
2012	3,729	-	-	(3,718)	(11)	-
	<b>\$ 10,385,927</b>	<b>\$ 9,923,763</b>	<b>\$ 1,289,412</b>	<b>\$ (80,750)</b>	<b>\$ (9,900,088)</b>	11,618,264
					Less: allowance	(103,882)
					Net	<b>\$ 11,514,382</b>

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

**City of Cookeville, Tennessee**  
 Schedule of Tax Rates and Assessments  
 June 30, 2023

	<b>Tax year</b>	<b>Tax rate *</b>	<b>Assessed value</b>
	2023	0.92	\$1,218,141,979
	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, 2023

	<b>Original amount of issue</b>	<b>Interest rate</b>	<b>Date of issue</b>	<b>Last maturity date</b>	<b>Balance July 1, 2022</b>	<b>Issued during period</b>	<b>Paid and/or matured during period</b>	<b>Refunded during period</b>	<b>Balance June 30, 2023</b>
<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	\$ 2,075,000	\$ -	\$ (270,000)	\$ -	\$ 1,805,000
Series 2020	\$ 8,875,000	3.00%	09/18/20	06/01/35	7,685,000	-	(595,000)	-	7,090,000
Series 2021A Refunding	\$ 6,570,000	1.15% - 2.00%	07/30/21	06/01/31	5,910,000	-	(660,000)	-	5,250,000
Series 2021B	\$ 9,175,000	2.00% - 3.00%	08/13/21	06/01/35	8,515,000	-	(655,000)	-	7,860,000
Series 2022	\$ 9,650,000	4.00% - 5.00%	12/09/22	06/01/37	-	9,650,000	(690,000)	-	8,960,000
Total bonds payable through debt service fund					24,185,000	9,650,000	(2,870,000)	-	30,965,000
Total governmental activities					<b>\$ 24,185,000</b>	<b>\$ 9,650,000</b>	<b>\$ (2,870,000)</b>	<b>\$ -</b>	<b>\$ 30,965,000</b>
<b>Business-type Activities</b>									
<b>Bonds Payable</b>									
Payable through electric department									
General Obligation Refunding									
Bonds, Series 2021C	\$ 1,505,000	1.00%	12/01/21	06/30/27	\$ 1,505,000	\$ -	\$ (305,000)	\$ -	\$ 1,200,000
<b>Notes Payable</b>									
Payable through water quality control department									
State Revolving Loan	\$ 2,074,887	2.50%	09/03/09	02/01/31	1,028,912	-	(107,676)	-	921,236
State Revolving Loan	\$ 17,500,000	1.07%	04/26/22	TBD	-	1,846,605	-	-	1,846,605
Total notes payable					1,028,912	1,846,605	(107,676)	-	2,767,841
Total business-type activities					<b>\$ 2,533,912</b>	<b>\$ 1,846,605</b>	<b>\$ (412,676)</b>	<b>\$ -</b>	<b>\$ 3,967,841</b>

**City of Cookeville, Tennessee**  
 General Long-term Debt  
 Summary of Bonds Payable Debt Service Requirements  
 June 30, 2023

Fiscal year maturity	2013 General Obligation Bonds	2020 General Obligation Bonds	2021A General Obligation Bonds	2021B General Obligation Bonds	2022 General Obligation Bonds	Total	Future interest requirements
2024	\$ 275,000	\$ 595,000	\$ 660,000	\$ 655,000	\$ 640,000	\$ 2,825,000	\$ 945,435
2025	285,000	595,000	660,000	655,000	640,000	2,835,000	854,485
2026	295,000	590,000	655,000	655,000	640,000	2,835,000	762,665
2027	305,000	590,000	655,000	655,000	640,000	2,845,000	670,775
2028	315,000	590,000	655,000	655,000	640,000	2,855,000	578,565
2029	330,000	590,000	655,000	655,000	640,000	2,870,000	486,035
2030	-	590,000	655,000	655,000	640,000	2,540,000	409,250
2031	-	590,000	655,000	655,000	640,000	2,540,000	343,025
2032	-	590,000	-	655,000	640,000	1,885,000	276,800
2033	-	590,000	-	655,000	640,000	1,885,000	220,400
2034	-	590,000	-	655,000	640,000	1,885,000	164,000
2035	-	590,000	-	655,000	640,000	1,885,000	107,600
2036	-	-	-	-	640,000	640,000	51,200
2037	-	-	-	-	640,000	640,000	25,600
	<b>\$ 1,805,000</b>	<b>\$ 7,090,000</b>	<b>\$ 5,250,000</b>	<b>\$ 7,860,000</b>	<b>\$ 8,960,000</b>	<b>\$ 30,965,000</b>	<b>\$ 5,895,835</b>

**City of Cookeville, Tennessee**  
 Electric Department - Proprietary Fund  
 Bonds Payable Debt Service Requirements  
 June 30, 2023

<b>Fiscal year maturity</b>	<b>General Obligation Refunding Bonds Series 2021C principal</b>	<b>Future interest requirements</b>
2024	\$ 300,000	\$ 10,500
2025	300,000	7,500
2026	300,000	4,500
2027	<u>300,000</u>	<u>1,500</u>
	<b>\$ 1,200,000</b>	<b>\$ 24,000</b>

**City of Cookeville, Tennessee**  
Water Quality Control Board - Proprietary Fund  
Notes Payable Debt Service Requirements  
June 30, 2023

Fiscal year maturity	State of Tennessee 2.50% Revolving	Interest requirements	Total
2024	\$ 110,400	\$ 21,768	\$ 132,168
2025	113,184	18,984	132,168
2026	116,052	16,116	132,168
2027	118,980	13,188	132,168
2028	121,992	10,176	132,168
2029	125,076	7,092	132,168
2030	128,244	3,924	132,168
2031	87,308	721	88,029
	<u>\$ 921,236</u>	<u>\$ 91,969</u>	1,013,205
		State revolving loan funds*	1,846,605
			<u>\$ 2,859,810</u>

\* 20-year amortization beginning at project completion

**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, 2023

Grantor / Pass-through Grantor	Program name	Assistance Listing	Contract number	Expenditures
<b>Federal Awards</b>				
Department of Housing and Urban Development / TN Department of Economic and Community Development	Community Development Block Grants/State's Program and Non-Entitlement Grants	14,228	14694	\$ 30,690
Department of Justice / Tennessee Department of Finance and Administration	Crime Victim Assistance	16,575	2017-VA-GX-0051	52,093
N/A - Direct	Bulletproof Vest Partnership Program	16,607	10052537	3,185
Department of Transportation / Tennessee Department of Transportation	<u>Highway Planning and Construction Cluster</u> Highway Planning and Construction	20,205	STP-M-9204(12)	<u>155,338</u>
	Total Highway Planning and Construction Cluster			155,338
Tennessee Department of Safety and Homeland Security	<u>Highway Safety Cluster</u> State and Community Highway Safety	20,600	Z22THSO71	3,530
		20,600	Z22THSO73	9,074
		20,600	Z23THSO69	2,114
		20,600	Z23THSO68	<u>17,112</u>
	Total Highway Safety Cluster			31,830
Tennessee Department of Safety and Homeland Security	Alcohol Open Container Requirements	20,607	Z22THSO72	3,118
	Alcohol Open Container Requirements	20,607	Z23THSO67	<u>44,821</u>
	Total Assistance Listing 20.607			47,939
US Department of the Treasury / N/A - Direct	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21,027	N/A	1,648,663
Tennessee Department of Environment & Conservation	COVID-19 - State Water Infrastructure Grant	21,027	N/A	<u>4,807,523</u>
	Total Assistance Listing 21.027			6,456,186
Environmental Protection Agency / Tennessee Department of Environment and Conservation	<u>Drinking Water State Revolving Fund (DWSRF) Cluster</u> Capitalization Grants for Drinking Water State Revolving Funds	66,468	DWF 22-244	<u>1,846,605</u>
	Total DWSRF Cluster			1,846,605
Executive Office of the President, Office of National Drug Control Policy / Laurel County Fiscal Court	High Intensity Drug Trafficking Areas Program (HIDTA)	95.001	G22AP0001A	7,415
		95.001	G23AP0001A	<u>3,682</u>
	Total Assistance Listing 95.001			<u>11,097</u>
Total federal awards				8,634,963

Continued

**City of Cookeville, Tennessee**  
Schedule of Expenditures of Federal Awards and State Financial Assistance  
For the Year Ended June 30, 2023

Grantor / Pass-through Grantor	Program name	Assistance Listing	Contract number	Expenditures
<b>State Financial Assistance</b>				
Tennessee Department of Transportation / N/A - Direct	Multi-Modal Access		71LPLM-S3-025	675,500
Nashville Police Department	Internet Crimes Against Children (ICAC)		69807	17,500
Tennessee Department of Agriculture, Division of Forestry	TAEP Community Tree Planting		21005	1,692
Tennessee Arts Commission / Upper Cumberland Development District	Arts Build Communities Grant		1806-06220	<u>2,870</u>
Total state financial assistance				697,562
Total federal awards and state financial assistance				<b>\$ 9,332,525</b>

**Notes to Schedule**

**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, 2023. 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**

At June 30, 2023, loan program outstanding balances consist of the following: Capitalization Grants for Drinking Water State Revolving Funds, DWF 22-244, \$1,846,605

**Note 3. Indirect Cost Rate**

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

**City of Cookeville, Tennessee**  
 Schedule of Utility Rates (Unaudited)  
 Electric Department  
 June 30, 2023

		Retail Rate 6/1/2023 w/wholesale FCA
		0.02441
		.02291 (LMS)
		.02309 (LGS)
<b>Residential</b>	Customer Charge	\$10.00
<b>Alternate Usage Blocks</b>	Block1 kWh (1st 800 kwh)	\$0.10277
	Block2 kWh (additional kwh)	\$0.09791
<b>GSA1</b>	Customer Charge	\$20.00
	All kWh	\$0.11244
<b>GSA2</b>	Customer Charge	\$50.00
	1st 15,000 kWh	\$0.11306
	Additional kWh	\$0.06631
	kWh, 0-50	\$0.00
	kWh, 51-1,000	\$13.83
<b>GSA3</b>	Customer Charge	\$100.00
	All kWh	\$0.07039
	kWh, 0-1,000	\$12.71
	kWh, 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	\$0.08891
	Offpeak First 200 hours	\$0.06400
	Offpeak Next 200 hours	\$0.02942
	Offpeak Additional kWh	\$0.02601
<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	\$0.08139
	Offpeak First 200 hours	\$0.05639
	Offpeak Next 200 hours	\$0.02670
	Offpeak Additional kWh	\$0.02415
<b>Outdoor Lighting</b>	Customer Charge	\$2.50
	All kWh	\$0.07063

Charges for Outdoor Lighting for Individual Customers

	KWH	FAC Rental	6/21/2023 Energy	Total
			\$0.07063	
100 WHPS	42	5.13	2.97	8.10
129 LED-FLOOD	49	14.07	3.46	17.53
250 LED-VERD	50	9.34	3.53	12.87
252 LED-FLOOD	93	17.15	6.57	23.72
250 WHPS	105	7.10	7.42	14.52
250 WHPS-FLOOD	105	11.09	7.42	18.51
400 WHPS	165	7.10	11.65	18.75
400 WHPS-FLOOD	165	11.09	11.65	22.74
175 WMV	70	4.21	4.94	9.15
400 WMV	155	5.49	10.95	16.44
250 WMHD	105	7.74	7.42	15.16
350 WMHD-FLOOD	140	8.14	9.89	18.03
350 WMHD-SHOE	140	9.84	9.89	19.73
400 WMHD	165	7.78	11.65	19.43
1000 WMHD	398	9.42	28.11	37.53
LED 50 CARETAKER	18	7.85	1.27	9.12
LED 75 CARETAKER	27	6.16	1.91	8.07
LED TYPE 5 SHOE	82	16.89	5.79	22.68

**City of Cookeville, Tennessee**  
Schedule of Utility Rates (Unaudited)  
Gas Department  
June 30, 2023

**Residential Rate - Rate 622 & 613 at July 1, 2023**

Monthly rate (inside): First 5,000 cu. ft. for \$1.293 per 100 cu. ft.  
Next 5,000 cu. ft. for \$1.249 per 100 cu. ft.  
All additional for \$1.240 per 100 cu. ft.

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

Monthly rate (outside): First 5,000 cu. ft. for \$1.402 per 100 cu. ft.  
Next 5,000 cu. ft. for \$1.348 per 100 cu. ft.  
All additional for \$1.337 per 100 cu. ft.

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

**Commercial Rate - Rates 614 and 636 at July 1, 2023**

Monthly rate (inside): First 5,000 cu. ft. for \$1.337 per 100 cu. ft.  
Next 10,000 cu. ft. for \$1.289 per 100 cu. ft.  
All additional for \$1.279 per 100 cu. ft.

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

Monthly rate (outside): First 5,000 cu. ft. for \$1.457 per 100 cu. ft.  
Next 10,000 cu. ft. for \$1.397 per 100 cu. ft.  
All additional for \$1.385 per 100 cu. ft.

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

**Industrial Rate - Rate 650 & 651 at July 1, 2023**

Monthly rate (inside): First 10,000 cu. ft. for \$1.351 per 100 cu. ft.  
Next 20,000 cu. ft. for \$1.301 per 100 cu. ft.  
All additional for \$1.292 per 100 cu. ft.

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

Monthly rate (outside): First 10,000 cu. ft. for \$1.475 per 100 cu. ft.  
Next 20,000 cu. ft. for \$1.413 per 100 cu. ft.  
All additional for \$1.400 per 100 cu. ft.

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

**Interruptible Rate - Rate Code 690**

\$.631 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, 2023

**Inside Water Rates**

Zero Usage (Base Charge)	\$9.10 (minimum bill)
All gallons over zero usage	\$3.82 per 1,000 gallons

**Outside Water Rates**

Zero Usage (Base Charge)	\$13.65 (minimum bill)
All gallons over zero usage	\$5.73 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, 2023

At June 30, 2023, the utility departments serviced the following number of customers:

<b>Department</b>	<b>Number of customers</b>
Electric	19,499
Gas	10,587
Water	16,260
Sewer	16,145
Sanitation	1,203

**City of Cookeville, Tennessee**  
 List of Official Bonds of Principal Officials and Bonded Amounts (Unaudited)  
 As of June 30, 2023

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<b>Official Title</b>	<b>Name</b>	<b>Bond *</b>
City Council:		
Mayor	Laurin Wheaton	\$150,000
Vice Mayor	Luke Eldridge	\$150,000
Councilman	Ali Bagci	\$150,000
Councilman	Eric Walker	\$150,000
Councilman	Chad Gilbert	\$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, 2023, 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 28, 2023. 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 28, 2023



## **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, 2023. 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, 2023.

### ***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.

#### **Other Matter**

This report is replacing a previously issued report following a quality control review performed by a governmental agency which indicated that the auditor did not test a major federal program. This updated report covers the additional major federal program (Environmental Protection Agency, Drinking Water State Revolving Fund (DWSRF) Cluster, Assistance Listing No. 66.468).

#### **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 28, 2023, except for Compliance  
and Internal Control Over Compliance for  
the DWSRF Cluster Federal Program, as to  
which the date is September 9, 2024

**City of Cookeville, Tennessee**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2023

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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>
21.027	US Department of the Treasury COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
66.468	Environmental Protection Agency Drinking Water State Revolving Fund (DWSRF) Cluster

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

Auditee qualified as low-risk auditee?   X   Yes        No

**City of Cookeville, Tennessee**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023

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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, 2023

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**Financial Statement Findings**

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

**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