

CITY OF COOKEVILLE, TENNESSEE

FINANCIAL STATEMENTS

Year Ended

June 30, 2008

CITY OF COOKEVILLE, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2008

CONTENTS

Page

Independent Auditor's Report	I
Management's Discussion and Analysis (unaudited)	III
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet - Governmental Funds	4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Net Assets - Proprietary Funds	8
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	9
Statement of Cash Flows - Proprietary Funds	10
Statement of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual - General Fund	11
Statement of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual - Debt Service Fund	16
Notes to Basic Financial Statements	17
Notes to Financial Statements (Cookeville Regional Medical Center)	37

Supplementary Information:

Combining Financial Statements - Non-Major Governmental Funds:	
Combining Balance Sheet	59
Combining Statement of Revenues, Expenditures & Changes in Fund Balances	60
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual	
State Street Aid	61
Drug Fund	62
Sanitation Fund	63
Animal Control Fund	64
Economic Development Fund	65
Quality of Life Fund	66
Schedule of Changes in Property Taxes Receivable	67
Schedule of Tax Rates and Assessments	68
General Long-term Debt:	
Summary of Bond Debt Service Requirements Classified by Maturity Date	69
Summary of Notes Payable Service Requirements Classified by Maturity Date	70
Debt Service Requirements - Proprietary Funds:	
Water Quality Control Department	71
Electric Department	72
Gas Department	73
Schedule of Insurance Coverage	74
Schedule of Investments	75
Schedule of Interfund Transfers	76
Schedule of Utility Customers	77
Schedule of Utility Rates:	
Electric Department	78
Gas Department	79
Water Quality Control Department	80
Schedule of Expenditures of Federal Awards	81
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	82

Independent Auditor's Report

To the City Council
City of Cookeville, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, budgetary comparison information for major funds, and the aggregate remaining fund information of the City of Cookeville, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Cookeville, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Cookeville Regional Medical Center Authority, a component unit, which statements reflect total assets of \$226,193,978 as of June 30, 2008. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Cookeville Regional Medical Center Authority, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cookeville, Tennessee, as of June 30, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, on our consideration of the City of Cookeville, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages III through XV is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cookeville, Tennessee's basic financial statements. The combining financial statements and the budgetary comparison information on pages 59 through 66, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 81 is presented for purposes of additional analysis and is also not a required part of the basic financial statements of the City of Cookeville, Tennessee. The combining financial statements, the budgetary comparison information, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplemental information on pages 67 through 80 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Duncan, Wheeler & Wilkerson, P.C.

December 5, 2008
Cookeville, Tennessee

Management's Discussion and Analysis
Annual Financial Statements
For the Fiscal Year Ended June 30, 2008

As management of the City of Cookeville, we offer readers of the City of Cookeville's financial statements this narrative overview and analysis of the financial activities of the City of Cookeville for the fiscal year ended June 30, 2008. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Financial Highlights

- The assets of the City of Cookeville exceeded its liabilities at June 30, 2008 by \$128,742,122 (net assets) for the primary government. This excess includes the value of capital assets plus resources restricted to specific projects by law, regulation, or contractual agreement (\$92,445,309), unrestricted-designated for health claims (\$4,690,471) and unrestricted-undesignated resources available to continue City operations into the next fiscal year (\$31,606,342).
- Unrestricted cash and investment balances as of June 30 were \$38,102,571 and current liabilities payable from those funds were \$25,537,101. \$20,242,099 of the \$38,102,571 represents cash and investments of the business-type activities of the City with the remaining \$17,860,472 cash available to the governmental activities.
- The government's total net assets increased this year by \$8,702,104. Net assets of the governmental activities increased by \$2,404,937 and those of the City's business type activities (utilities) increased by \$6,297,167.
- As of June 30, 2008, the City of Cookeville's governmental funds reported combined ending fund balances of \$13,862,065, an increase of \$1,917,624 in comparison with the prior year. Approximately two-thirds of this total amount, \$9,323,474 is available for spending at the government's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$6,412,963 or 32% of total general fund expenditures.
- The City of Cookeville's total debt increased by \$12,046,367 (28 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Cookeville's basic financial statements. The City of Cookeville's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to 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 Assets and Government-wide Statement of Activities present an overview of the City's governmental and business-type services.

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

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

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

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

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

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

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

Fund Financial Statements

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

Governmental funds. Governmental funds are used to account for essentially the same functions 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 evaluating 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 nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and the capital projects fund all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found on pages 59-60 in this report.

The City of Cookeville adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget and can be found on pages 11-15.

The basic governmental fund financial statements can be found on pages 4-7 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water quality, and gas operations, all of which are considered to be major funds of the city. The basic fund financial statements can be found on pages 8-10 of this report.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to 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. 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 assets may serve over time as a useful indicator of a government's financial position. For the City of Cookeville, assets exceeded liabilities by \$128,742,122 at fiscal year end June 30, 2008.

By far the largest portion of the City of Cookeville's net assets (66 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Cookeville's investment in its capital assets is reported net of related debt it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following table provides a summary of the City's net assets at June 30:

Summary of Net Assets

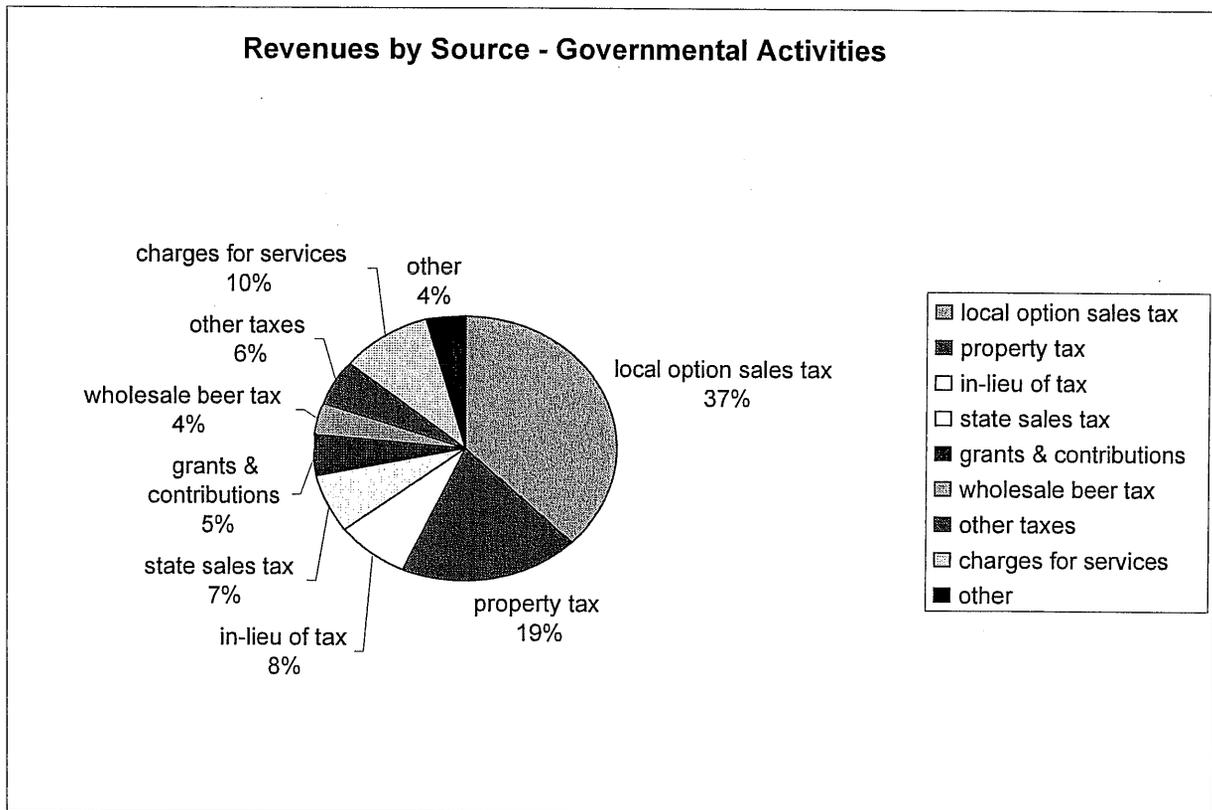
	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2008	2007	2008	2007	2008	2007		
Current Assets	24,851,232	21,649,815	28,609,699	28,609,699	53,460,931	50,259,514	3,201,417	6.4%
Capital Assets	36,023,726	35,607,738	91,981,473	91,981,473	128,005,199	127,589,211	415,988	0.3%
Other Assets	2,479,918	2,462,497	2,791,168	2,791,168	5,271,086	5,253,665	17,421	0.3%
Total Assets	<u>63,354,876</u>	<u>59,720,050</u>	<u>123,382,340</u>	<u>123,382,340</u>	<u>186,737,216</u>	<u>183,102,390</u>	<u>3,634,826</u>	2.0%
Current Liabilities	9,361,379	8,620,081	15,287,169	15,287,169	24,648,548	23,907,250	741,298	3.1%
Long-term debt	15,612,439	15,124,787	20,382,472	20,382,472	35,994,911	35,507,259	487,652	1.4%
Other Liabilities	773,635	772,696	2,875,167	2,875,167	3,648,802	3,647,863	939	0.0%
Total Liabilities	<u>25,747,453</u>	<u>24,517,564</u>	<u>38,544,808</u>	<u>38,544,808</u>	<u>64,292,261</u>	<u>63,062,372</u>	<u>1,229,889</u>	2.0%
Net Assets:								
Invested in capital assets, net of related debt	18,329,844	18,287,856	66,408,604	62,758,955	84,738,448	81,046,811	3,691,637	4.6%
Restricted	7,706,861	7,021,064			7,706,861	7,021,064	685,797	9.8%
Unrestricted - designated	3,820,466	3,383,401	870,005	673,643	4,690,471	4,057,044	633,427	15.6%
Unrestricted - undesignated	7,750,252	6,510,165	23,856,090	21,404,934	31,606,342	27,915,099	3,691,243	13.2%
Total Net Assets	<u>37,607,423</u>	<u>35,202,486</u>	<u>91,134,699</u>	<u>84,837,532</u>	<u>128,742,122</u>	<u>120,040,018</u>	<u>8,702,104</u>	7.2%

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$36,296,813) may be used to meet the government's ongoing obligations to citizens and creditors, however, the net assets of the internal service fund are considered designated by management for the purposes of paying health claims. This designated amount at June 30, 2008 was \$4,057,044.

At June 30, 2008, the City of Cookeville is able to report positive balances in all three categories of net assets for the government as a whole as well as its separate governmental and business type activities. Net assets increased \$2,404,937 for governmental activities and \$6,297,167 for business-type activities. The City's overall financial position improved during fiscal year 2008.

Governmental activities. Governmental activities increased the City of Cookeville's net assets by \$2,404,937, thereby accounting for 28 percent of the total growth in the net assets of the City of Cookeville. Unexpected growth in sales tax, business tax, license and permits associated with new construction all contributed to the increase. In addition to these items, the increase in net assets of the internal service fund which was allocated to the governmental activities was \$437,065.

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



The table on the following page presents a summary of the City's changes in net assets for the governmental funds for the year ended June 30, 2008.

Summary of Changes in Net Assets

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Totals</u>		<u>Amount</u> <u>Change</u>	<u>%</u> <u>Change</u>
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>		
Revenues:								
Program revenues								
Charges for services	2,305,596	2,548,245	71,222,775	66,683,721	73,528,371	69,231,966	4,296,405	6.2%
Operating Grants & Contributions	965,058	1,260,230			965,058	1,260,230	(295,172)	-23.4%
Capital Grants & Contrib	651,295	95,534		49,086	651,295	144,620	506,675	350.3%
General revenues								
Local option sales tax	10,005,181	9,858,484			10,005,181	9,858,484	146,697	1.5%
Property tax	5,094,566	5,055,681			5,094,566	5,055,681	38,885	0.8%
In-lieu of tax	1,028,798	994,605			1,028,798	994,605	34,193	3.4%
State sales tax	1,898,041	1,872,442			1,898,041	1,872,442	25,599	1.4%
Wholesale beer tax	1,046,312	1,003,333			1,046,312	1,003,333	42,979	4.3%
other taxes	1,925,641	1,481,109			1,925,641	1,481,109	444,532	30.0%
Other revenues	956,015	1,101,506	662,994	839,577	1,619,009	1,941,083	(322,074)	-16.6%
Transfers	1,117,514	1,065,041	(1,117,514)	(1,065,041)	-	-	-	
Total Revenues	<u>26,994,017</u>	<u>26,336,210</u>	<u>70,768,255</u>	<u>66,507,343</u>	<u>97,762,272</u>	<u>92,843,553</u>	<u>4,918,719</u>	<u>5.3%</u>
Expenses:								
General government	2,656,200	2,568,718			2,656,200	2,568,718	87,482	3.4%
Planning & engineering	869,848	761,732			869,848	761,732	108,116	14.2%
Public Safety	11,431,894	10,739,197			11,431,894	10,739,197	692,697	6.5%
Maintenance	1,062,268	960,096			1,062,268	960,096	102,172	10.6%
Public Works	5,778,121	5,757,432			5,778,121	5,757,432	20,689	0.4%
Culture & recreation	2,183,265	1,896,679			2,183,265	1,896,679	286,586	15.1%
Interest on Debt	607,484	748,951			607,484	748,951	(141,467)	-18.9%
Electric			41,607,485	38,783,166	41,607,485	38,783,166	2,824,319	7.3%
Gas			13,348,192	13,679,911	13,348,192	13,679,911	(331,719)	-2.4%
Water Quality Control			8,936,171	8,890,427	8,936,171	8,890,427	45,744	0.5%
Total Expenses	<u>24,589,080</u>	<u>23,432,805</u>	<u>63,891,848</u>	<u>61,353,504</u>	<u>88,480,928</u>	<u>84,786,309</u>	<u>3,694,619</u>	<u>4.4%</u>
Change in Net Assets	2,404,937	2,903,405	6,876,407	5,153,839	9,281,344	8,057,244	1,224,100	15.2%
Beginning Net Assets	35,202,486	32,299,081	84,837,532	79,683,693	120,040,018	111,982,774	8,057,244	7.2%

Business-type activities. Business-type activities increased the City of Cookeville's net assets by \$6,297,167, accounting for 72 percent of the total growth in the government's net assets.

The three Proprietary Fund Statements demonstrate that the electric, water/sewer, and gas departments continue to grow and to be financially stable. Net assets for these three operations grew by 8.1%, 5.2%, and 11.9% respectively this year.

The electric operations continue to show strong results. Net assets increased by \$2,304,154 with operating revenues of \$44,505,504 and operating expenses of \$41,607,485. Non operating revenues totaled \$154,798 and transfers to the general government were \$748,663. The electric department purchases the power that it sells to customers from the TVA.

The Electric Department settled a legal dispute with the Upper Cumberland Electric Membership Corporation (UCEMC) for servicing utility customers in areas that the City of Cookeville has annexed. The settlement required a \$6,000,000 payment for reintegration of fifteen (15) annexed areas. The \$6,000,000 payment was financed as long-term debt over a fifteen (15) year time period. The electric department will also make annual payments of \$1,000,000 for the next ten (10) years to UCEMC for facilities purchased in these same areas. The fifteen (15) areas annexed will result in the addition of approximately two thousand new electric customers. During the fiscal year, TVA implemented a new rate adjustment process that resulted in quarterly fuel cost adjustments, which were passed on to our electric customers.

The electric department strives to provide excellent customer service. In an effort to help TTU reduce their power costs, we assisted them in their efforts to provide their own power generation. With our assistance they were able to change their existing metering points to one metering point and take advantage of a reduced interruptible rate from TVA.

The electric department also completed two major construction projects with the upgrade of the TTU campus and a complete re-conductor of N Washington Avenue. Also, two large lighting projects were completed in fiscal year 2008. One being the decorative lighting at the city parking lot at Church & Cedar, the second being the completion of the I-40 tie lighting.

Net assets increased \$2,173,555 for the water/sewer department. Operating revenues were \$11,623,028 and operating expenses were \$8,936,171. Non operating expenses totaled \$298,921 with this being primarily interest expense on long-term debt. Transfers to the general government totaled \$214,381. The water/sewer department aggressively maintained the water distribution and sewer collection systems as well as added new lines and treatment facilities for these systems. The water/sewer department implemented a 10% rate increase to residential and commercial water customers and a 23% increase on sewer rates. The water department sells water to seven area utility districts which in turn provide water services to their own customers. The utility districts consumed 51% of the water treated by the Cookeville water department and accounted for approximately 36% of the water department's water sales revenue. In February 2008 the department increased the wholesale water rate by 19%. Also, the water/sewer department increased the minimum monthly bill for all water and sewer customers. The water/sewer operations have been impacted by a federal law requiring the water/sewer department to pay for water storage rights in Center Hill Lake to the Army Corps of Engineers. At June 30th the amount due for this water storage right was \$2,460,891.

Despite seeing record high summer natural gas prices, the residential and commercial customer base remains stable with 9500 total customers. The gas department's net assets increased by \$1,623,095. Operating revenues were \$15,094,243 and operating expenses were \$13,348,198. Non operating revenues totaled \$31,514 and transfers to the general government were \$154,470. For the fourth consecutive year the gas department has increased net assets following a period from 2002 – 2004 where the gas system struggled financially with net losses. The gas system appears to be financially stable with a solid customer base. The financial turnaround is attributed to a base rate increase effective 2004 along with the implementation of the monthly purchased gas adjustment (pga) plan. Prior to implementing the pga, the department did not have a mechanism in place to recover the cost of monthly fluctuations in the gas purchased for customers. Also, the gas system implemented a gas purchasing plan. This purchasing plan will lock in gas prices for a certain volume of gas to be delivered to the gas department during later months. The purchasing plan is an attempt to level out the pga so that customers do not see large rate changes from month to month. The gas system has decreased expenses in all areas of operations the past four years as part of the ongoing efforts to recover financially. The gas department is planning an expansion of service mains into areas annexed by the city. Also, the city in partnership with Putnam County is developing a mixed use business park. Hopefully, this park will attract new commercial and industrial customers to the Cookeville area. The gas department will provide service to this business park and extend mains into the park.

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

Summary Comparison of Charges for Services for Fiscal Years 2008 and 2007

	FY 2008	FY 2007	Amount Change	% Change
Electric Department	44,505,504	41,482,657	3,022,847	7.3%
Gas Department	15,094,243	15,250,909	(156,666)	-1.0%
Water quality Control Department	11,623,028	9,950,155	1,672,873	16.8%
Charges for Services-Business-type Activities	<u>71,222,775</u>	<u>66,683,721</u>	<u>4,539,054</u>	6.8%

Summary Comparison of Expenses for Fiscal Years 2008 and 2007

	FY 2008	FY 2007	Amount Change	% Change
Electric Department	41,564,100	38,783,166	2,780,934	7.2%
Gas Department	13,455,183	13,679,911	(224,728)	-1.6%
Water quality Control Department	9,451,805	8,890,427	561,378	6.3%
Expenses-Business-type Activities	<u>64,471,088</u>	<u>61,353,504</u>	<u>3,117,584</u>	5.1%

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City of Cookeville's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2008, the City of Cookeville's governmental funds reported combined ending fund balances of \$13,862,065, an increase of \$1,917,624 in comparison to prior year. Approximately two-thirds of this total amount, \$9,323,474 constitutes unreserved, undesignated fund balance which is available for spending at the government's discretion. The remaining fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) to pay debt service or 2) to support the sex offender registry program.

The general fund is the chief operating fund of the City of Cookeville. At June 30, 2008, unreserved, undesignated fund balance of the general fund was \$6,412,963, while total fund balance reached \$6,414,185. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 32 percent of total general fund expenditures, as does total fund balance.

The City of Cookeville's general fund increased by \$235,390 during the current fiscal year. Despite a slow down in the economy sales tax collections for the year increased 2.08% from the prior year; however, the final five months sales tax collections were flat or negative compared to the same month's prior year. The struggling economy will have a significant impact on sales tax collections going forward. The city increased property taxes by \$.08 per \$100 of assessed value and allocated \$.05 of the increase to the general fund effective July 2008. A cumulative increase in sales tax collections is not expected to continue into the next fiscal year because of the struggling economy.

The debt service fund has a total fund balance of \$4,537,369, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$565,825. This increase is attributed to interest rates on the city's variable debt being lower than budgeted. The city council has made provisions to finance the construction of a mixed use business park. This business park is being constructed in cooperation with Putnam County to enhance opportunities for commercial and industrial development in the Cookeville area. Funding for this park will be through bonds issued at a later date by the city. The design of the park is underway and is being financed through reserves of the economic development fund.

The capital projects fund has a total fund balance at June 30, 2008 of \$466,471. During fiscal year 2008, the City completed construction of the Cane Creek Gymnasium. This \$1.2 million dollar project was accounted for in the capital projects fund and paid for with grant proceeds as well as debt issues. Work continues on Fairground Road improvements with completion expected in 2009. Capital project funds were also used for improvements to Seventh Street in coordination with TTU's construction of their School of Nursing building. Other capital projects included parking lot improvements, purchasing a new dispatch console for the Police Department, and new outside electronic messaging board for the Drama Center.

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

Budgetary Highlights

The statements, subtitled Budget and Actual, report on the City's compliance with the budget adoption and execution requirements. These statements for the major funds, general fund and debt service, can be found on pages 11-16.

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, 2008 was \$36,023,726 and \$100,304,106 respectively. The net investment increased 1.2% for governmental and increased 9% for business-type activities.

Major capital asset additions for governmental funds included the purchase of a new dispatch console, 4 pick-up trucks and 6 cars for the Police Department. A new front-load garbage truck for Sanitation as well as a dump truck, leaf machines and a tractor for Public Works. Construction of the new gymnasium at the Cane Creek Recreation center was completed and opened in February. Property was purchased for road improvements on W. Cemetery Road for a new school. Work continued on Fairground Road and will be completed in Fiscal Year 2009.

There were no major capital asset disposals during the fiscal year.

A table summarizing the City's capital assets is presented on the following page.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	<u>Governmental Activities</u>		<u>Amount Change</u>	<u>% Change</u>
	2008	2007		
Non-depreciable assets:				
Land	9,076,305	8,961,509	114,796	1.3%
Construction in progress	589,744	197,976	391,768	197.9%
Depreciable assets:				
Buildings	4,951,968	3,806,703	1,145,265	30.1%
Improvements	558,394	580,860	(22,466)	-3.9%
Vehicles	1,725,471	1,710,423	15,048	0.9%
Machinery & equipment	713,318	746,362	(33,044)	-4.4%
Software	73,597	125,737	(52,140)	-41.5%
Infrastructure	18,334,929	19,478,168	(1,143,239)	-5.9%
Total	<u>36,023,726</u>	<u>35,607,738</u>	<u>415,988</u>	1.2%

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	<u>Business-type Activities</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2007</u>	<u>2007</u>		
Non-depreciable assets:				
Land	2,531,558	2,531,558	-	0.0%
Construction in progress	2,540,264	1,216,800	1,323,464	108.8%
Depreciable assets:				
Building & Improvements	2,927,029	3,048,746	(121,717)	-4.0%
Plant & distribution systems	88,894,504	82,268,176	6,626,328	8.1%
Machinery & equipment	3,216,923	2,655,213	561,710	21.2%
Furniture & equipment	176,157	228,067	(51,910)	-22.8%
Plant acquisition adjustment	17,671	32,913	(15,242)	-46.3%
Total	<u>100,304,106</u>	<u>91,981,473</u>	<u>8,322,633</u>	9.0%

Long-term Liabilities. At the end of the fiscal year, the Primary Government had total long-term liabilities of \$44,516,616. Of this amount, \$16,386,074 relates to governmental activities while the remaining \$28,130,542 relates to business type activities. Of the \$16,386,074 of long-term liabilities of governmental activities, \$15,612,439 was debt related to a bond or note issuance and is backed by the full faith and credit of the City of Cookeville. In October, 2007, the City entered into a loan agreement with the Tennessee Municipal Bond Fund to borrow up to \$3,200,000 for various projects related to governmental activities. Larger projects include improvements to Fairground Road, the purchase of the police dispatch console, purchase of Veterans Drive right of way. As of June 30, 2008, the City had received advances under this agreement of \$2,037,239 leaving \$1,162,761 available for advances in future fiscal years. Of the \$28,130,542 of long-term liabilities of the business type activities, \$19,130,542 relates to debt issued for various construction projects such as water sewer lines, gas lines or electric substations, or other similar projects and \$9,000,000 relates to the court ordered payments to UCEMC for customers annexed by the city. Listed below is a schedule of the long-term liabilities.

	Governmental Activities		Business-type Activities		Totals		Amount	%
							Change	Change
	2008	2007	2008	2007	2008	2007		
Bonds & notes payable	17,753,626	17,362,205	33,895,502	22,261,193	51,649,128	39,623,398	12,025,730	30.4%
Compensated Absences	773,635	772,696	305,502	277,028	1,079,137	1,049,724	29,413	2.8%
Other debt			2,637,572	2,646,348	2,637,572	2,646,348	(8,776)	-0.3%
Less:								
Amounts due within one year	(2,141,187)	(2,237,418)	(8,708,034)	(1,926,930)	(10,849,221)	(4,164,348)	(6,684,873)	160.5%
Total Long term liabilities	<u>16,386,074</u>	<u>15,897,483</u>	<u>28,130,542</u>	<u>23,257,639</u>	<u>44,516,616</u>	<u>39,155,122</u>	<u>5,361,494</u>	13.7%

Economic Factors and Considerations

Cookeville, the county seat of Putnam County, is one of the fastest growing communities in the state, and was recently listed by "The New Rating Guide to Life in America's Small Cities" as the number one micropolitan city in Tennessee. Located at the intersection of Interstate 40 and Highway 111 at the foothills of the Cumberland Mountains, Cookeville 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 8,200 students. Also, Cookeville is home to the Cookeville Regional Medical Center. CRMC is underway on a \$80 million expansion and will soon have 227 private rooms.

The city's current population is 26,000, but is the regional center for shopping, eating, education, health care and recreational/cultural activities for the approximately 200,000 people that live in the surrounding counties.

The city has partnered with Putnam County and purchased approximately 350 acres along Interstate 40 to develop a mixed use business park. Design of the park is underway with construction to begin by 2010.

The city is working with the State of Tennessee to develop a new interchange off of I-40 for additional access to the new business park. The city and chamber of commerce are actively recruiting new industry and commercial growth for the Upper Cumberland Area.

Cookeville has seen continued growth in the commercial/retail sector for the past few years. As noted earlier we are the regional center for many activities in the Upper Cumberland Area. Cookeville is very dependent on sales tax collections as this represents approximately 50% of the revenue for the general fund. However, Cookeville is feeling the effects of the economic recession in the United States as well as abroad. Despite a cumulative increase of 2.08% in sales tax collections for the fiscal year, sales tax collections began a steady decline in January 2008. This trend will likely continue into 2009 and possibly longer. A cumulative increase in sales tax collections is not expected to continue into the next fiscal year because of the struggling economy. A \$.08 per \$100 assessed value property tax increase was approved by the city council effective July 2008. This increase was allocated to the general fund (\$.05) for operating expenses and to the debt service fund (\$.03) for future debt service payments. The city is in the initial planning phase for improvements to 10th Street. The additional property tax allocated to the debt service fund is for this planned project.

Contacting the City's Financial Management

- This financial summary is designed to provide a general overview of the City of Cookeville's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Cookeville, 45 East Broad Street, Cookeville, TN, 38503.

CITY OF COOKEVILLE, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2008

<u>Assets</u>	<u>Primary Government</u>			<u>Component Units</u>		<u>Total Reporting Entity</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>CRMC*</u>	<u>PBA</u>	
Current assets:						
Cash	\$ 17,013,223	\$ 10,857,445	\$ 27,870,668	\$ 2,620,663	\$ 32,854	\$ 30,524,185
Sinking fund cash	-	380,770	380,770	-	-	380,770
Temporary cash investments	847,249	9,384,654	10,231,903	28,418,773	-	38,650,676
Accounts receivable, net of allowance	95,371	8,446,784	8,542,155	20,196,507	3,731	28,742,393
Taxes receivable, net of allowance	5,806,646	-	5,806,646	-	-	5,806,646
Other receivables	1,608,799	-	1,608,799	302,697	-	1,911,496
Due from other funds	(528,349)	528,349	-	-	-	-
Inventories	-	2,700,170	2,700,170	4,501,150	-	7,201,320
Prepaid expenses and other current assets	8,293	118,760	127,053	1,751,274	57	1,878,384
Assets limited as to use required to meet current obligations	-	-	-	1,129,932	-	1,129,932
Total current assets	24,851,232	32,416,932	57,268,164	58,920,996	36,642	116,225,802
Noncurrent assets:						
Notes receivable, net of allowance	-	185,170	185,170	-	-	185,170
Water storage rights	-	2,441,294	2,441,294	-	-	2,441,294
Equity interest in joint venture	2,420,174	-	2,420,174	754,422	-	3,174,596
Long-term investments	-	-	-	4,207,797	-	4,207,797
Goodwill, net of amortization	-	-	-	84,960	-	84,960
Bond issuance cost, net of amortization	59,744	-	59,744	447,157	-	506,901
Other assets	-	93,461	93,461	10,575,221	-	10,668,682
Capital assets:						
Land and construction in progress	9,666,049	5,071,822	14,737,871	75,462,476	-	90,200,347
Other capital assets, net of accumulated depreciation	26,357,677	95,232,284	121,589,961	75,740,949	118,228	197,449,138
Total noncurrent assets	38,503,644	103,024,031	141,527,675	167,272,982	118,228	308,918,885
Total assets	\$ 63,354,876	\$ 135,440,963	\$ 198,795,839	\$ 226,193,978	\$ 154,870	\$ 425,144,687
<u>Liabilities and Net Assets</u>						
Current liabilities:						
Accounts payable	\$ 694,703	\$ 7,247,461	\$ 7,942,164	\$ 11,112,028	\$ 2,265	\$ 19,056,457
Health claims payable	128,303	-	128,303	-	-	128,303
Current portion of long-term debt	2,141,187	8,657,355	10,798,542	2,395,000	12,544	13,206,086
Current portion of water storage rights payable	-	50,679	50,679	-	-	50,679
Accrued expenses	423,494	114,467	537,961	10,120,364	6,000	10,664,325
Deferred revenue	5,862,323	45,333	5,907,656	-	10,000	5,917,656
Estimated amounts due to third-party payors	-	-	-	3,536,000	-	3,536,000
Other current liabilities	111,369	60,427	171,796	-	17,337	189,133
Total current liabilities	9,361,379	16,175,722	25,537,101	27,163,392	48,146	52,748,639
Noncurrent liabilities:						
Compensated absences	773,635	305,502	1,079,137	-	-	1,079,137
TVA heat pump notes payable	-	176,681	176,681	-	-	176,681
Water storage rights payable	-	2,410,212	2,410,212	-	-	2,410,212
Other non-current liabilities	-	-	-	2,196,026	27,500	2,223,526
Long-term debt, less current portion	15,612,439	25,238,147	40,850,586	64,297,653	61,339	105,209,578
Total noncurrent liabilities	16,386,074	28,130,542	44,516,616	66,493,679	88,839	111,099,134
Total liabilities	25,747,453	44,306,264	70,053,717	93,657,071	136,985	163,847,773
Net assets:						
Invested in capital assets, net of related debt	18,329,844	66,408,604	84,738,448	83,352,124	44,346	168,134,918
Restricted for:						
Special revenue	739,843	-	739,843	-	-	739,843
Debt service	4,545,622	-	4,545,622	-	-	4,545,622
Equity interest in joint venture	2,420,174	-	2,420,174	-	-	2,420,174
Other purposes	1,222	-	1,222	1,129,932	-	1,131,154
Unrestricted	11,570,718	24,726,095	36,296,813	48,054,851	(26,461)	84,325,203
Total net assets	37,607,423	91,134,699	128,742,122	132,536,907	17,885	261,296,914
Total liabilities and net assets	\$ 63,354,876	\$ 135,440,963	\$ 198,795,839	\$ 226,193,978	\$ 154,870	\$ 425,144,687

*Audited by other auditors

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

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED June 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Function/program activities					
Primary government:					
Governmental activities:					
General government	\$ 2,656,200	\$ 83,665	\$ 7,375	\$ 50,000	\$ (2,515,160)
Planning and engineering	869,848	421,784	-	-	(448,064)
Public safety	11,431,894	298,930	142,496	17,878	(10,972,590)
Maintenance	1,062,268	-	-	-	(1,062,268)
Public works	5,778,121	1,315,998	812,191	10,000	(3,639,932)
Culture and recreation	2,183,265	185,219	2,996	573,417	(1,421,633)
Interest on long-term debt	607,484	-	-	-	(607,484)
Total governmental activities	<u>24,589,080</u>	<u>2,305,596</u>	<u>965,058</u>	<u>651,295</u>	<u>(20,667,131)</u>
Business-type activities:					
Electric	41,564,100	44,505,504	-	-	2,941,404
Gas	13,455,183	15,094,243	-	-	1,639,060
Water quality control	9,451,805	11,623,028	-	-	2,171,223
Total business-type activities	<u>64,471,088</u>	<u>71,222,775</u>	<u>-</u>	<u>-</u>	<u>6,751,687</u>
Total primary government	<u>\$ 89,060,168</u>	<u>\$ 73,528,371</u>	<u>\$ 965,058</u>	<u>\$ 651,295</u>	<u>\$ (13,915,444)</u>
Component units:					
CRMC*	\$ 169,619,207	\$ 175,371,995			\$ 5,752,788
PBA	130,380	124,807			(5,573)
Total component units	<u>\$ 169,749,587</u>	<u>\$ 175,496,802</u>			<u>\$ 5,747,215</u>

*Audited by other auditors
The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Change in net assets:				
Net (expense) revenue	\$ (20,667,131)	\$ 6,751,687	\$ (13,915,444)	\$ 5,747,215
General revenues:				
Taxes:				
Property tax	5,094,566	-	5,094,566	-
In lieu of tax	1,028,798	-	1,028,798	-
Business tax	1,018,627	-	1,018,627	-
State sales tax	1,898,041	-	1,898,041	-
Franchise tax	343,349	-	343,349	-
Local option sales tax	10,005,181	-	10,005,181	-
Wholesale beer tax	1,046,312	-	1,046,312	-
State income tax	340,080	-	340,080	-
Mixed drink tax	133,404	-	133,404	-
Other taxes	90,181	-	90,181	-
Interest revenue	366,702	662,994	1,029,696	205
Investment income	-	-	-	2,073,771
Gain (loss) on sale of assets	115,730	-	115,730	-
Other, net	473,583	-	473,583	115,972
Transfers	1,117,514	(1,117,514)	-	-
Total general revenues	<u>23,072,068</u>	<u>(454,520)</u>	<u>22,617,548</u>	<u>2,189,948</u>
Change in net assets	2,404,937	6,297,167	8,702,104	7,937,163
Net assets - beginning	<u>35,202,486</u>	<u>84,837,532</u>	<u>120,040,018</u>	<u>124,617,629</u>
Net assets - ending	<u>\$ 37,607,423</u>	<u>\$ 91,134,699</u>	<u>\$ 128,742,122</u>	<u>\$ 132,554,792</u>

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

CITY OF COOKEVILLE, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

<u>Assets</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 5,577,868	\$ 3,931,013	\$ 415,354	\$ 2,274,564	\$ 12,198,799
Temporary cash investments	260,151	437,317	4	131,277	828,749
Accounts receivable	-	-	-	97,706	97,706
Taxes receivable	4,527,314	1,258,770	-	331,255	6,117,339
Other receivables	1,257,243	163,492	559	187,505	1,608,799
Less: allowance for bad debts	(284,775)	(20,518)	-	(7,735)	(313,028)
Prepaid expenses	3,006	-	-	-	3,006
Due from other funds	160,942	5,591	219,810	1,395	387,738
Total assets	<u>\$ 11,501,749</u>	<u>\$ 5,775,665</u>	<u>\$ 635,727</u>	<u>\$ 3,015,967</u>	<u>\$ 20,929,108</u>
 <u>Liabilities and Fund Balances</u>					
Accounts payable	\$ 478,564	\$ 44	\$ 169,240	\$ 45,299	\$ 693,147
Accrued expenses	372,003	-	-	-	372,003
Due to other funds	7,204	-	16	20,981	28,201
Deferred revenue	4,170,832	1,238,252	-	453,239	5,862,323
Other liabilities	58,961	-	-	52,408	111,369
Total liabilities	5,087,564	1,238,296	169,256	571,927	7,067,043
 Fund balances:					
Reserved for:					
Debt service	-	4,537,369	-	-	4,537,369
Other purposes	1,222	-	-	-	1,222
Unreserved, undesignated reported in					-
General fund	6,412,963	-	-	-	6,412,963
Special revenue funds	-	-	-	2,444,040	2,444,040
Capital projects funds	-	-	466,471	-	466,471
Total liabilities and fund balances	<u>\$ 11,501,749</u>	<u>\$ 5,775,665</u>	<u>\$ 635,727</u>	<u>\$ 3,015,967</u>	<u>\$ 20,929,108</u>

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

CITY OF COOKEVILLE, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED June 30, 2008

Total fund balance - total governmental funds		\$ 13,862,065
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	63,327,247	
Less: accumulated depreciation	<u>(27,303,521)</u>	36,023,726
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Bond costs	75,150	
Less: accumulated amortization	<u>(15,406)</u>	59,744
Equity interest in joint venture		2,420,174
Interest payable is not payable from current financial resources and therefore is not reported in the governmental funds.		(51,491)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Governmental bonds payable	(1,370,000)	
Governmental notes payable	(16,383,626)	
Compensated absences	<u>(773,635)</u>	(18,527,261)
Internal Service Fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund are reported with the governmental activities.		<u>3,820,466</u>
Net assets of governmental activities		<u>\$ 37,607,423</u>

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

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED June 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes and tax equivalents	\$ 6,141,083	\$ 2,922,968		\$ 1,080,087	\$ 10,144,138
Licenses and permits	479,289	-		-	479,289
Intergovernmental	11,761,897	-	\$ 404,466	232,324	12,398,687
Charges for services	197,107	-	-	1,340,906	1,538,013
Fines, forfeitures and penalties	237,198	-	-	24,936	262,134
Rent	-	26,160	-	-	26,160
Interest	150,551	134,021	7,441	74,689	366,702
Other	464,138	-	1,253	72,022	537,413
Total revenues	<u>19,431,263</u>	<u>3,083,149</u>	<u>413,160</u>	<u>2,824,964</u>	<u>25,752,536</u>
Expenditures:					
Current					
General government	2,550,824	-	-	81,241	2,632,065
Public safety	10,897,913	-	-	261,336	11,159,249
Planning and engineering	852,341	-	-	-	852,341
Maintenance	1,083,298	-	-	-	1,083,298
Public works	2,583,466	-	138,125	1,530,922	4,252,513
Culture and recreation	1,868,318	-	-	201,361	2,069,679
Capital outlay	467,216	-	1,935,251	351,351	2,753,818
Debt service	-	2,661,324	22,400	225,083	2,908,807
Total expenditures	<u>20,303,376</u>	<u>2,661,324</u>	<u>2,095,776</u>	<u>2,651,294</u>	<u>27,711,770</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(872,113)</u>	<u>421,825</u>	<u>(1,682,616)</u>	<u>173,670</u>	<u>(1,959,234)</u>
Other financing sources (uses):					
Interfund transfers in	1,117,514	144,000	-	54,220	1,315,734
Interfund transfers (out)	(54,220)	-	-	(144,000)	(198,220)
Proceeds of bonds and notes	-	-	2,643,614	-	2,643,614
Sale of assets	44,209	-	-	71,521	115,730
Net other financing sources	<u>1,107,503</u>	<u>144,000</u>	<u>2,643,614</u>	<u>(18,259)</u>	<u>3,876,858</u>
Net change in fund balances	235,390	565,825	960,998	155,411	1,917,624
Fund balances, July 1, 2007	<u>6,178,795</u>	<u>3,971,544</u>	<u>(494,527)</u>	<u>2,288,629</u>	<u>11,944,441</u>
Fund balances, June 30, 2008	<u>\$ 6,414,185</u>	<u>\$ 4,537,369</u>	<u>\$ 466,471</u>	<u>\$ 2,444,040</u>	<u>\$ 13,862,065</u>

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

CITY OF COOKEVILLE, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED June 30, 2008

Net change in fund balances - total governmental funds		\$ 1,917,624
Amounts reported for governmental activities in the statement of net assets are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Expenditures for capital assets	2,530,084	
Less: current year depreciation	<u>(2,146,096)</u>	383,988
Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.		
Bond and note proceeds	(2,643,614)	
Principal payments	<u>2,252,193</u>	(391,421)
Bond issuance costs are expenditures to governmental funds, but are deferred assets in the statement of net assets.		
		22,400
Current year amortization		
		(4,979)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.		
Equity in current year earnings of joint venture		
		-
Change in accrued interest on long-term debt		
		9,199
Change in accrued compensated absences		
		(939)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net assets.		
		32,000
Internal Service Fund is used by management to charge the costs of certain activities to individual funds. The net income of the Internal Service Funds is allocated to the governmental activities and business-type activities.		
		<u>437,065</u>
Change in net assets of governmental activities		<u>\$ 2,404,937</u>

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

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	<u>Business-type Activities/Enterprise Funds</u>				<u>Governmental Activities Internal Service Fund</u>
	<u>Cookeville Electric Department</u>	<u>Cookeville Gas Department</u>	<u>Cookeville Water Quality Control Department</u>	<u>Totals</u>	
Assets					
Current assets:					
Cash	\$ 3,882,610	\$ 4,755,198	\$ 2,219,637	\$ 10,857,445	\$ 4,814,424
Sinking fund cash	105,280	275,490	-	380,770	-
Temporary cash investments	2,120,670	2,043,923	5,220,061	9,384,654	18,500
Accounts receivable, net of allowance	5,961,307	969,127	1,516,350	8,446,784	-
Inventory of material and supplies	850,533	1,395,476	454,161	2,700,170	-
Due from other funds	23,543	-	-	23,543	5,444
Prepaid expenses and other current assets	109,954	6,082	2,724	118,760	5,287
Total current assets	<u>13,053,897</u>	<u>9,445,296</u>	<u>9,412,933</u>	<u>31,912,126</u>	<u>4,843,655</u>
Noncurrent assets:					
Capital assets, non-depreciable	1,058,866	262,258	3,750,698	5,071,822	
Capital assets, depreciable	53,031,894	18,608,516	82,929,491	154,569,901	
Less: accumulated depreciation	<u>(13,271,504)</u>	<u>(8,785,242)</u>	<u>(37,280,871)</u>	<u>(59,337,617)</u>	
	40,819,256	10,085,532	49,399,318	100,304,106	
Notes receivable	185,170	-	-	185,170	
Water storage rights	-	-	2,441,294	2,441,294	
Other assets	<u>5,348</u>	<u>57,703</u>	<u>30,410</u>	<u>93,461</u>	
Total noncurrent assets	<u>41,009,774</u>	<u>10,143,235</u>	<u>51,871,022</u>	<u>103,024,031</u>	
Total assets	<u>\$54,063,671</u>	<u>\$19,588,531</u>	<u>\$ 61,283,955</u>	<u>\$ 134,936,157</u>	<u>\$ 4,843,655</u>
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 5,463,883	\$ 1,001,614	\$ 781,964	\$ 7,247,461	\$ 1,556
Health claims payable	-	-	-	-	128,303
Due to other funds	81,242	113,658	170,299	365,199	23,325
Current portion of long-term debt	7,197,135	305,000	1,155,220	8,657,355	-
Current portion of water storage rights payable	-	-	50,679	50,679	-
Accrued expenses	14,418	10,814	89,235	114,467	-
Deferred revenue	-	45,333	-	45,333	-
Other current liabilities	<u>8,498</u>	<u>20,431</u>	<u>31,498</u>	<u>60,427</u>	<u>-</u>
Total current liabilities	<u>12,765,176</u>	<u>1,496,850</u>	<u>2,278,895</u>	<u>16,540,921</u>	<u>153,184</u>
Noncurrent liabilities:					
Compensated absences	119,005	41,824	144,673	305,502	
TVA heat pump notes payable	176,681	-	-	176,681	
Water storage rights payable	-	-	2,410,212	2,410,212	
Long-term debt, less current portion	<u>10,093,000</u>	<u>2,735,000</u>	<u>12,410,147</u>	<u>25,238,147</u>	
Total noncurrent liabilities	<u>10,388,686</u>	<u>2,776,824</u>	<u>14,965,032</u>	<u>28,130,542</u>	
Total liabilities	<u>23,153,862</u>	<u>4,273,674</u>	<u>17,243,927</u>	<u>44,671,463</u>	<u>153,184</u>
Net assets:					
Invested in capital assets, net of related debt	23,529,121	7,045,532	35,833,951	66,408,604	-
Unrestricted	<u>7,380,688</u>	<u>8,269,325</u>	<u>8,206,077</u>	<u>23,856,090</u>	<u>4,690,471</u>
Total net assets	<u>30,909,809</u>	<u>15,314,857</u>	<u>44,040,028</u>	<u>90,264,694</u>	<u>4,690,471</u>
Total liabilities and net assets	<u>\$54,063,671</u>	<u>\$19,588,531</u>	<u>\$ 61,283,955</u>	<u>\$ 134,936,157</u>	<u>\$ 4,843,655</u>

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

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED June 30, 2008

	Business-type Activities/Enterprise Funds			Totals	Governmental Activities Internal Service Fund
	Cookeville Electric Department	Cookeville Gas Department	Cookeville Water Quality Control Department		
Operating revenues:					
Charges for services	\$43,648,654	\$ 14,916,426	\$11,171,735	\$ 69,736,815	\$ 3,344,553
Other operating revenue	856,850	177,817	451,293	1,485,960	-
Total operating revenues	<u>44,505,504</u>	<u>15,094,243</u>	<u>11,623,028</u>	<u>71,222,775</u>	<u>3,344,553</u>
Operating expenses:					
Purchased utilities	35,893,235	11,447,305	-	47,340,540	-
Operating expenses	2,948,251	832,238	2,199,888	5,980,377	-
Maintenance expenses	899,510	414,724	326,475	1,640,709	-
Depreciation and amortization	1,380,335	632,743	2,210,051	4,223,129	-
Utilities	-	-	1,678,872	1,678,872	-
Administrative and general expenses	64,331	21,182	2,520,885	2,606,398	487,369
Health claims	-	-	-	-	2,359,206
Facilities rental	421,823	-	-	421,823	-
Total operating expenses	<u>41,607,485</u>	<u>13,348,192</u>	<u>8,936,171</u>	<u>63,891,848</u>	<u>2,846,575</u>
Operating income	<u>2,898,019</u>	<u>1,746,051</u>	<u>2,686,857</u>	<u>7,330,927</u>	<u>497,978</u>
Nonoperating revenues (expenses):					
Interest revenue	199,776	165,996	297,222	662,994	135,449
Interest expense	(44,978)	(134,482)	(596,143)	(775,603)	-
Total nonoperating revenues (expenses)	<u>154,798</u>	<u>31,514</u>	<u>(298,921)</u>	<u>(112,609)</u>	<u>135,449</u>
Interfund transfers (out)	<u>(748,663)</u>	<u>(154,470)</u>	<u>(214,381)</u>	<u>(1,117,514)</u>	<u>-</u>
Change in net assets	2,304,154	1,623,095	2,173,555	6,100,804	633,427
Total net assets, July 1, 2007	<u>28,605,655</u>	<u>13,691,762</u>	<u>41,866,473</u>	<u>84,163,890</u>	<u>4,057,044</u>
Total net assets, June 30, 2008	<u>\$30,909,809</u>	<u>\$ 15,314,857</u>	<u>\$44,040,028</u>	<u>\$ 90,264,694</u>	<u>\$ 4,690,471</u>
Reconciliation of changes in net assets to statement of activities:					
Total changes in net assets of business-type activities				\$ 6,100,804	
Net income of internal service fund related to business-type activities				<u>196,363</u>	
Changes in business-type net assets included in the statement of activities				<u>\$ 6,297,167</u>	

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

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED June 30, 2008

	Business-type Activities/Enterprise Funds				Governmental Activities Internal Service Fund
	Cookeville Electric Department	Cookeville Gas Department	Cookeville Water Quality Control Department	Totals	
Cash flows from operating activities:					
Cash receipts from customers	\$ 43,069,900	\$ 14,661,280	\$ 10,942,892	\$ 68,674,072	\$ 3,367,878
Cash receipts from customer service charges	682,218	129,993	423,246	1,235,457	-
Other operating cash receipts	374,043	37,210	-	411,253	-
Cash payments to suppliers of goods and services	(35,381,575)	(11,375,345)	-	(46,756,920)	-
Cash payments to employees for services	(2,130,254)	(528,143)	(735,014)	(3,393,411)	-
Cash payments for interfund services used	(339,063)	(264,972)	(484,712)	(1,088,747)	-
Cash payments for maintenance expenses	(899,511)	(91,438)	(326,475)	(1,317,424)	-
Cash payments for claims	-	-	-	-	(2,356,513)
Utilities and other operating cash payments	(622,585)	(502,999)	(4,562,739)	(5,688,323)	(487,251)
Net cash provided by operating activities	<u>4,753,173</u>	<u>2,065,586</u>	<u>5,257,198</u>	<u>12,075,957</u>	<u>524,114</u>
Cash flows from noncapital financing activities:					
Interfund transfers (out)	(748,663)	(154,470)	(214,381)	(1,117,514)	-
Net cash (used in) noncapital financing activities	<u>(748,663)</u>	<u>(154,470)</u>	<u>(214,381)</u>	<u>(1,117,514)</u>	-
Cash flows from capital and related financing activities:					
Proceeds from borrowings	6,275,375	-	-	6,275,375	-
Cash payments for interest	(47,788)	(135,274)	(598,400)	(781,462)	-
Reduction of long-term debt	(191,155)	(300,000)	(1,159,445)	(1,650,600)	-
Proceeds from sale of assets	-	10,615	28,047	38,662	-
Acquisition and construction of capital assets	(8,847,856)	(245,939)	(3,346,012)	(12,439,807)	-
Net cash (used in) capital and related financing activities	<u>(2,811,424)</u>	<u>(670,598)</u>	<u>(5,075,810)</u>	<u>(8,557,832)</u>	-
Cash flows from investing activities:					
(Increase) decrease in temporary cash investments	(777,595)	504,495	(208,923)	(482,023)	(740)
Cash receipts from interest	199,776	173,965	303,952	677,693	147,647
Net cash provided by (used in) investing activities	<u>(577,819)</u>	<u>678,460</u>	<u>95,029</u>	<u>195,670</u>	<u>146,907</u>
Net increase in cash and cash equivalents	615,267	1,918,978	62,036	2,596,281	671,021
Cash and cash equivalents, July 1, 2007	3,372,623	3,111,710	2,157,601	8,641,934	4,143,403
Cash and cash equivalents, June 30, 2008	<u>\$ 3,987,890</u>	<u>\$ 5,030,688</u>	<u>\$ 2,219,637</u>	<u>\$ 11,238,215</u>	<u>\$ 4,814,424</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 2,898,019	\$ 1,746,051	\$ 2,686,857	\$ 7,330,927	\$ 497,978
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	1,380,335	632,743	2,210,051	4,223,129	-
(Gain) on asset disposal	-	(10,615)	(28,047)	(38,662)	-
(Increase) in accounts receivable	(220,560)	(220,745)	(182,799)	(624,104)	-
(Increase) in due from other funds	(96)	-	-	(96)	-
(Increase) decrease in inventory of material and supplies	162,869	(229,804)	(55,025)	(121,960)	-
(Increase) in prepaid expenses and other current assets	(10,141)	-	-	(10,141)	-
Decrease in deferred charges and other	833	-	-	833	-
(Increase) in other receivables	(35,546)	-	-	(35,546)	-
Increase in accounts payable	511,958	72,612	510,077	1,094,647	118
Increase in health claims payable	-	-	-	-	2,693
Increase in TVA notes payable	39,433	-	-	39,433	-
Increase in accrued expenses and compensated absences	16,768	2,336	9,372	28,476	-
Increase in due to other funds	8,846	68,243	131,946	209,035	23,325
Increase (decrease) in other current liabilities	455	4,765	(25,234)	(20,014)	-
Net cash provided by operating activities	<u>\$ 4,753,173</u>	<u>\$ 2,065,586</u>	<u>\$ 5,257,198</u>	<u>\$ 12,075,957</u>	<u>\$ 524,114</u>

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

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE, BUDGET AND ACTUAL- GENERAL FUND
FOR THE YEAR ENDED June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:				
Taxes and tax equivalents:				
Property tax	\$ 3,684,100	\$ 3,719,100	\$ 3,750,309	\$ 31,209
In lieu of tax	1,000,500	1,024,500	1,028,798	4,298
Business tax	883,000	1,003,000	1,007,232	4,232
Franchise tax	116,000	344,475	343,349	(1,126)
Clerks fee	<u>9,500</u>	<u>9,500</u>	<u>11,395</u>	<u>1,895</u>
Total taxes and tax equivalents	<u>5,693,100</u>	<u>6,100,575</u>	<u>6,141,083</u>	<u>40,508</u>
Licenses and permits:				
Beer permits	7,500	7,500	8,950	1,450
Beer license	10,000	10,000	10,433	433
Liquor license	28,000	28,000	16,925	(11,075)
Building permits	200,000	265,000	265,197	197
Miscellaneous permits	<u>152,100</u>	<u>170,100</u>	<u>177,784</u>	<u>7,684</u>
Total licenses and permits	<u>397,600</u>	<u>480,600</u>	<u>479,289</u>	<u>(1,311)</u>
Intergovernmental:				
Local option sales tax	10,320,647	10,020,647	10,005,181	(15,466)
Wholesale beer tax	1,005,000	1,045,000	1,046,312	1,312
State excise tax	67,000	134,200	133,066	(1,134)
State income tax	195,000	340,000	340,080	80
State beer tax	14,000	14,000	14,438	438
Mixed drink tax	120,000	120,000	133,404	13,404
Gasoline inspection fee	57,000	57,000	57,588	588
Grant-other	<u>200,000</u>	<u>24,880</u>	<u>31,828</u>	<u>6,948</u>
Total intergovernmental	<u>11,978,647</u>	<u>11,755,727</u>	<u>11,761,897</u>	<u>6,170</u>
Charges for services:				
Miscellaneous	<u>151,600</u>	<u>200,600</u>	<u>197,107</u>	<u>(3,493)</u>
Total charges for services	<u>151,600</u>	<u>200,600</u>	<u>197,107</u>	<u>(3,493)</u>
Fines, forfeitures and penalties:				
Court fines and fees	183,000	198,000	195,066	(2,934)
Parking violations	1,800	1,800	3,280	1,480
Other	<u>35,300</u>	<u>35,300</u>	<u>38,852</u>	<u>3,552</u>
Total fines and costs	<u>220,100</u>	<u>235,100</u>	<u>237,198</u>	<u>2,098</u>
Miscellaneous:				
Interest	141,600	149,600	150,551	951
Other	<u>409,400</u>	<u>450,400</u>	<u>464,138</u>	<u>13,738</u>
Total miscellaneous	<u>551,000</u>	<u>600,000</u>	<u>614,689</u>	<u>14,689</u>
Total revenues	<u>\$ 18,992,047</u>	<u>\$ 19,372,602</u>	<u>\$ 19,431,263</u>	<u>\$ 58,661</u>

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

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Expenses:				
General government:				
Salaries and wages	\$ 918,020	\$ 918,020	\$ 945,603	\$ (27,583)
Payroll taxes and fringes	333,849	333,849	301,891	31,958
Contractual services	126,250	106,250	93,035	13,215
Supplies and maintenance	880,300	1,026,538	1,030,901	(4,363)
Fixed charges	33,890	117,890	121,269	(3,379)
Miscellaneous	<u>39,500</u>	<u>39,500</u>	<u>58,125</u>	<u>(18,625)</u>
Total general government	<u>2,331,809</u>	<u>2,542,047</u>	<u>2,550,824</u>	<u>(8,777)</u>
Public safety:				
Police:				
Salaries and wages	4,270,800	4,263,600	4,249,712	13,888
Payroll taxes and fringes	1,755,130	1,694,738	1,622,745	71,993
Supplies and maintenance	732,000	761,750	819,661	(57,911)
Fixed charges	87,500	250,500	357,586	(107,086)
Miscellaneous	<u>10,500</u>	<u>10,500</u>	<u>19,715</u>	<u>(9,215)</u>
Total police	<u>6,855,930</u>	<u>6,981,088</u>	<u>7,069,419</u>	<u>(88,331)</u>
Fire:				
Salaries and wages	2,241,000	2,322,400	2,352,928	(30,528)
Payroll taxes and fringes	1,036,440	1,026,440	991,148	35,292
Supplies and maintenance	547,650	327,650	315,118	12,532
Fixed charges	17,000	137,000	165,193	(28,193)
Miscellaneous	<u>5,050</u>	<u>5,050</u>	<u>4,107</u>	<u>943</u>
Total fire	<u>3,847,140</u>	<u>3,818,540</u>	<u>3,828,494</u>	<u>(9,954)</u>
Total public safety	<u>\$ 10,703,070</u>	<u>\$ 10,799,628</u>	<u>\$ 10,897,913</u>	<u>\$ (98,285)</u>

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

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2008

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable</u> <u>(Unfavorable)</u>
Planning and engineering:				
Salaries and wages	\$ 593,300	\$ 553,300	\$ 575,719	\$ (22,419)
Payroll taxes and fringes	227,897	227,897	204,963	22,934
Supplies and maintenance	72,850	72,850	64,645	8,205
Fixed charges	4,658	4,658	4,232	426
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>2,782</u>	<u>218</u>
Total planning and engineering	<u>901,705</u>	<u>861,705</u>	<u>852,341</u>	<u>9,364</u>
Maintenance:				
Salaries and wages	642,760	631,760	619,310	12,450
Payroll taxes and fringes	285,549	285,549	279,823	5,726
Supplies and maintenance	146,500	146,500	149,534	(3,034)
Fixed charges	19,000	19,000	33,567	(14,567)
Miscellaneous	<u>1,150</u>	<u>1,150</u>	<u>1,064</u>	<u>86</u>
Total maintenance	<u>1,094,959</u>	<u>1,083,959</u>	<u>1,083,298</u>	<u>661</u>
Public works:				
Salaries and wages	1,544,900	1,499,900	1,499,939	(39)
Payroll taxes and fringes	639,100	639,100	609,409	29,691
Contracted services	-	22,000	44,771	(22,771)
Supplies and maintenance	366,450	338,450	326,323	12,127
Fixed charges	26,060	89,060	99,211	(10,151)
Miscellaneous	<u>6,800</u>	<u>6,800</u>	<u>3,813</u>	<u>2,987</u>
Total public works	<u>2,583,310</u>	<u>2,595,310</u>	<u>2,583,466</u>	<u>11,844</u>
Capital outlay:				
Capital outlay	<u>506,900</u>	<u>534,775</u>	<u>467,216</u>	<u>67,559</u>
Total capital outlay	<u>\$ 506,900</u>	<u>\$ 534,775</u>	<u>\$ 467,216</u>	<u>\$ 67,559</u>

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

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2008

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable</u> <u>(Unfavorable)</u>
Culture and recreation:				
Salaries and wages	\$ 659,100	\$ 632,500	\$ 643,866	\$ (11,366)
Payroll taxes and fringes	222,499	222,499	213,870	8,629
Supplies and maintenance	354,500	319,000	287,316	31,684
Fixed charges	19,580	87,380	82,757	4,623
Miscellaneous	7,850	12,350	12,734	(384)
Nonprofit contributions:				
Putnam County Library	307,807	307,807	307,807	-
Cookeville Arts Council	18,608	18,608	18,608	-
Cumberland Arts Society	1,901	1,901	1,901	-
Tennessee Vocational School	31,000	18,500	18,500	-
U C Regional Airport	38,000	38,000	38,000	-
Chamber of Commerce	14,750	64,750	64,750	-
Human Resources Agency	1,901	1,901	1,901	-
Civil Defense Emergency Management	25,400	25,400	25,400	-
WCTE Public Television	5,000	5,000	5,000	-
CityScape	32,417	32,417	32,417	-
Alliance Against Domestic Violence	11,407	11,407	11,407	-
Stephens Center for Child Abuse	2,377	2,377	2,377	-
Kids Putnam	7,000	7,000	7,000	-
Cookeville - PC Clean Commission	11,270	11,270	11,270	-
Plateau Mental Health Center	2,500	2,500	2,500	-
Putnam County Clearing House	11,407	11,407	11,407	-
Cookeville Senior Citizens	47,530	47,530	47,530	-
Upper Cumberland Community Svcs	15,000	15,000	15,000	-
Pacesetters, Inc.	5,000	5,000	5,000	-
	<u>1,853,804</u>	<u>1,901,504</u>	<u>1,868,318</u>	<u>33,186</u>
Total culture and recreation	\$ 1,853,804	\$ 1,901,504	\$ 1,868,318	\$ 33,186

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

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Total expenditures	\$ 19,975,557	\$ 20,318,928	\$ 20,303,376	\$ 15,552
Excess of revenues over expenditures	(983,510)	(946,326)	(872,113)	74,213
Other financing sources (uses):				
Interfund transfers in	1,079,284	1,109,284	1,117,514	8,230
Interfund transfers (out)	(54,220)	(54,220)	(54,220)	-
Sale of assets	6,500	50,500	44,209	(6,291)
Net other financing sources	1,031,564	1,105,564	1,107,503	1,939
Net change in fund balance	\$ 48,054	\$ 159,238	235,390	\$ 76,152
Fund balance, July 1, 2007			6,178,795	
Fund balance, June 30, 2008			\$ 6,414,185	

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

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED June 30, 2008

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes and tax equivalents	\$ 2,902,882	\$ 2,902,882	\$ 2,922,968	\$ 20,086
Rent	26,160	26,160	26,160	-
Interest	105,000	105,000	134,021	29,021
Total revenues	<u>3,034,042</u>	<u>3,034,042</u>	<u>3,083,149</u>	<u>49,107</u>
Expenditures:				
Debt service	<u>2,806,028</u>	<u>2,806,028</u>	<u>2,661,324</u>	<u>144,704</u>
Total expenditures	<u>2,806,028</u>	<u>2,806,028</u>	<u>2,661,324</u>	<u>144,704</u>
Excess (deficiency) of revenues over (under) expenditures	<u>228,014</u>	<u>228,014</u>	<u>421,825</u>	<u>193,811</u>
Other financing sources:				
Operating transfers in	<u>144,000</u>	<u>144,000</u>	<u>144,000</u>	
Net other financing sources:	<u>144,000</u>	<u>144,000</u>	<u>144,000</u>	
Net change in fund balance	<u>\$ 372,014</u>	<u>\$ 372,014</u>	565,825	<u>\$ 193,811</u>
Fund balance, July 1, 2007			<u>3,971,544</u>	
Fund balance, June 30, 2008			<u>\$ 4,537,369</u>	

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

CITY OF COOKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

The City of Cookeville and the Authority entered into an agreement effective December 10, 1999, which specified the arrangements relative to the Private Act. The Private Act, which created the Authority, was also amended by a subsequent Private Act in May 2000. This amended Private Act clarified the empowerment of the Authority. The Authority has sole and complete authority to operate and control the facilities of the Medical Center. The ownership of the real estate, improvements, tangible personal property, licenses, permits and provider numbers of the Medical Center remain with the City. The Authority also has rights to working capital, including cash, accounts receivable and future revenues, subject to that necessary to retire indebtedness at the date of the creation of the Authority, and the Authority has the obligation to repay debt of the City with respect to which such assets and revenues have been pledged. There was no change to the basis

of assets and liabilities as a result of the creation of the Authority. In addition, approval of the Cookeville City Council is required for all borrowings and purchases of any real property by the Authority. The Cookeville City Council also retains approval authority over the budget of the Medical Center's operations. All rights of the Authority cease upon sale, lease or transfer of the Medical Center by the City.

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

Due to the significant relationship between the City of Cookeville and Cookeville Regional Medical Center Authority, we have included as part of the notes of these financial statements the notes of Cookeville Regional Medical Center Authority (beginning on page 38) as audited by other auditors.

The City has recorded \$700,000 in payments in lieu of taxes and \$2,220,000 for utilities services from Cookeville Regional Medical Center during the year ended June 30, 2008.

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

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

B. Government-wide and Fund Financial Statements

Government-wide financial statements

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

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

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles of the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989. During 2004, the City adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these

statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

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

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

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

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

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

D. Fund Types and Major Funds

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

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City electively added funds, as major funds, which either had debt outstanding or specific community focus.

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

The City of Cookeville reports the following major funds:

Governmental Funds

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

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

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

Proprietary Funds

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

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

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

Other Funds

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

E. Budgets and Budgetary Accounting

As set forth in the City Charter, the City Council adopts an annual budget for the General Fund, Special Revenue Fund, Debt Service Fund and Utility Funds. The annual budget for the governmental type funds is prepared in accordance with the basis consistent with GAAP, except that depreciation, certain capital expenses, nonoperating income and expense items are not considered. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures/expenses must be approved by the City Council at year-end. The City Council has amended the 2008 fiscal budget which approved such additional expenditures/expenses. The City does not adopt budgets for Capital Projects. Because the City maintains its budgetary accounting on the GAAP basis, no reconciliation is necessary to reconcile the budgetary basis to the GAAP basis.

F. Encumbrances

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

G. Statement of Cash Flows

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

H. Cash and Investments

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

I. Inventories and Prepaids

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

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

J. Accounts Receivable

An allowance for doubtful accounts has been established based on the amount of accounts receivable that are 90 days or more past due. Accounts are written off when they are deemed uncollectible by management. Accounts are considered to be past due if they have not been collected according to contractual terms. The allowance was approximately \$217,000 for the year ended June 30, 2008.

K. Unbilled Revenue

It is the practice of the utility funds to record revenue on the basis of meter readings. Unbilled revenue, representing utility usage from the date of the last meter reading to June 30, was recognized in the amount of approximately \$4,190,000 in 2008.

L. Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets, not including infrastructure assets, with cost of \$5,000 or more as purchase and construction outlays occur. Infrastructure assets with a cost of \$250,000 or more are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The City elected to utilize the infrastructure transition option in the implementation of GASB Statement No. 34, "Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments." In fiscal year 2006 they capitalized their bridges and dams and in 2007 their right of way easements. In the absence of actual cost information, the City utilized a weighted average age calculation for estimating historical cost of this infrastructure network.

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

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

Water storage rights are recorded at historical cost and amortized over 30 years using the straight-line method. For information describing capital assets, see Note 6.

M. Compensated Absences

The City allows employees to accumulate unused sick leave. Upon retirement an employee will receive pay for only one-half of accumulated sick leave. Sick leave has not been accrued because the amount cannot be reasonably estimated. Earned vacation time can be accrued up to certain maximums based upon years of service. As of June 30, 2008, the liability for accrued vacation leave is approximately \$1,079,000.

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

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

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

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

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Drug and State Street funds are shown as restricted on the statement of net assets under the Special revenue caption.

P. Joint Ventures

The Upper Cumberland Regional Airport (UCRA) was established in 1993 as a joint venture to provide airport facilities for joint ownership and management among the City of Cookeville, City of Sparta, Putnam County, and White County. At June 30, 2007, the Upper Cumberland Regional Airport had net assets of \$9,680,695. The City of Cookeville reports their 25% equity interest of \$2,420,174 in this joint venture on the statement of net assets. Financial statements can be obtained from the organization.

The UCRA uses the modified accrual basis of accounting for financial reporting purposes. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

Q. Use of Estimates

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

NOTE 2 - CASH AND TEMPORARY CASH INVESTMENTS

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

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

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

NOTE 3 - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1, and taxes receivable and deferred revenue are recorded at that time. Taxes are levied on October 1 and are payable by February 28 with this five-month period being the major collection period. The City bills and collects its own property taxes. An allowance for uncollectible taxes is provided based on the experience of amounts not collected in the year of levy. The allowance was approximately \$311,000 for the year ended June 30, 2008.

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

A schedule of interfund receivables and payables follows:

Due from:	Governmental Activities				Business-type Activities		Internal Service Fund		Total Due From
	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Electric	Health Insurance Fund	Health Insurance Fund		
<u>Governmental Activities:</u>									
Major Governmental Funds									
General Fund	\$ 16	\$ 5,591	\$ -	\$ 1,395	\$ 218	\$ -	\$ -	\$ -	\$ 7,204
Capital Projects	18,081	-	2,900	-	-	-	-	-	16
Other Governmental Funds									20,981
<u>Business-type Activities:</u>									
Electric	81,242	-	-	-	-	-	-	-	81,242
Water Quality Control	38,402	-	131,897	-	-	-	-	-	170,299
Gas	23,201	-	85,013	-	-	-	\$ 5,444	-	113,658
<u>Internal Service Activities:</u>									
Health Insurance Fund	-	-	-	-	-	23,325	-	-	23,325
Total Due To	\$ 160,942	\$ 5,591	\$ 219,810	\$ 1,395	\$ 23,543	\$ -	\$ 5,444	\$ -	\$ 416,725

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

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Payments in lieu of taxes were reported as transfers out of the proprietary funds and transfers in by the general fund. Transfers made from the general fund to the animal control fund are to supplement revenues. The sanitation fund transferred funds to the debt service fund for a capital purchase. All inter-fund transfers are in accordance with the respective budgets of each fund.

NOTE 5 - CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets follows:

	Balance July 1, 2007	Additions	Retirements	Reclasses	Balance June 30, 2008
<u>Government-type activities:</u>					
Capital assets not being depreciated					
Land	\$ 8,961,509	\$ 114,796			\$ 9,076,305
Construction in progress	197,976	518,895		\$ (127,127)	589,744
Total capital assets not being depreciated	<u>9,159,485</u>	<u>633,691</u>		<u>(127,127)</u>	<u>9,666,049</u>
Capital assets, being depreciated					
Buildings	6,166,536	1,144,047		127,127	7,437,710
Improvements	1,103,259	25,212		-	1,128,471
Vehicles	6,878,528	581,095	\$ (444,225)	-	7,015,398
Machinery and equipment	2,448,538	178,039	-	-	2,626,577
Software	333,516	-	-	-	333,516
Infrastructure	35,119,526	-	-	-	35,119,526
Total capital assets being depreciated	<u>52,049,903</u>	<u>1,928,393</u>	<u>(444,225)</u>	<u>127,127</u>	<u>53,661,198</u>
Less accumulated depreciation for:					
Buildings	(2,359,833)	(125,909)	-	-	(2,485,742)
Improvements	(522,399)	(47,678)	-	-	(570,077)
Vehicles	(5,168,105)	(566,047)	444,225	-	(5,289,927)
Machinery and equipment	(1,702,176)	(211,083)	-	-	(1,913,259)
Software	(207,779)	(52,140)	-	-	(259,919)
Infrastructure	(15,641,358)	(1,143,239)	-	-	(16,784,597)
Total accumulated depreciation	<u>(25,601,650)</u>	<u>(2,146,096)</u>	<u>444,225</u>	<u>-</u>	<u>(27,303,521)</u>
Total capital assets being depreciated, net	<u>26,448,253</u>	<u>(217,703)</u>	<u>-</u>	<u>127,127</u>	<u>26,357,677</u>
Total government-type activities capital assets, net	<u>\$ 35,607,738</u>	<u>\$ 415,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,023,726</u>
<u>Business-type activities:</u>					
Capital assets not being depreciated					
Land and easements	\$ 2,531,558				\$ 2,531,558
Construction in progress	1,216,799	\$ 3,285,140		\$ (1,961,675)	2,540,264
Total capital assets not being depreciated	<u>3,748,357</u>	<u>3,285,140</u>		<u>(1,961,675)</u>	<u>5,071,822</u>
Capital assets being depreciated					
Buildings and improvements	4,538,927	-		-	4,538,927
Plant and distribution system	129,991,152	8,716,164	\$ (441,584)	1,430,005	139,695,737
Machinery and equipment	8,855,893	343,293	(55,738)	531,670	9,675,118
Furniture and equipment	636,887	11,547	(5,986)	-	642,448
Plant acquisition adjustment	32,912	-	(15,241)	-	17,671
Total capital assets being depreciated	<u>144,055,771</u>	<u>9,071,004</u>	<u>(518,549)</u>	<u>1,961,675</u>	<u>154,569,901</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,490,179)	(121,719)	-	-	(1,611,898)
Plant and distribution system	(47,722,973)	(3,605,456)	527,196	-	(50,801,233)
Machinery and equipment	(6,200,678)	(311,305)	53,788	-	(6,458,195)
Furniture and equipment	(408,824)	(63,452)	5,985	-	(466,291)
Total accumulated depreciation	<u>(55,822,654)</u>	<u>(4,101,932)</u>	<u>586,969</u>	<u>-</u>	<u>(59,337,617)</u>
Total capital assets being depreciated, net	<u>88,233,117</u>	<u>4,969,072</u>	<u>68,420</u>	<u>1,961,675</u>	<u>95,232,284</u>
Total business-type activities capital assets, net	<u>\$ 91,981,474</u>	<u>\$ 8,254,212</u>	<u>\$ 68,420</u>	<u>\$ -</u>	<u>\$ 100,304,106</u>

NOTE 6 - LONG TERM LIABILITIES:

The following summarizes long-term liabilities transactions of the City of Cookeville during the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Bonds and notes payable:					
General Obligation Bonds	\$ 2,080,000		\$ (710,000)	\$ 1,370,000	\$ 405,000
Notes payable	<u>15,282,205</u>	<u>\$ 2,643,614</u>	<u>(1,542,193)</u>	<u>16,383,626</u>	<u>1,736,187</u>
Total bonds and notes payable	<u>17,362,205</u>	<u>2,643,614</u>	<u>(2,252,193)</u>	<u>17,753,626</u>	<u>2,141,187</u>
Other liabilities:					
Compensated absences	<u>772,696</u>	<u>939</u>	<u>-</u>	<u>773,635</u>	<u>-</u>
Total other liabilities	<u>772,696</u>	<u>939</u>	<u>-</u>	<u>773,635</u>	<u>-</u>
Total governmental activities long-term liabilities:	<u>\$ 18,134,901</u>	<u>\$ 2,644,553</u>	<u>\$ (2,252,193)</u>	<u>\$ 18,527,261</u>	<u>\$ 2,141,187</u>
<u>Business-type Activities:</u>					
Bonds and notes payable:					
Revenue bonds payable	\$ 3,340,000		\$ (300,000)	\$ 3,040,000	\$ 305,000
Notes payable	<u>18,921,193</u>	<u>\$ 13,236,700</u>	<u>(1,302,391)</u>	<u>30,855,502</u>	<u>8,352,355</u>
Total bonds and notes payable	<u>22,261,193</u>	<u>13,236,700</u>	<u>(1,602,391)</u>	<u>33,895,502</u>	<u>8,657,355</u>
Other liabilities:					
Compensated absences	277,028	28,474	-	305,502	-
TVA heat pump notes payable	137,248	67,566	(28,133)	176,681	-
Water storage rights payable	<u>2,509,100</u>	<u>-</u>	<u>(48,209)</u>	<u>2,460,891</u>	<u>50,679</u>
Total other liabilities	<u>2,923,376</u>	<u>96,040</u>	<u>(76,342)</u>	<u>2,943,074</u>	<u>50,679</u>
Total business-type activities long-term liabilities:	<u>\$ 25,184,569</u>	<u>\$ 13,332,740</u>	<u>\$ (1,678,733)</u>	<u>\$ 36,838,576</u>	<u>\$ 8,708,034</u>

Bonds and notes payable at June 30, 2008, are comprised of the following:

Governmental Bonds and Notes Payable:

3.75% through 4.45% General Obligation Refunding Bonds, issued July 1, 1999, payable annually in varying amounts plus semi-annual interest payments through 2009.	\$ 180,000
1.6% through 3.65% General Improvement Refunding Bonds, issued August 16, 2004, payable annually in varying amounts plus semi-annual interest payments through 2013.	1,190,000
Note payable to Tennessee Municipal Bond Fund, maximum borrowing of \$9,000,000, payable annually beginning in 2002 through 2014, with a variable rate of interest. Interest rate at June 30, 2008 is 1.29%	4,616,000
Note payable to Tennessee Municipal Bond Fund, maximum borrowing of \$1,350,000, payable annually beginning in 2004 through 2017, with a variable rate of interest. Interest rate at June 30, 2008 is 1.54%	925,000
Note payable to Tennessee Municipal Bond Fund, maximum borrowing of \$2,500,000, payable annually beginning in 2004 through 2017, with a variable rate of interest. Interest rate at June 30, 2008 is 1.54%	1,695,000
Note payable to Tennessee Municipal Bond Fund, maximum borrowing of \$1,100,000, payable annually beginning in 2005 through 2013, with a variable rate of interest. Interest rate at June 30, 2008 is 1.54%	613,000
Note payable to the Dunlap Family Trust, dated July 2, 2001 maturity date July 2, 2013 bearing interest of 5.26%. Principal and interest payments due annually.	948,502
Note payable to Tennessee Municipal Bond Fund, maximum borrowing of \$4,500,000, payable annually beginning in 2005 through 2020, with a variable rate of interest. Interest rate at June 30, 2008 is 1.54%	3,871,000
Note payable to Tennessee Municipal Bond Fund, maximum borrowing of \$3,200,000, payable annually beginning in 2007 through 2019, with a variable rate of interest. Interest rate at June 30, 2008 is 1.54%	2,037,239
Note payable to Putnam County, Tennessee, payable annually beginning in 2007 through 2019, with an interest rate of 5%	<u>1,677,885</u>
	<u>\$ 17,753,626</u>

Business-type Bonds and Notes Payable:

Gas Department revenue bonds, series 2004, interest rate 1.4% to 3.3%, due serially through 2011.	\$ 640,000
Gas Department revenue bonds, series 2001 interest rate 3.2% to 4.85%, due serially through 2016.	2,400,000
Revolving loan payable to State of Tennessee, interest rate 3.6%, due in monthly installments through 2013.	731,330
Revolving loan payable to State of Tennessee, interest rate 3.5%, due in monthly installments through 2012.	231,786
Revolving loan payable to State of Tennessee, interest rate 3.14%, due in monthly installments through 2017.	5,135,251
Notes payable to Tennessee Municipal Bond Fund, maximum borrowing of \$10,500,000, payable annually beginning in 2000 through 2020, with a variable interest rate. Interest rate at June 30, 2008 is 1.55%.	7,467,000
Notes payable to UC EMC related to various annexations, payable annually through 2017 without interest.	16,009,135
Notes payable to Tennessee Municipal Bond Fund, maximum borrowing of \$2,500,000, payable annually beginning in 2000 through 2014, variable interest rate.	<u>1,281,000</u>
	<u>\$ 33,895,502</u>

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

General Obligation Bonds

Year Ending June 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 405,000	\$ 44,290
2010	220,000	29,440
2011	245,000	21,933
2012	240,000	13,690
2013	260,000	4,745
Total	<u>\$ 1,370,000</u>	<u>\$ 114,098</u>

Notes Payable

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,736,187	\$ 314,648	\$ 8,352,355	\$ 321,139
2010	1,805,093	282,422	2,399,948	288,227
2011	1,879,294	249,015	2,457,444	254,032
2012	1,954,805	214,340	2,517,708	218,531
2013	2,034,641	178,372	2,496,016	182,519
2014	1,983,819	141,035	2,413,740	150,130
2015	999,271	107,103	2,222,040	118,814
2016	1,041,185	86,237	2,271,940	90,177
2017	1,084,494	64,453	2,324,428	60,458
2018	777,219	41,714	1,833,883	35,977
2019	690,618	23,407	764,000	24,273
2020	397,000	6,114	802,000	12,431
Total	<u>\$ 16,383,626</u>	<u>\$ 1,708,860</u>	<u>\$ 30,855,502</u>	<u>\$ 1,756,708</u>

Revenue Bonds

Year Ending June 30,	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 305,000	\$ 124,725
2010	315,000	114,215
2011	345,000	102,467
2012	375,000	87,978
2013	400,000	70,775
2014	425,000	51,894
2015	425,000	31,919
2016	450,000	10,912
Total	<u>\$ 3,040,000</u>	<u>\$ 594,885</u>

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

Water Storage Rights Payable:

The Water Quality Control Department has entered into an agreement with the U.S. Army Corps of Engineers to purchase water storage rights at the Center Hill Reservoir. The purchase price is \$2,816,877 and will be paid over a period of 30 years. The contract will be payable in annual installments including interest of \$176,800 based on an initial interest rate of 5.125 percent. The interest rate will be adjusted at five year intervals throughout the repayment period. The rate is the yield rate as determined by the Secretary of the Treasury plus 1/8 percent.

Annual maturities of water storage rights payable, 2009 through 2033.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 50,679	\$ 126,121	\$ 176,800
2010	53,277	123,523	176,800
2011	56,007	120,793	176,800
2012	58,877	117,923	176,800
2013	61,895	114,905	176,800
2014-2018	360,435	523,565	884,000
2019-2023	462,762	421,238	884,000
2024-2028	594,138	289,862	884,000
2029-2033	762,821	121,189	884,010
	<u>\$2,460,891</u>	<u>\$1,959,119</u>	<u>\$4,420,010</u>

NOTE 7 - PENSION PLANS:

A. Plan Description

Employees of the City of Cookeville are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with thirty years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City of Cookeville participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230, or can be accessed <http://www.treasury.state.tn.us/tcrs/PS/>.

B. Funding Policy

The City of Cookeville has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0% of annual covered payroll. The City of Cookeville is required to contribute at an actuarially determined rate. The rate for the fiscal year ending June 30, 2008, was 14.86% of annual covered payroll. The contribution requirements of plan members is set by state statute. The contribution requirement for the City of Cookeville is established and may be amended by the TCRS Board of Trustees.

C. Annual Pension Cost

For the year ended June 30, 2008, the City of Cookeville’s annual pension cost of \$2,247,996 to TCRS was equal to the required and actual contributions.

The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of a 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The City of Cookeville’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 10 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation</u>
6/30/08	\$2,247,996	100.00%	\$0.00
6/30/07	\$2,192,905	100.00%	\$0.00
6/30/06	\$1,615,366	100.00%	\$0.00

D. Schedule of Funding Progress for the City of Cookeville

As of July 1, 2007, the most recent actuarial valuation date, the plan was 92.02% percent funded. The actuarial accrued liability for benefits was \$86.73 million, and the actuarial value of assets was \$79.81 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$6.92 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14.71 million, and the ratio of the UAAL to the covered payroll was 47.03% percent.

The schedules of funding progress, required to be presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented below. In future years, multiple years will be presented as RSI.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as a
	Value of	Liability	AAL	Ratio	Payroll	Percentage
Valuation Date	Plan Assets	-Entry Age	(UAAL)			of Covered
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
July 01, 2007	\$79,813	\$86,730	\$6,917	92.02%	\$14,706	47.03%

NOTE 8 - CONTINGENCIES:

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

At the beginning of the fiscal year the Electric Department was in legal negotiations with the Upper Cumberland Electric Membership Corporation (UCEMC) for servicing utility customers in areas that the City of Cookeville had annexed. The case was settled and a federal district judge ruled that the Electric Department should pay UCEMC \$16,000,000 for the annexed areas, which includes additional reintegration costs as a result of UCEMC's final appeal. The Electric Department has recorded \$7,000,000 in current liabilities due to UCEMC and they have recorded \$9,000,000 as

a long-term liability which is payable over a ten year period. These financial statements reflect all the amounts due to UCCEMC.

NOTE 9 - SELF-INSURANCE

The City of Cookeville is partially self-insured with regard to their general liability, worker's compensation and employee health insurance. The City is self-insured with excess coverage in these areas:

- 1) Worker's compensation liability with a \$50,000 deductible per incident and statutory limit on coverage.
- 2) General liability with a \$445,000 deductible in aggregate.

Claims expensed during the year ended June 30, 2008, totaled approximately \$192,000 for general liability and \$404,000 for worker's compensation. Liabilities for claims incurred but not reported as of June 30, 2008, are not calculated by an actuary. The plan administrator reported claims payable of approximately \$90,000 as of June 30, 2008 that have been included in these financial statements. 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 fiscal year.

The employee health care coverage program is partially self-insured by the City up to \$125,000 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, 2008, are not calculated by an actuary. The plan administrator reported health claims payable of approximately \$128,000 as of June 30, 2008. These are claims received by the plan administrator for a one month period following the end of the fiscal year and incurred by the end of the plan year. For the year ended June 30, 2008, the amount for health insurance claims and premiums totaled approximately \$2,847,000.

NOTES TO FINANCIAL STATEMENTS
(COOKEVILLE REGIONAL MEDICAL CENTER)

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements

Years Ended June 30, 2008 and 2007

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 for the purpose of operating Cookeville Regional Medical Center (the Medical Center) 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 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 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 the Medical Center and its component units 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 was also amended by a subsequent Private Act in May 2000. This amended Private Act clarified the empowerment of the Authority. The Authority has sole and complete authority to operate and control the facilities of the Medical Center. The ownership of the real estate, improvements, tangible personal property, licenses, permits and provider numbers of the Medical Center remain with the City. The Authority also has rights to working capital, including cash, accounts receivable and future revenues, subject to that necessary to retire indebtedness at the date of the creation of the Authority, and the Authority has the obligation to repay debt of the City with respect to which such assets and revenues have been pledged. In addition, approval of the Cookeville City Council is required for all borrowings and purchase of any real property by the Authority. The Cookeville City Council also retains approval authority over the budget of the Medical Center's operations. All rights of the Authority cease upon sale, lease or transfer of the Medical Center by the City.

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

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.

Combining of Related Entities: The accompanying combined financial statements include the accounts of the CRMC Children's Center (the Children's Center) and CRMC MSO, Inc. (the MSO), two component units of Cookeville Regional Medical Center. Both entities began operations during the year ended June 30, 2005. The Children's Center was established to

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE A--REPORTING ENTITY - Continued

provide a quality early childhood program to employees of Cookeville Regional Medical Center. The MSO was established to provide the billing and collection function for several physicians. All intercompany accounts have been eliminated in the combination. The Cookeville Regional Medical Center, Children's Center, and MSO are collectively referred to as the "Medical Center" in the notes to the combined financial statements.

NOTE B--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 of accounting. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Medical Center has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) and predecessor standard setting organizations, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

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 and other amounts in short-term investment portfolios, to be cash equivalents. Cash and cash equivalents consist of amounts maintained in bank deposits and money market accounts which are insured by the Federal Deposit Insurance Corporation, state depository insurance funds or multiple financial institution collateral pools, or otherwise collateralized by securities held by the Medical Center or by its agents in the Medical Center's name. The fair value approximates cost due to the nature of the assets.

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

Investments: Investments consist of short-term repurchase agreements and United States government obligations. These investments are reported at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The Medical Center generally holds its investments until maturity. The portion of investments related to financial instruments with maturities of less than one year are 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 combined statements of revenue, expenses, and changes in net assets as a component of investment income.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets Limited as to Use: Assets limited as to use include cash and investments 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; assets held by trustees under bond indenture agreements; and assets held by an insurance company for deferred compensation of employees.

Property and Equipment: Property and equipment is stated on the basis of cost. Depreciation is computed by the straight-line method over the estimated useful life of the asset, generally 25 to 40 years for buildings, 5 to 25 years for land improvements and 3 to 20 years for furniture and equipment. Assets under capital leases are included in property and equipment and the related amortization and accumulated amortization is included in depreciation expense and the allowance for depreciation, respectively. The Medical Center reviews the carrying values of long-lived assets if facts and circumstances indicate that recoverability may have been impaired. Costs of maintenance and repairs are expensed as incurred. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

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

Goodwill: Goodwill represents the excess of the purchase price of a healthcare operation over the fair value of the net assets acquired and is being amortized over ten years under the straight-line method.

Bond Issuance Costs: Costs incurred in issuing the revenue bonds are being amortized over the term of the related bond issues using the straight-line method.

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. Additionally, the Medical Center maintains a separate sick pay benefit for all full-time employees who have met a six-month service requirement. In the past, if an employee reached age 55 and completed 5 years of service, one-half of the accumulated hours were paid out as a benefit upon retirement. The Medical Center modified this policy in 2001 for existing employees and employees hired on or after July 9, 2001 are not entitled to this retirement benefit.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

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 assets.

Net Patient Service Revenue/Receivables: Net patient service revenue is reported on an accrual basis in the period in which services are provided at the estimated net realizable amounts, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued 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 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, BlueCross, health maintenance organizations and commercial insurance carriers.

Net Assets: Net assets of the Medical Center are classified in three components. *Net assets invested in capital assets, net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net assets* are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center, including amounts deposited with trustees as required by revenue bond indentures. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets, net of related debt or restricted*. The Medical Center first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenue and Expenses: The Medical Center's combined statements of revenue, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services - the Medical Center's principal activity. Nonexchange revenues, including

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

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 the 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.

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 of Cookeville. Accordingly, no provision for income taxes has been included in the accompanying combined financial statements.

Use of Estimates: The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain reclassifications have been made to 2007 amounts to be consistent with 2008 classifications.

NOTE C--NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE

A significant portion of the amount of services provided by the Medical Center are to patients whose bills are paid by third-party payors such as Medicare, TennCare, and private insurance carriers.

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the combined statements of revenue, expenses and changes in net assets is as follows:

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

**NOTE C--NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE
- Continued**

	<i>Year Ended June 30,</i>	
	<u>2008</u>	<u>2007</u>
Gross patient service charges	\$ 336,850,494	\$ 325,037,627
Less: Medicare contractual adjustments	(101,659,691)	(98,978,488)
TennCare contractual adjustments	(17,070,081)	(12,108,181)
Other contractual adjustments	(27,114,359)	(30,635,236)
Bad debt	(14,668,436)	(15,463,300)
Charity care	(3,858,402)	(4,386,756)
	<u>(164,370,969)</u>	<u>(161,571,961)</u>
Net patient service revenue	<u>\$ 172,479,525</u>	<u>\$ 163,465,666</u>

Net patient accounts receivable consist of the following:

	<i>June 30,</i>	
	<u>2008</u>	<u>2007</u>
Medicare	\$ 8,003,523	\$ 5,822,513
TennCare	2,305,890	4,859,714
BlueCross and commercial Patients, including self-insured	8,736,970	1,204,284
	<u>4,762,204</u>	<u>6,064,671</u>
	23,808,587	17,951,182
Less: estimated allowance for uncollectible accounts	<u>(3,612,080)</u>	<u>(2,894,855)</u>
	<u>\$ 20,196,507</u>	<u>\$ 15,056,327</u>

In prior years, the Medical Center estimated additional reserves to cover potential deficiencies in reimbursement under the State's TennCare program. Management believes that the uncertainty related to the TennCare program no longer exists; therefore, the additional reserves related primarily to TennCare were reduced by approximately \$4,500,000 during the year ended June 30, 2008. This amount was included in net patient service revenue for the year ended June 30, 2008.

NOTE D--THIRD-PARTY PAYOR AGREEMENTS

The Medical Center renders services to patients under contractual arrangements with the Medicare and Medicaid programs. Effective January 1, 1994, the Medicaid program in

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE D--THIRD-PARTY PAYOR AGREEMENTS - Continued

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. In the opinion of management, adequate provision has been made for any adjustments which may result from such reviews. 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.

The Medical Center contracts with various managed care organizations under the TennCare program. TennCare reimbursement for both inpatient and outpatient services is based upon prospectively determined rates and per diem amounts.

Net patient service revenue related to Medicare and TennCare was approximately \$65,143,000 and \$28,064,000 in 2008, respectively, and approximately \$72,303,000 and \$33,591,000 in 2007, respectively. Laws and regulations governing the Medicare and TennCare programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The filed cost reports are subject to audits, reviews, and investigations. The 2007 net patient service revenue increased by approximately \$1,717,000 due to a change in the allowances previously estimated for tentative cost report settlements. There was no significant change in such allowances from 2007 to 2008.

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.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE E--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 securities, mortgage-backed securities, certificates of deposit, and repurchase agreements that are in accordance with the Medical Center's investment policy.

The carrying amounts of deposits and investments included in the Medical Center's combined balance sheets are as follows:

	<i>June 30,</i>	
	<i>2008</i>	<i>2007</i>
Carrying amount:		
Cash and cash equivalents	\$ 2,620,663	\$ 2,083,882
Investments	43,832,656	76,705,820
Total deposits and investments	<u>\$ 46,453,319</u>	<u>\$ 78,789,702</u>
Included in the following balance sheet captions:		
Cash and cash equivalents	\$ 2,620,663	\$ 996,450
Short-term investments	28,418,773	35,075,846
Long-term investments	4,207,797	9,279,891
Assets limited as to use required to meet current obligations	1,129,932	1,087,432
Assets internally designated for capital acquisition	10,000,000	10,000,000
Assets limited by trustee under bond indenture agreement	-	22,350,083
Assets limited for deferred compensation	76,154	-
	<u>\$ 46,453,319</u>	<u>\$ 78,789,702</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 5.5 years in order to minimize market value fluctuations.

The distribution of the Medical Center's investments and assets limited as to use by maturity as of June 30, 2008, is as follows:

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE E--INVESTMENTS AND ASSETS LIMITED AS TO USE - Continued

	<i>Fair Value</i>	<i>Investment Maturities (in Years)</i>				<i>N/A</i>
		<i>Less Than 1</i>	<i>1 - 5</i>	<i>6 - 10</i>	<i>More Than 10</i>	
June 30, 2008						
Undesignated	\$ 32,626,570	\$ 28,418,773	\$ 2,969,493	\$ 738,085	\$ 500,219	\$ -
Assets internally designated for capital acquisition	10,000,000	10,000,000	-	-	-	-
Assets designated for deferred compensation	76,154	-	-	-	-	-
Assets limited as to use required to meet current obligations	1,129,932	1,129,932	-	-	-	76,154
Cash and cash equivalents	2,620,663	2,620,663	-	-	-	-
Total	\$ 46,453,319	\$ 42,169,368	\$ 2,969,493	\$ 738,085	\$ 500,219	\$ 76,154

Credit Risk: The Medical Center's investment policy requires that investments be made only in U.S. Government Securities, U.S. Treasury and Agency 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, 2008, the Medical Center had investments with quality ratings by nationally recognized rating agencies (i.e., Moody's Investor Service and Standard and Poor's Rating Agency).

Custodial Credit Risk: The Medical Center's investment securities are exposed to custodial credit risk if 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.

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, 2008, no more than \$1,500,000 is invested in any one investment security. As of June 30, 2008 and 2007, the Medical Center's investments consist of mortgage-backed securities, all of which are issued by Federal National Mortgage Association, Government National Mortgage Association, or Federal Home Loan Mortgage Corporation.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE E--INVESTMENTS AND ASSETS LIMITED AS TO USE - Continued

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

	<u>2008</u>		<u>2007</u>
Interest income	\$ 1,943,693	\$	2,505,773
Realized gain (loss) on investments	129,225		71,820
Unrealized gain on investments	853		402,226
	<u>\$ 2,073,771</u>	\$	<u>2,979,819</u>

NOTE F--PROPERTY AND EQUIPMENT

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 property and equipment and schedule of activity is as follows:

	<i>Balance at June 30, 2007</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2008</i>
Land	\$ 11,553,842	\$ 166,669	\$ -	\$ -	\$ 11,720,511
Land improvements	5,109,085	768	-	-	5,109,853
Building	79,950,066	85,734	-	3,842,711	83,878,511
Automobiles	180,122	-	-	-	180,122
Equipment	42,331,925	4,566,768	(1,142,885)	1,408,177	47,163,985
Equipment under capitalized leases	7,168,907	92,245	(2,063,272)	-	5,197,880
	146,293,947	4,912,184	(3,206,157)	5,250,888	153,250,862
Less: allowance for depreciation and amortization:					
Land improvements	916,409	242,135	-	-	1,158,544
Building	18,360,142	2,496,176	-	-	20,856,318
Automobiles	140,278	17,522	-	-	157,800
Equipment	32,284,542	7,048,289	(852,804)	-	38,480,026
Equipment under capitalized leases	7,173,607	26,379	(2,063,272)	-	5,136,714
	58,874,978	9,830,501	(2,916,076)	-	65,789,402
Construction in progress	29,162,372	39,830,481	-	(5,250,888)	63,741,965
	<u>\$ 116,581,341</u>	<u>\$ 34,912,164</u>	<u>\$ (290,081)</u>	<u>\$ -</u>	<u>\$ 151,203,425</u>

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE F--PROPERTY AND EQUIPMENT - Continued

	<i>Balance at June 30, 2006</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2007</i>
Land	\$ 11,467,131	\$ 426,711	\$ (340,000)	\$ -	\$ 11,553,842
Land improvements	1,757,526	-	-	3,351,559	5,109,085
Building	79,711,425	83,102	-	155,539	79,950,066
Automobiles	178,287	19,100	(17,265)	-	180,122
Equipment	36,960,244	3,060,403	(509,514)	2,820,792	42,331,925
Equipment under capitalized leases	7,168,907	-	-	-	7,168,907
	137,243,520	3,589,316	(866,779)	6,327,890	146,293,947
Less: allowance for depreciation and amortization	(50,861,976)	(8,396,539)	383,537	-	(58,874,978)
	86,381,544	(4,807,223)	(483,242)	6,327,890	87,418,969
Construction in progress	5,791,262	29,872,347	(173,347)	(6,327,890)	29,162,372
	<u>\$ 92,172,806</u>	<u>\$ 25,065,124</u>	<u>\$ (656,589)</u>	<u>\$ -</u>	<u>\$ 116,581,341</u>

Construction in progress at June 30, 2008 consists primarily of continuing construction on the North Patient Tower. Estimated costs to complete this project amount to approximately \$12,704,000 at June 30, 2008.

NOTE G--INVESTMENT IN JOINT VENTURE

During 2004, the Medical Center entered into a joint venture with an unrelated management company and several physicians to own and operate Upper Cumberland Physicians' Surgery Center (the Surgery Center) which began operations during the year ended June 30, 2004. The Medical Center has a 50% interest in the venture. The Medical Center recognizes its equity in the income/loss of the Surgery Center as part of other nonoperating revenue.

NOTE H--BONDS PAYABLE

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 bonds payable is as follows:

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE H--BONDS PAYABLE - Continued

	<i>Balance at June 30, 2007</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at June 30, 2008</i>	<i>Amounts Due Within One Year</i>
Series 2001 A-2 Bonds	\$ 20,140,000	\$ -	\$ (600,000)	\$ 19,540,000	\$ 630,000
Series 2001 A-3 Bonds	4,230,000	-	(970,000)	3,260,000	1,025,000
Series 2006 A-1 Bonds	45,000,000	-	(710,000)	44,290,000	740,000
Deferred loss on debt refinancing	(525,075)	-	127,728	(397,347)	-
	<u>\$ 68,844,925</u>	<u>\$ -</u>	<u>\$ (2,152,272)</u>	<u>\$ 66,692,653</u>	<u>\$ 2,395,000</u>

	<i>Balance at June 30, 2006</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at June 30, 2007</i>	<i>Amounts Due Within One Year</i>
Series 2001 A-2 Bonds	\$ 20,670,000	\$ -	\$ (530,000)	\$ 20,140,000	\$ 600,000
Series 2001 A-3 Bonds	5,140,000	-	(910,000)	4,230,000	970,000
Series 2006 A-1 Bonds	45,000,000	-	-	45,000,000	710,000
Deferred loss on debt refinancing	(677,243)	-	152,168	(525,075)	-
	<u>\$ 70,132,757</u>	<u>\$ -</u>	<u>\$ (1,287,832)</u>	<u>\$ 68,844,925</u>	<u>\$ 2,280,000</u>

On October 9, 2001, The Health Educational and Housing Facility Board of the County of Knox, Tennessee, pursuant to a Trust Indenture, issued \$22,570,000 of Variable Rate Demand Revenue Refunding Bonds, Series 2001 A-2 (the Series 2001 A-2 Bonds) and \$8,305,000 of Taxable Convertible Variable Rate Demand Revenue Refunding Bonds, Series 2001 A-3 (the Series 2001 A-3 Bonds).

The purpose of the Series 2001 A-2 Bonds and the Series 2001 A-3 Bonds was to advance refund the Industrial Development Board (IDB) of the City of Cookeville, Tennessee Hospital Improvement Revenue Bonds, Series 1996 (the Series 1996 Bonds) outstanding in the principal amount of \$8,395,000; to advance refund the IDB of the City of Cookeville, Tennessee Hospital Revenue Refunding Bonds, Series 1993 (the Series 1993 Bonds) outstanding in the principal amount of \$8,780,000; and to provide funds for expanding and improving the Medical Center's facilities and to pay certain costs in connection with issuance of the Bonds.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE H--BONDS PAYABLE - Continued

Certain proceeds of the Series 2001 A-2 and Series 2001 A-3 Bonds, together with transfers from the debt service reserve funds related to the Series 1996 and Series 1993 Bonds, were deposited in irrevocable trusts with an escrow agent to provide for all future debt service payments on the Series 1996 and the Series 1993 Bonds. As a result, these bonds were considered to be defeased and the liability for these bonds has been removed from the combined financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,791,850. This difference, reported in the accompanying combined financial statements as a deduction from bonds payable, is being charged to interest expense using the effective interest method over the term of the old debt. Interest expense in 2008 and 2007 includes amortization of \$127,728 and \$152,168, respectively, related to this deferred amount. As a result of this transaction, the Medical Center in effect reduced its aggregate debt service payments. The ultimate economic effect of this transaction will depend upon the actual effective interest rates on the variable rate Bonds and the effect of any fixed rate conversions or agreements.

On March 10, 2006, the Medical Center issued \$45,000,000 in Variable Rate Demand Bonds (the Series 2006 Bonds) to provide funds for the construction of the North Patient Tower.

The Series 2001 A-2, Series 2001 A-3, and Series 2006 Bonds bear interest at a variable rate, adjusted weekly and subject to a maximum, which is determined by a remarketing agent at a rate which, under prevailing market conditions, would allow sale of the Bonds at par. The rate was 1.70% for the Series 2001 A-2 and Series 2001 A-3 Bonds and 1.55% for the Series 2006 Bonds at June 30, 2008. The interest rate on all bonds of a series may be converted to a fixed term rate until maturity at any time upon election of the Medical Center. During October 2004, the Medical Center entered into an interest rate swap agreement with a bank which effectively converts the interest rates on the Series 2001 A-2 and A-3 Bonds to a fixed rate of 3.79%. During March 2006, the Medical Center entered into an interest rate swap agreement which effectively converts the interest rate on the Series 2006 Bonds to a fixed rate of 4.21%. As of June 30, 2008 and 2007, the estimated fair value of the swaps resulted in a liability of \$2,053,401 and \$254,064, respectively. The swap on the 2001 A-2 and A-3 Bonds extends through October 2014, and the swap on the 2006 Bonds extends through March 2021. In addition, the Medical Center is subject to various annual fees associated with the bond issues. The fees totaled approximately \$336,000 and \$165,000 in 2008 and 2007, respectively, and are included in interest expense.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE H--BONDS PAYABLE - Continued

The Series 2001 A-3 Bonds are subject to an automatic tax-exempt conversion upon notice by the issuer and the Medical Center and upon the fulfillment of other requirements as outlined in the Trust Indenture. During 2004, such Bonds were converted to tax-exempt bonds.

The Series 2001 A-2 Bonds mature on October 1, 2026, the Series 2001 A-3 Bonds mature on October 1, 2010, and the Series 2006 Bonds mature on March 1, 2036. The owners of any bond may require such bond to be purchased by the tender agent unless an event has occurred that requires the sooner mandatory purchase, mandatory redemption or acceleration of the bonds. The Bonds are also subject to optional redemption prior to any term rate conversion at the option of the Medical Center at 100% of the principal amount plus accrued interest. The Bonds are subject to mandatory purchase on the term rate conversion date at the principal amount, upon expiration of the letter of credit securing the bonds, or upon occurrence of certain events of default. The Series 2001 A-3 Bonds are subject to mandatory purchase upon conversion to tax-exempt bonds.

The Medical Center has entered into a remarketing agreement which requires the remarketing agent to use its best effort to remarket any bonds that have been tendered under optional and in some cases, mandatory provisions. In addition, the Medical Center has obtained three irrevocable, direct-draw letters of credit from a bank which secure payment of the principal and interest on the bonds and the purchase price of the bonds delivered for optional or mandatory purchase. The letters of credit associated with the Series 2001 Bonds expire on March 10, 2011, and the letter of credit associated with the Series 2006 Bonds expires on March 1, 2011. The Medical Center has entered into a reimbursement and security agreement with the bank issuing the letters of credit. This agreement provides for certain financial and other covenants and restrictions with which the Medical Center must comply. Management believes that the Medical center is in compliance with such covenants as of June 30, 2008.

The debt service requirements at June 30, 2008 related to bonds payable are as follows:

<i>Year Ended June 30,</i>	<i>Principal Maturities or Sinking Fund Requirements</i>		<i>Interest</i>
2009	\$	2,395,000	\$ 2,630,456
2010		2,515,000	2,547,686
2011		2,655,000	2,448,959
2012		1,570,000	2,367,201
2013		1,650,000	2,303,381

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE H--BONDS PAYABLE - Continued

<i>Year Ended June 30,</i>	<i>Principal Maturities or Sinking Fund Requirements</i>	<i>Interest</i>
2014-2018	9,480,000	10,449,929
2019-2023	12,215,000	8,317,217
2024-2028	14,165,000	5,589,316
2029-2033	10,295,000	3,187,882
2034-2037	10,150,000	808,250
	<u>\$ 67,090,000</u>	<u>\$ 40,650,277</u>

Interest amounts for the Series 2001 A-2, A-3, and 2006 Bonds included in the table above are based on current rates in effect at June 30, 2008 and the effect of the interest rate swap agreements.

Interest expense of \$1,165,135 and interest income of \$404,411 were capitalized as part of construction in progress during the year ended June 30, 2008. Net interest expense in 2007 was approximately \$722,000.

NOTE I--LEASES

The Medical Center leases equipment and office space under capital and operating lease agreements. Future minimum lease payments under capital leases and noncancellable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2008 are as follows:

<i>Year Ending June 30,</i>	<i>Capital Leases</i>	<i>Operating Leases</i>
2009	\$ 32,681	\$ 442,049
2010	32,681	319,644
2011	31,838	188,044
2012	13,758	135,450
2013	-	135,450
Total future minimum lease payments	110,958	<u>\$ 1,220,637</u>
Less amounts representing interest of 9%-12.62%	<u>(21,932)</u>	
Present value of net minimum lease payments	<u>\$ 89,026</u>	

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE I--LEASES - Continued

Operating lease commitments shown above exclude approximately \$2,360,000 for the year ended June 30, 2008 related to software and information system contract labor.

Total rental expense was \$245,355 for the year ended June 30, 2008.

A schedule of changes in the Medical Center's capital leases is as follows:

<i>Balance at June 30, 2007</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at June 30, 2008</i>	<i>Amounts Due Within One Year</i>
\$ -	\$ 92,245	\$ (3,219)	\$ 89,026	\$ 22,555

NOTE J - PENSION PLANS

Employees of the Medical Center are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's highest five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with 5 years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system become vested after 5 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Medical Center participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.treasury.state.tn.us.

Prior to July 1, 2006, the Medical Center offered one retirement option, the PSPP. Effective July 1, 2006, the Medical Center offered two retirement options to those employees who were hired on or before June 30, 2006, the PSPP and a 401k noncontributory plan. The Medical Center

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE J - PENSION PLANS - Continued

ceased to offer the PSPP for employees hired by the Medical Center on or after July 1, 2006. Those employees that were hired by the Medical Center on or before June 30, 2006, were given a choice to continue participation in the PSPP or begin participating in the new noncontributory retirement plan in which the Medical Center contributes up to 7.0% of annual covered payroll. For the PSPP the Medical Center is required to contribute at an actuarially determined rate; the rate for the fiscal years ending June 30, 2008 and 2007 was 13.08% of annual covered payroll. The contribution requirements of plan members is set by state statute. The contribution requirement for the Medical Center is established and may be amended by the TCRS Board of Trustees.

For the PSPP, the Medical Center made its required contribution of \$4,904,211 and \$5,330,648 for the years ended June 30, 2008 and 2007, respectively, which represented 100% of the annual pension cost for those years. There was no net pension obligation at June 30, 2008 and 2007. For the noncontributory 401k plan, the Medical Center contributed \$395,070 and \$420,123 for the years ended June 30, 2008 and 2007.

The required contribution related to the PSPP was determined as part of the initial participation actuarial valuation using the frozen initial liability actuarial cost method. Contribution rates determined by the initial participation actuarial valuation are guaranteed for two years. Significant actuarial assumptions used in the valuation are based on a July 1, 2005 experience study and include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 4.75% annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The Medical Center's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis.

Additionally, the Medical Center offers its employees participation in a 401(k) Profit Sharing Plan (the Plan). The Plan administrator maintains the records of the trust which holds all investments of the Plan. The trust had net assets available for plan benefits of \$25,930,270 and \$26,566,479 at June 30, 2008 and 2007, respectively. The Plan is a defined contribution plan covering all employees who have completed six months of service. Contributions by participants are made by entering into a salary reduction agreement to reduce the participant's compensation by a specified percentage not to exceed 15% of total compensation. The Medical Center then matches the participant's contribution up to 3% of the participant's salary. The Medical Center's contributions to the Plan for the years ended June 30, 2008 and 2007 were \$1,101,298 and \$1,451,600, respectively. One year of service is defined as 1,000 hours of work in a plan year.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE J - PENSION PLANS - Continued

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%.

NOTE K--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 due to the fact that their professional liability carrier became insolvent. There are known incidents occurring through June 30, 2008 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 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 most recently under the provisions of the Health Insurance Portability and Accountability Act of 1996, matters related to patient records, privacy and security. Recently, 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.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE K--COMMITMENTS AND CONTINGENCIES - Continued

The Medical Center has entered into contractual relationships with physicians to provide services to patients in the Medical Center's service area. These contracts have terms of varying lengths and guarantee certain payments based on the physician's practice.

As of June 30, 2008, the Medical Center was involved in litigation with another entity regarding a professional services agreement. In October 2007, the opposing entity was awarded their alleged damages in this litigation, however, management is currently appealing this ruling. As a result, the Medical Center accrued approximately \$2,100,000 at June 30, 2007 in regard to this litigation. This amount was still outstanding at June 30, 2008. This amount is included in other accrued expenses on the combined balance sheets.

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 \$150,000 per employee, up to an aggregate of \$1,000,000 in any one policy period. Contributions by the Medical Center and participating employees are based on actual claims experience. Claims liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported based on historical experience. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other factors. The amount of the estimated claim liabilities was \$1,072,102 and \$765,207 at June 30, 2008 and 2007, respectively. Total expenses under this program amounted to approximately \$7,065,000 and \$6,467,000 for the years ended June 30, 2008 and 2007, respectively.

The Medical Center is also self-insured for workers' compensation with an umbrella coverage in excess of \$400,000 per case up to an aggregate of approximately \$1,000,000. Claim liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2008 and 2007, approximately \$1,306,000 and \$1,506,000, respectively, was accrued and included in other accrued expenses on the combined balance sheet for estimated claims incurred but not reported.

NOTE L--RELATED PARTY TRANSACTIONS

Other related party transactions with the City of Cookeville include payments in lieu of taxes of \$700,000 during each of the years ended June 30, 2008 and 2007, respectively. Operating expenses also include \$2,151,388 and \$1,895,533 in 2008 and 2007, respectively, for the purchase of utilities.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE M--FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Medical Center in estimating fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the combined balance sheets approximates their fair value.

Investments and assets limited as to use: All investments, including those classified as assets limited as to use, are reported at fair value based on quoted market prices.

Patient accounts and other receivables: The carrying amount reported in the combined balance sheets approximates its fair value.

Accounts payable, other accrued expenses and other liabilities: The carrying amount reported in the combined balance sheets approximates its fair value.

Accrued salaries and related liabilities: The carrying amount reported in the combined balance sheets approximates its fair value.

Estimated amounts due to third-party payors: The carrying amount reported in the combined balance sheets approximates its fair value.

Long-term debt: The fair value of the variable rate Series 2001 A-2, Series 2001 A-3, and Series 2006 Bonds (Note H) approximates carrying value due to the weekly adjustment of the interest rates which would allow sale of the bonds at par. Related interest rate swaps are reported at estimated fair value, based on information provided by the counterparty, which is subject to change in the near term.

NOTE N--DEFERRED COMPENSATION

The Medical Center previously offered its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan was available to all Medical Center employees and permitted them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, the property and rights purchased with those amounts and the income attributable to those amounts, until paid or made available to the employee or other beneficiary, are solely the property and rights of the Medical Center, subject only to the claims of the Medical Center's general creditors. Participants' rights under the plan

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2008 and 2007

NOTE N--DEFERRED COMPENSATION - Continued

are equal to those of general creditors of the Medical Center in an amount equal to the fair market value of the deferred compensation account for each participant. At June 30, 2008, the Medical Center held in trust and recorded a liability related to deferred compensation of \$76,154.

SUPPLEMENTAL INFORMATION

CITY OF COOKEVILLE, TENNESSEE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2008

	Special Revenue Funds					Total Other Governmental Funds
	Drug Fund	State Street Aid Fund	Sanitation Fund	Animal Control Board Fund	Economic Development Fund	
Assets						
Cash	\$ 26,776	\$ 564,826	\$ 490,722	\$ 538,771	\$ 422,310	\$ 2,274,564
Temporary cash investments	-	131,277	-	-	-	131,277
Accounts receivable	-	-	97,706	-	-	97,706
Taxes receivable	-	-	-	-	265,004	66,251
Less allowance for bad debts	-	-	(2,335)	-	(4,320)	(1,080)
Other receivables	18,041	64,686	552	822	504	102,900
Due from other funds	-	-	-	-	1,116	279
Total assets	<u>\$ 44,817</u>	<u>\$ 760,789</u>	<u>\$ 586,645</u>	<u>\$ 539,593</u>	<u>\$ 684,614</u>	<u>\$ 3,015,967</u>

						Total Other Governmental Funds
	Drug Fund	State Street Aid Fund	Sanitation Fund	Animal Control Board Fund	Economic Development Fund	
Liabilities and Fund Balances						
Accounts payable	\$ 17	\$ 4,127	\$ 20,432	\$ 2,734	\$ 9,232	\$ 45,299
Due to other funds	1,745	2,900	14,254	1,440	642	20,981
Deferred revenue	-	4,724	-	43,736	269,085	453,239
Other liabilities	-	52,250	158	-	-	52,408
Total liabilities	<u>1,762</u>	<u>64,001</u>	<u>34,844</u>	<u>47,910</u>	<u>278,959</u>	<u>571,927</u>
Fund balances unreserved	<u>43,055</u>	<u>696,788</u>	<u>551,801</u>	<u>491,683</u>	<u>405,655</u>	<u>2,444,040</u>
Total liabilities and fund balances	<u>\$ 44,817</u>	<u>\$ 760,789</u>	<u>\$ 586,645</u>	<u>\$ 539,593</u>	<u>\$ 684,614</u>	<u>\$ 3,015,967</u>

CITY OF COOKEVILLE, TENNESSEE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED June 30, 2008

	Special Revenue Funds							Total Other Governmental Funds
	Drug Fund	State Street Aid Fund	Sanitation Fund	Animal Control Board Fund	Economic Development Fund	Quality of Life Fund		
Revenues:								
Taxes and equivalents	\$ 12,276	\$ 748,481			\$ 255,464	\$ 63,866	\$ 1,080,087	
Intergovernmental	-	-	6,122	47,250	-	178,952	232,324	
Charges for services	-	-	1,303,158	37,748	-	-	1,340,906	
Fines and costs	24,936	-	-	-	-	-	24,936	
Interest	1,413	22,477	12,953	16,929	13,452	7,465	74,689	
Other	-	-	1,336	20,686	50,000	-	72,022	
Total revenues	<u>38,625</u>	<u>770,958</u>	<u>1,323,569</u>	<u>122,613</u>	<u>318,916</u>	<u>250,283</u>	<u>2,824,964</u>	
Expenditures:								
General government	-	-	-	-	81,241	-	81,241	
Public safety	47,867	-	-	213,469	-	-	261,336	
Public works	-	519,787	1,011,135	-	-	-	1,530,922	
Culture & recreation	-	-	-	-	-	201,361	201,361	
Debt service	-	-	-	-	225,083	-	225,083	
Capital outlay	14,857	133,522	202,972	-	-	-	351,351	
Total expenditures	<u>62,724</u>	<u>653,309</u>	<u>1,214,107</u>	<u>213,469</u>	<u>306,324</u>	<u>201,361</u>	<u>2,651,294</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(24,099)</u>	<u>117,649</u>	<u>109,462</u>	<u>(90,856)</u>	<u>12,592</u>	<u>48,922</u>	<u>173,670</u>	
Other financing sources (uses):								
Operating transfers in	-	-	-	54,220	-	-	54,220	
Operating transfers out	-	-	(144,000)	-	-	-	(144,000)	
Sale of assets	-	-	71,521	-	-	-	71,521	
Total other financing sources (uses)	-	-	<u>(72,479)</u>	<u>54,220</u>	-	-	<u>(18,259)</u>	
Net change in fund balances	<u>(24,099)</u>	<u>117,649</u>	<u>36,983</u>	<u>(36,636)</u>	<u>12,592</u>	<u>48,922</u>	<u>155,411</u>	
Fund balances, July 1, 2007	<u>67,154</u>	<u>579,139</u>	<u>514,818</u>	<u>528,319</u>	<u>393,063</u>	<u>206,136</u>	<u>2,288,629</u>	
Fund balances, June 30, 2008	<u>\$ 43,055</u>	<u>\$ 696,788</u>	<u>\$ 551,801</u>	<u>\$ 491,683</u>	<u>\$ 405,655</u>	<u>\$ 255,058</u>	<u>\$ 2,444,040</u>	

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STATE STREET AID
FOR THE YEAR ENDED June 30, 2008

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State gasoline tax	\$ 745,000	\$ 745,000	\$ 748,481	\$ 3,481
Interest	19,000	19,000	22,477	3,477
Total revenues	<u>764,000</u>	<u>764,000</u>	<u>770,958</u>	<u>6,958</u>
Expenditures:				
Paving	505,000	505,000	424,963	80,037
Sidewalk improvements	30,000	30,000	24,323	5,677
Intersection improvements	90,000	90,000	56,946	33,054
Street maintenance supplies	5,000	5,000	13,428	(8,428)
Capital Outlay	131,000	131,000	133,522	(2,522)
Other	100	100	127	(27)
Total expenditures	<u>761,100</u>	<u>761,100</u>	<u>653,309</u>	<u>107,791</u>
Excess of revenues over expenditures	<u>2,900</u>	<u>2,900</u>	<u>117,649</u>	<u>114,749</u>
Net change in fund balance	<u>\$ 2,900</u>	<u>\$ 2,900</u>	117,649	<u>\$ 114,749</u>
Fund balance, July 1, 2007			<u>579,139</u>	
Fund balance, June 30, 2008			<u>\$ 696,788</u>	

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DRUG FUND
FOR THE YEAR ENDED June 30, 2008

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, forfeitures & penalties	\$ 15,000	\$ 25,000	\$ 24,936	\$ (64)
Taxes and equivalents	2,000	12,000	12,276	276
Interest	800	800	1,413	613
Total revenues	<u>17,800</u>	<u>37,800</u>	<u>38,625</u>	<u>825</u>
Expenditures:				
Public safety	16,300	47,300	47,867	(567)
Capital outlay	-	15,000	14,857	143
Total expenditures	<u>16,300</u>	<u>62,300</u>	<u>62,724</u>	<u>(424)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,500</u>	<u>(24,500)</u>	<u>(24,099)</u>	<u>401</u>
Net change in fund balance	<u>\$ 1,500</u>	<u>\$ (24,500)</u>	<u>(24,099)</u>	<u>\$ 401</u>
Fund balance, July 1, 2007			<u>67,154</u>	
Fund balance, June 30, 2008			<u>\$ 43,055</u>	

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SANITATION
FOR THE YEAR ENDED June 30, 2008

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 1,235,500	\$ 1,295,500	\$ 1,303,158	\$ 7,658
Intergovernmental	-	6,122	6,122	-
Other revenue	1,000	1,000	1,336	336
Interest	15,000	15,000	12,953	(2,047)
Total revenues	<u>1,251,500</u>	<u>1,317,622</u>	<u>1,323,569</u>	<u>5,947</u>
Expenditures:				
Public works	874,558	925,758	1,011,135	(85,377)
Capital outlay	320,000	303,000	202,972	100,028
Total expenditures	<u>1,194,558</u>	<u>1,228,758</u>	<u>1,214,107</u>	<u>14,651</u>
Excess of revenues over expenditures	<u>56,942</u>	<u>88,864</u>	<u>109,462</u>	<u>20,598</u>
Other financing sources (uses):				
Operating transfers out	(144,000)	(144,000)	(144,000)	-
Sale of assets	<u> </u>	<u>71,500</u>	<u>71,521</u>	<u>21</u>
Net other financing sources:	<u>(144,000)</u>	<u>(72,500)</u>	<u>(72,479)</u>	<u>21</u>
Net change in fund balance	<u>\$ (87,058)</u>	<u>\$ 16,364</u>	36,983	<u>\$ 20,619</u>
Fund balance, July 1, 2007			<u>514,818</u>	
Fund balance, June 30, 2008			<u>\$ 551,801</u>	

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ANIMAL CONTROL FUND
FOR THE YEAR ENDED June 30, 2008

	<u>Budgeted Amounts</u>		<u>Total</u> <u>Actual</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 46,250	\$ 46,250	\$ 47,250	\$ 1,000
Charges for services	44,000	44,000	37,748	(6,252)
Other revenue	22,000	22,000	20,686	(1,314)
Interest	15,000	15,000	16,929	1,929
Total revenues	<u>127,250</u>	<u>127,250</u>	<u>122,613</u>	<u>(4,637)</u>
Expenditures:				
Public safety	<u>595,503</u>	<u>220,503</u>	<u>213,469</u>	<u>7,034</u>
Total expenditures	<u>595,503</u>	<u>220,503</u>	<u>213,469</u>	<u>7,034</u>
(Deficiency) of revenues (under) expenditures	<u>(468,253)</u>	<u>(93,253)</u>	<u>(90,856)</u>	<u>2,397</u>
Other financing sources:				
Operating transfers in	<u>54,220</u>	<u>54,220</u>	<u>54,220</u>	<u>-</u>
Net other financing sources:	<u>54,220</u>	<u>54,220</u>	<u>54,220</u>	<u>-</u>
Net change in fund balance	<u>\$ (414,033)</u>	<u>\$ (39,033)</u>	<u>(36,636)</u>	<u>\$ 2,397</u>
Fund balance, July 1, 2007			<u>528,319</u>	
Fund balance, June 30, 2008			<u>\$ 491,683</u>	

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT FUND
FOR THE YEAR ENDED June 30, 2008

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 250,100	\$ 250,100	\$ 255,464	\$ 5,364
Other revenue	-	80,000	50,000	(30,000)
Interest	15,000	15,000	13,452	(1,548)
Total revenues	<u>265,100</u>	<u>345,100</u>	<u>318,916</u>	<u>(26,184)</u>
Expenditures:				
General Government	100	80,100	81,241	(1,141)
Debt Service	226,000	226,000	225,083	917
Total expenditures	<u>226,100</u>	<u>306,100</u>	<u>306,324</u>	<u>(224)</u>
Excess of revenues over expenditures	<u>39,000</u>	<u>39,000</u>	<u>12,592</u>	<u>(26,408)</u>
Net change in fund balance	<u>\$ 39,000</u>	<u>\$ 39,000</u>	12,592	<u>\$ (26,408)</u>
Fund balance, July 1, 2007			<u>393,063</u>	
Fund balance, June 30, 2008			<u>\$ 405,655</u>	

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
QUALITY OF LIFE FUND
FOR THE YEAR ENDED June 30, 2008

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 62,830	\$ 62,830	\$ 63,866	\$ 1,036
Intergovernmental	31,000	231,000	178,952	(52,048)
Interest	5,000	5,000	7,465	2,465
Other	500	500	-	(500)
Total revenues	<u>99,330</u>	<u>299,330</u>	<u>250,283</u>	<u>(49,047)</u>
Expenditures:				
Culture & recreation	<u>46,110</u>	<u>246,110</u>	<u>201,361</u>	<u>44,749</u>
Total expenditures	<u>46,110</u>	<u>246,110</u>	<u>201,361</u>	<u>44,749</u>
Excess of revenues over expenditures	<u>53,220</u>	<u>53,220</u>	<u>48,922</u>	<u>(4,298)</u>
Net change in fund balance	<u>\$ 53,220</u>	<u>\$ 53,220</u>	48,922	<u>\$ (4,298)</u>
Fund balance, July 1, 2007			<u>206,136</u>	
Fund balance, June 30, 2008			<u>\$ 255,058</u>	

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

JUNE 30, 2008

<u>Tax Year</u>	<u>Balance July 1,</u>	<u>Property Tax Levied</u>	<u>Anticipated Levy</u>	<u>Abatements & Adjustments</u>	<u>Collections</u>	<u>Balance June 30,</u>	<u>Delinquent Taxes Filed*</u>
2008			\$ 5,763,841			\$ 5,763,841	
2007		\$ 5,129,925	-	\$ (33,432)	\$ (4,883,520)	212,973	
2006	\$ 172,905	-	-	(120)	(123,479)	49,306	\$ 49,306
2005	20,293	-	-	(93)	(7,278)	12,922	12,922
2004	34,455	-	-	(102)	(7,136)	27,217	27,217
2003	21,589	-	-	-	(1,936)	19,653	19,653
2002	12,717	-	-	(34)	(2,394)	10,289	10,289
2001	10,905	-	-	(146)	(1,156)	9,603	9,603
2000	11,639	-	-	(15)	(459)	11,165	11,165
1999	2,190	-	-	(2,005)	-	185	185
1998	2,709	-	-	(2,524)	-	185	185
	<u>\$ 289,402</u>	<u>\$ 5,129,925</u>	<u>\$ 5,763,841</u>	<u>\$ (38,471)</u>	<u>\$ (5,027,358)</u>	<u>\$ 6,117,339</u>	<u>\$ 140,525</u>

* Outstanding Delinquent Taxes filed with clerk and master.

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF TAX RATES AND ASSESSMENTS

JUNE 30, 2008

<u>Year</u>	<u>Tax rate</u>	<u>Assessed Value</u>
2008	\$.87 per \$100	\$640,260,446
2007	.79 per 100	619,049,296
2006	.79 per 100	605,586,006
2005	.88 per 100	520,822,737
2004	.88 per 100	510,293,044
2003	.83 per 100	507,125,668
2002	.71 per 100	506,425,352
2001	.71 per 100	494,319,138
2000	.82 per 100	371,189,258
1999	.82 per 100	355,087,093
1998	.82 per 100	345,188,191

CITY OF COOKEVILLE, TENNESSEE
GENERAL LONG-TERM DEBT
SUMMARY OF BOND DEBT SERVICE REQUIREMENTS
CLASSIFIED BY MATURITY DATE
JUNE 30, 2008

<u>Fiscal Year Maturity</u>	<u>2004 Refunding Bonds</u>	<u>1998 Refunding Bonds</u>	<u>Total Bonds</u>	<u>Future Interest Requirements</u>
2009	\$ 225,000	\$ 180,000	\$ 405,000	\$ 44,290
2010	220,000	-	220,000	29,440
2011	245,000	-	245,000	21,933
2012	240,000	-	240,000	13,690
2013	260,000	-	260,000	4,745
	<u>\$ 1,190,000</u>	<u>\$ 180,000</u>	<u>\$ 1,370,000</u>	<u>\$ 114,098</u>

CITY OF COOKEVILLE, TENNESSEE
GENERAL LONG-TERM DEBT
SUMMARY OF NOTES PAYABLE DEBT SERVICE REQUIREMENTS
CLASSIFIED BY MATURITY DATE
JUNE 30, 2008

Fiscal Year Maturity	1999	2001	2002	2003	2004	2005	2007	Total Notes Payable	Future Interest Requirements
	Tennessee Municipal Bond Fund Variable Interest*	2001 Capital Outlay Note	Tennessee Municipal Bond Fund Variable Interest*	Putnam County Note					
2009	\$ 679,000	\$ 158,083	\$ 84,000	\$ 164,000	\$ 115,000	\$ 258,000	\$ 118,104	\$ 1,736,187	\$ 324,234
2010	712,000	158,083	88,000	169,000	119,000	268,000	124,010	1,805,093	291,335
2011	748,000	158,084	93,000	175,000	123,000	279,000	130,210	1,879,294	257,218
2012	786,000	158,084	97,000	181,000	126,000	290,000	136,721	1,954,805	221,800
2013	825,000	158,084	102,000	188,000	130,000	301,000	143,557	2,034,641	185,050
2014	866,000	158,084	107,000	194,000	-	313,000	150,735	1,983,819	146,894
2015	-	-	112,000	201,000	-	326,000	158,271	999,271	112,099
2016	-	-	118,000	208,000	-	339,000	166,185	1,041,185	90,330
2017	-	-	124,000	215,000	-	352,000	174,494	1,084,494	67,596
2018	-	-	-	-	-	367,000	183,219	777,219	43,860
2019	-	-	-	-	-	381,000	192,379	690,618	23,183
2020	-	-	-	-	-	397,000	-	397,000	6,114
	<u>\$ 4,616,000</u>	<u>\$ 948,502</u>	<u>\$ 925,000</u>	<u>\$ 1,695,000</u>	<u>\$ 613,000</u>	<u>\$ 3,871,000</u>	<u>\$ 1,677,885</u>	<u>\$ 16,383,626</u>	<u>\$ 1,769,713</u>

*Principal and interest requirements based on current debt and interest rate. The current interest rate at June 30, 2008 ranges from 1.29% to 1.54% on the variable rate Tennessee Municipal Bond Fund debt.

CITY OF COOKEVILLE, TENNESSEE
WATER QUALITY CONTROL DEPARTMENT - PROPRIETARY FUND
BONDS AND NOTES PAYABLE DEBT SERVICE REQUIREMENTS
CLASSIFIED BY MATURITY DATE
JUNE 30, 2008

<u>Fiscal Year</u> <u>Maturity</u>	<u>State of Tennessee</u> <u>3.14%</u> <u>Revolving</u>	<u>State of Tennessee</u> <u>3.50%</u> <u>Revolving</u>	<u>State of Tennessee</u> <u>3.60%</u> <u>Revolving</u>	<u>Tennessee</u> <u>Municipal</u> <u>Bond</u> <u>Fund*</u>	<u>Total Bonds</u> <u>and Notes</u> <u>Payable</u>	<u>Future</u> <u>Interest</u> <u>Requirements</u>
2009	\$ 491,328	\$ 53,772	\$ 141,120	\$ 469,000	\$ 1,155,220	\$ 301,283
2010	506,976	55,692	146,280	493,000	1,201,948	271,285
2011	523,128	57,672	151,644	517,000	1,249,444	240,159
2012	539,796	59,724	157,188	543,000	1,299,708	207,882
2013	556,992	4,926	135,098	570,000	1,267,016	175,249
2014	574,740	-	-	599,000	1,173,740	146,410
2015	593,040	-	-	629,000	1,222,040	118,814
2016	611,940	-	-	660,000	1,271,940	90,177
2017	631,428	-	-	693,000	1,324,428	60,458
2018	105,883	-	-	728,000	833,883	35,977
2019	-	-	-	764,000	764,000	24,273
2020	-	-	-	802,000	802,000	12,431
	<u>\$ 5,135,251</u>	<u>\$ 231,786</u>	<u>\$ 731,330</u>	<u>\$ 7,467,000</u>	<u>\$ 13,565,367</u>	<u>\$ 1,684,398</u>

*The note has a variable rate of interest, so the interest paid will differ from the projected amount. The current interest rate at June 30, 2008 is 1.55%.

CITY OF COOKEVILLE, TENNESSEE
DEBT SERVICE REQUIREMENTS - PROPRIETARY FUND
ELECTRIC DEPARTMENT
JUNE 30, 2008

Various Annexations - Non Interest Bearing

Year Ending <u>June 30,</u>	Principal <u>Requirements</u>
2009	\$ 7,009,135
2010	1,000,000
2011	1,000,000
2012	1,000,000
2013	1,000,000
2014	1,000,000
2015	1,000,000
2016	1,000,000
2017	1,000,000
2018	1,000,000
	<u>\$ 16,009,135</u>

Tennessee Municipal Bond Fund - Variable Interest

Fiscal Year <u>Maturity</u>	Principal <u>Requirements*</u>	Interest <u>Requirements*</u>
2009	\$ 188,000	\$ 19,856
2010	198,000	16,942
2011	208,000	13,873
2012	218,000	10,649
2013	229,000	7,270
2014	240,000	3,720
	<u>\$ 1,281,000</u>	<u>\$ 72,310</u>

*Principal and interest requirements based on current debt and interest rate.

CITY OF COOKEVILLE, TENNESSEE
DEBT SERVICE REQUIREMENTS - PROPRIETARY FUND
GAS DEPARTMENT
JUNE 30, 2008

Fiscal Year	Revenue Bond	Revenue	Total	Future
<u>Maturity</u>	<u>Series 2001</u>	<u>Bond</u>	<u>Bonds</u>	<u>Interest</u>
	<u>3.2% to 4.85%</u>	<u>Series 2004</u>	<u>Payable*</u>	<u>Requirements*</u>
		<u>1.5% to 3.3%</u>		
2009	\$ 100,000	\$ 205,000	\$ 305,000	\$ 124,725
2010	100,000	215,000	315,000	114,215
2011	125,000	220,000	345,000	102,467
2012	375,000	-	375,000	87,978
2013	400,000	-	400,000	70,775
2014	425,000	-	425,000	51,894
2015	425,000	-	425,000	31,919
2016	450,000	-	450,000	10,912
	<u>\$ 2,400,000</u>	<u>\$ 640,000</u>	<u>\$ 3,040,000</u>	<u>\$ 594,885</u>

*Principal and interest requirements based on current debt and interest rate.

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF INSURANCE COVERAGE

<u>Type of Coverage/ Insurance Carrier</u>	<u>Policy Period</u>	<u>Details of Coverage</u>	<u>Claim Limits</u>	<u>Deductible</u>
Commercial Property Coverage/ Tennessee Municipal League	7/01/07-6/30/08	Blanket Buildings & Contents	\$ 50,033,137	25,000
Equipment Floater/ Tennessee Municipal League	7/01/07-6/30/08	Scheduled Equipment	\$ 825,772	5,000
Electronic Data Processing Equip/ Tennessee Municipal League	7/01/07-6/30/08	Scheduled Equipment	\$ 142,243	25,000
Boiler and Machinery/ Cincinnati Insurance	7/01/07-6/30/08	Boilers	\$ 1,000,000	\$5,000-\$25,000
Commercial Crime/ Cincinnati Insurance	7/01/07-6/30/08	Employee Blanket	\$ 1,000,000	5,000
Commercial General Liability/ Tennessee Municipal League	7/01/07-6/30/08	General Liability	\$ 700,000	
		Auto Liability	\$ 700,000	
		Auto Physical Damage	\$ 4,714,622	5,000
		Error & Omissions	\$ 2,000,000	
Workers' Compensation/ Tennessee Municipal League	7/01/07-6/30/08	Workers' Compensation	\$ 1,000,000	50,000
Employment Practices Liability/ Lexington Insurance Company	7/01/07-6/30/08	Employment Practices	\$ 1,000,000	
General Liability Gas Department/ Ranger Insurance Company	7/01/07-6/30/08	General Liability - Gas	\$ 2,000,000	

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF INVESTMENTS

JUNE 30, 2008

	State of Tennessee Local Government <u>Investment Pool</u>
Governmental Activities:	
Major Funds	
General	\$ 260,151
Debt Service	437,317
Capital Projects	4
Non-major funds	<u>131,277</u>
Total Governmental Activities	<u>828,749</u>
Business-type Activities:	
Major Funds	
Cookeville Electric Department	2,120,670
Cookeville Gas Department	2,043,923
Cookeville Water Quality Control Department	<u>5,220,061</u>
Total Business-type Activities	<u>9,384,654</u>
Internal Service Fund:	
Employee Health Insurance Fund	<u>18,500</u>
Total Internal Service Fund	<u>18,500</u>
Total Investment in Local Government Investment Pool	<u>\$ 10,231,903</u>

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF INTERFUND TRANSFERS

JUNE 30, 2008

<u>Transfer from:</u>						
<u>Transfer to:</u>	<u>General</u>	<u>Sanitation</u>	<u>Cookeville Electric Department</u>	<u>Cookeville Gas Department</u>	<u>Cookeville Water Quality Control Department</u>	<u>Total</u>
Animal Control	\$ 54,220					\$ 54,220
Debt Service	-	\$ 144,000				144,000
General	-	-	\$ 748,663	\$ 154,470	\$ 214,381	1,117,514
Total:	<u>\$ 54,220</u>	<u>\$ 144,000</u>	<u>\$ 748,663</u>	<u>\$ 154,470</u>	<u>\$ 214,381</u>	<u>\$ 1,315,734</u>

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY CUSTOMERS

JUNE 30, 2008

At June 30, 2008, the utility departments serviced the following number of customers:

<u>Department</u>	<u>Number of Customers</u>
Electric	14,939
Gas	9,509
Water	13,546
Sewer	12,969
Sanitatio	829

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES
JUNE 30, 2008

Electric Department

Residential Rate Schedule: RS CL 22

	<u>Base Rate</u>	<u>+ Adjustment</u>	<u>= Rate</u>
Customer charge	<u>\$9.32</u>	<u>(\$1.71)</u>	<u>\$7.61</u>
First 800 KWH	<u>\$0.08263</u>		<u>\$0.08263</u>
All KWH/MO	<u>\$0.07777</u>		<u>\$0.07777</u>

General Power Rate Schedule: GSA

Part 1 (0-50 KW & 0-15,000 KWH) CL 40

Customer charge	<u>\$10.94</u>		<u>\$10.94</u>
All KWH	<u>\$0.08987</u>		<u>\$0.08987</u>

Part 2 (51 - 1,000 KWD or < 50 W/KWD & > 15,000 KWH) CL 50

Customer charge	<u>\$10.94</u>		<u>\$10.94</u>
0 - 50 KW/MO	<u>No Charge</u>		<u>No Charge</u>
Additional KW/MO	<u>\$12.18</u>		<u>\$12.18</u>
First 15,000 KWH/MO	<u>\$0.09049</u>		<u>\$0.09049</u>
Additional KWH/MO	<u>\$0.04916</u>		<u>\$0.04916</u>

Part 3 (1,001 - 5,000 KWD) CL 54 & 55

Customer charge	<u>\$10.94</u>		<u>\$10.94</u>
0 - 1,000 KW/MO	<u>\$11.60</u>		<u>\$11.60</u>
Additional KW/MO	<u>\$13.48</u>		<u>\$13.48</u>
All KWH/MO	<u>\$0.05009</u>		<u>\$0.05009</u>

Outside Lighting

LP Part A (Street, Traffic, Park & Athletic)

Customer charge	<u>\$2.50</u>		<u>\$2.50</u>
All KWH	<u>\$0.05906</u>		<u>\$0.05906</u>

LP Part B (Security Lights)

	<u>KWH</u>	<u>ENERGY</u>	<u>FAC RENTAL</u>	<u>TOTAL</u>
100 WHPS	42	<u>\$ 2.48</u>	<u>\$ 3.95</u>	<u>\$ 6.43</u>
250 WHPS	105	<u>\$ 6.20</u>	<u>\$ 6.24</u>	<u>\$12.44</u>
400 WHPS	165	<u>\$ 9.74</u>	<u>\$ 6.57</u>	<u>\$16.31</u>
175 WMV	70	<u>\$ 4.13</u>	<u>\$ 3.44</u>	<u>\$ 7.57</u>
400 WMV	155	<u>\$ 9.15</u>	<u>\$ 5.58</u>	<u>\$14.73</u>
250 WMHD	105	<u>\$ 6.20</u>	<u>\$ 7.77</u>	<u>\$13.97</u>
400 WMHD	165	<u>\$ 9.74</u>	<u>\$ 7.75</u>	<u>\$17.49</u>
1000 WMHD	398	<u>\$23.51</u>	<u>\$11.16</u>	<u>\$34.67</u>

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES (CONTINUED)
JUNE 30, 2008

Gas Department

Residential Rate - Classes 22,60,13,and 61 at July 1, 2008

Monthly rate (inside): First 5,000 cu. ft. for \$1.715 per 100 cu. ft.
Next 5,000 cu. ft. for \$1.705 per 100 cu. ft.
All additional for \$1.695 per 100 cu. ft.

Minimum bill for residential consumers - \$5.00 per month.

Monthly rate (outside): First 5,000 cu. ft. for \$1.895 per 100 cu. ft.
Next 5,000 cu. ft. for \$1.883 per 100 cu. ft.
All additional for \$1.870 per 100 cu. ft.

Minimum bill for residential consumers - \$5.00 per month.

Commercial Rate - Classes 30,35,14,16,15,17,36,62,and 63 at July 1, 2008

Monthly rate (inside): First 5,000 cu. ft. for \$1.765 per 100 cu. ft.
Next 10,000 cu. ft. for \$1.735 per 100 cu. ft.
All additional for \$1.705 per 100 cu. ft.

Minimum bill for commercial consumers - \$6.00 per month.

Monthly rate (outside): First 5,000 cu. ft. for \$1.958 per 100 cu. ft.
Next 10,000 cu. ft. for \$1.920 per 100 cu. ft.
All additional for \$1.883 per 100 cu. ft.

Minimum bill for commercial consumers - \$6.00 per month.

Industrial Rate - Classes 40,45,50,41,46,51,64 and 65 at July 1, 2008

Monthly rate (inside): First 10,000 cu. ft. for \$1.735 per 100 cu. ft.
Next 20,000 cu. ft. for \$1.715 per 100 cu. ft.
All additional for \$1.695 per 100 cu. ft.

Minimum bill for industrial consumers - \$20.00 per month.

Monthly rate (outside): First 10,000 cu. ft. for \$1.920 per 100 cu. ft.
Next 20,000 cu. ft. for \$1.895 per 100 cu. ft.
All additional for \$1.870 per 100 cu. ft.

Minimum bill for industrial consumers - \$20.00 per month.

Interruptible Rate - Class 55

\$1.0247 per 100 cu. ft. (inside)

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES (CONTINUED)
JUNE 30, 2008

Water Quality Control Department

Inside Water Rates

First 2,000 gallons per month	\$6.50 (minimum bill)
Over 2,000 gallons per month	\$2.55 per 1,000 gallons

Outside Water Rates

First 2,000 gallons per month	\$9.75 (minimum bill)
Over 2,000 gallons per month	\$3.80 per 1,000 gallons

Sewer Rates

Inside - Residential	\$3.05 per 1,000 gallons \$5.50 (minimum bill)
Inside - Industrial	\$3.05 per 1,000 gallons \$5.50 (minimum bill)

The unaccounted for water percentage is 28% for the year ended June 30, 2008. This percentage is calculated as volumes pumped versus volumes sold. This percentage does not include amounts for water lost due to pipe breaks, fire hydrant flushing, fire department usage, dead end line flushing for water quality issues, tank maintenance and other various items.

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS & STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2008

<u>Grant Number</u>	<u>CFDA Number</u>	<u>Program</u>	<u>Grantor Agency</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>(Receivable) Deferred at July 1, 2007</u>	<u>(Receivable) Deferred at June 30, 2008</u>
BF-964153040	66.818	Brownfield Grant	U.S. Environmental Protection Agency	\$ 2,416	\$ 2,954	\$ (2,303)	\$ (2,841)
N/A	N/A	Meacham Foundation Memorial Grant	American Humane Association	4,000	-	-	4,000
Z-06-027600-00	16.738	Byrne-Jag Law Enforcement	Tennessee Department of Justice Pass thru from U.S. Department of Justice	17,878	17,878	-	-
N/A	20.205	Rails with Trails Project	State of Tennessee Department of Transportation Pass thru from Federal Highway Administration	52,000	154,600	-	(102,600)
N/A	N/A	Rail Trail Project	State of Tennessee TN Parks & Greenways	-	-	2,000	2,000
N/A	20.205	Rail Trail Project	Rails to Trails Conservancy Washington D.C.	-	2,027	5,000	2,973
Z-07-031368-00	N/A	Gymnasium	State of Tennessee Department of Environment & Conservation	450,000	394,466	(55,534)	-
GG-07-20342-00	20.703	Hazardous Materials Preparedness Grant	State of Tennessee, TEMA, Pass thru from County	3,976	-	(3,976)	-
STP-EN-9204(6)	N/A	Depot	State of Tennessee Department of Transportation	4,865	2,996	(2,992)	(1,123)
Z-05-020897-00	N/A	Recycling Equipment Grant	State of Tennessee Department of Environment & Conservation	6,122	6,122	-	-
N/A	N/A	Safety Partners Loss Control	Tennessee Municipal League	2,000	2,000	-	-
GG-08-24746-00	14.228	Community Development Block Grant	State of Tennessee, Department of Economic & Community Development	-	1,000	-	(1,000)
Z-08-023737-00	N/A	Highway Safety Grant	State of Tennessee Department of Transportation	5,000	5,000	-	-
GR-07-21596-00	N/A	Tennessee Main Street Innovation Grant	State of Tennessee, Department of Economic & Community Development Pass thru from CityScope	10,000	10,000	-	-
Total				\$ 558,257	\$ 589,043	\$ (57,805)	\$ (98,591)

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



**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**

To the City Council
City of Cookeville, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cookeville, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise the City of Cookeville, Tennessee's basic financial statements and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of Cookeville Regional Medical Center Authority, a component unit, which statements reflect total assets of \$226,193,978 as of June 30, 2008. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Cookeville Regional Medical Center Authority, is based solely on the report of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Cookeville, Tennessee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Cookeville, Tennessee's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described above and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information of the City Council and management and is not intended to be and should not be used by anyone other than these specified parties.

December 5, 2008
Cookeville, Tennessee

Duncan, Wheeler & Wilkerson, P.C.