

CITY OF COOKEVILLE, TENNESSEE

FINANCIAL STATEMENTS

Year Ended

June 30, 2013

CITY OF COOKEVILLE, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Officials of the City of Cookeville, Tennessee.....	I
FINANCIAL SECTION:	
Independent Auditor's Report	II
Management's Discussion and Analysis (unaudited)	V
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	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 Position.....	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 Position - Proprietary Funds	8
Statement of Revenues, Expenses, and Changes in Net Position - 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
Notes to Basic Financial Statements	17
Notes to Financial Statements (Cookeville Regional Medical Center Authority).....	41

SUPPLEMENTAL SECTION:

Combining Financial Statements - NonMajor Governmental Funds:	
Combining Balance Sheet.....	65
Combining Statement of Revenues, Expenditures & Changes in Fund Balances.....	66
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual -	
Debt Service Fund.....	67
State Street Aid	68
Drug Fund	69
Sanitation Fund	70
Animal Control Fund.....	71
Economic Development Fund	72
Quality of Life Fund	73
Schedule of Changes in Property Taxes Receivable.....	74
Schedule of Tax Rates and Assessments	75
General Long-term Debt:	
Summary of Bond Debt Service Requirements Classified by Maturity Date.....	76
Summary of Notes Payable Debt Service Requirements Classified by Maturity Date.....	77
Debt Service Requirements - Proprietary Funds:	
Water Quality Control Department	78
Electric Department.....	79
Gas Department	80
Schedule of Investments.....	81
Schedule of Utility Customers (unaudited).....	82
Schedule of Utility Rates:	
Electric Department (unaudited).....	83
Gas Department (unaudited).....	84
Water Quality Control Department (unaudited)	85
Schedule of Water Loss:	
Water Quality Control Department (unaudited)	86
Schedule of Principal City Officials (unaudited)	87
COMPLIANCE AND INTERNAL CONTROL SECTION:	
Schedule of Expenditures of Federal Awards	88

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*..... 89

INTRODUCTORY SECTION

CITY OF COOKEVILLE, TENNESSEE

OFFICIALS OF THE CITY OF COOKEVILLE, TENNESSEE

June 30, 2013

<u>Name</u>	<u>Title</u>
Elected Officials:	
Matt Swallows	Mayor
Larry Epps	Vice - Mayor
Connie Albrecht	City Council
Alma Anderson	City Council
Jim Woodford	City Council
Management:	
Jim Shipley	City Manager
Mike Davidson	Finance Director

FINANCIAL SECTION

Independent Auditor's Report

To the City Council of
The City of Cookeville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, budgetary comparison information for the general fund, and the aggregate remaining fund information of the City of Cookeville, Tennessee (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Cookeville Regional Medical Center Authority, a component unit, which represent 54 percent, 49 percent, and 70 percent, respectively, of the assets, net position, and revenues of the City of Cookeville, Tennessee. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Cookeville Regional Medical Center Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cookeville, Tennessee, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining nonmajor fund financial statements, and the remaining information listed in the supplemental section in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and remaining information listed in the supplemental section of the table of contents, except that which is marked "unaudited," are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and remaining information listed in the supplemental section of the table of contents, except that which is marked "unaudited," are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and supplementary schedules, which have been marked "unaudited," have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013, 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 grant agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cookeville, Tennessee's internal control over financial reporting and compliance.

Duncan, Wheeler : Wilkinson, P.C.

December 17, 2013
Cookeville, Tennessee

Management's Discussion and Analysis
Annual Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013. 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, 2013 by \$173,424,040 (net position) for the primary government. This excess includes the value of capital assets plus resources restricted to specific projects by law, regulation, or contractual agreement (\$132,458,608) and unrestricted resources available to continue City operations into the next fiscal year (\$40,965,432).
- The government's total net position increased this year by \$7,043,908. Net position of the governmental activities increased by \$3,573,886 and those of the City's business type activities (utilities) increased by \$3,470,022.
- As of June 30, 2013, the City of Cookeville's governmental funds reported combined ending fund balances of \$21,193,459 a decrease of \$438,542 in comparison with the prior year. Approximately 42% of this total amount, \$8,872,316 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,217,453 or 40% of total general fund expenditures.
- The City of Cookeville's total debt decreased by \$6,395,646 (14 percent) during the current fiscal year. The City retired (principal payments) \$6,395,646 of previously outstanding debt. No new debt was issued.
- As required by the Governmental Accounting Standards Board the city has adopted GASB Statement No. 45 related to Other Post Employment Benefits. The city provides healthcare benefits to retired employees and spouses. These benefit provisions are established by city policy. OPEB benefits are currently funded on a pay as you go basis. An actuarial study was performed to calculate the city's annual required contribution (ARC). The ARC represents a level of funding that if paid on an ongoing basis is projected to cover the normal cost each year and to amortize any unfunded actuarial accrued liability for postemployment healthcare. The city's ARC is \$1,784,362 for governmental activities and \$479,635 for business type activities. Additional information is available on pages 39-40.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

The City maintains 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 65-66 in this report.

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

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 internal service fund are for the purposes of paying health and wellness claims.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. Combining and individual fund statements for non-major funds as well as information required by the State of Tennessee can be found in the other supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City of Cookeville, assets exceeded liabilities by \$173,424,040 at fiscal year end June 30, 2013.

By far the largest portion of the City of Cookeville's net position (69 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Cookeville's investment in its capital assets is reported net of related debt it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following table provides a summary of the City's net position at June 30:

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
	Current Assets	33,518,456	34,620,769	43,149,222	45,460,482	76,667,678
Capital Assets	49,290,420	46,428,118	109,574,806	106,762,242	158,865,226	153,190,360
Other Assets	3,968,296	4,073,795	2,733,967	2,820,480	6,702,263	6,894,275
Total Assets:	86,777,172	85,122,682	155,457,995	155,043,204	242,235,167	240,165,886
Current Liabilities	11,835,984	12,437,594	9,543,357	9,616,829	21,379,341	22,054,423
Long-term Debt	13,069,917	15,626,668	20,852,299	24,345,043	33,922,216	39,971,711
Other Liabilities	7,424,126	6,185,161	6,085,444	5,574,459	13,509,570	11,759,620
Total Liabilities:	32,330,027	34,249,423	36,481,100	39,536,331	68,811,127	73,785,754
Net Position						
Invested in capital assets						
Net of related debt	34,268,207	30,642,958	85,229,763	78,885,303	119,497,970	109,528,261
Restricted	12,960,638	11,989,567			12,960,638	11,989,567
Unrestricted	7,218,300	8,240,734	33,747,132	36,621,570	40,965,432	44,862,304
Total Net Position:	54,447,145	50,873,259	118,976,895	115,506,873	173,424,040	166,380,132

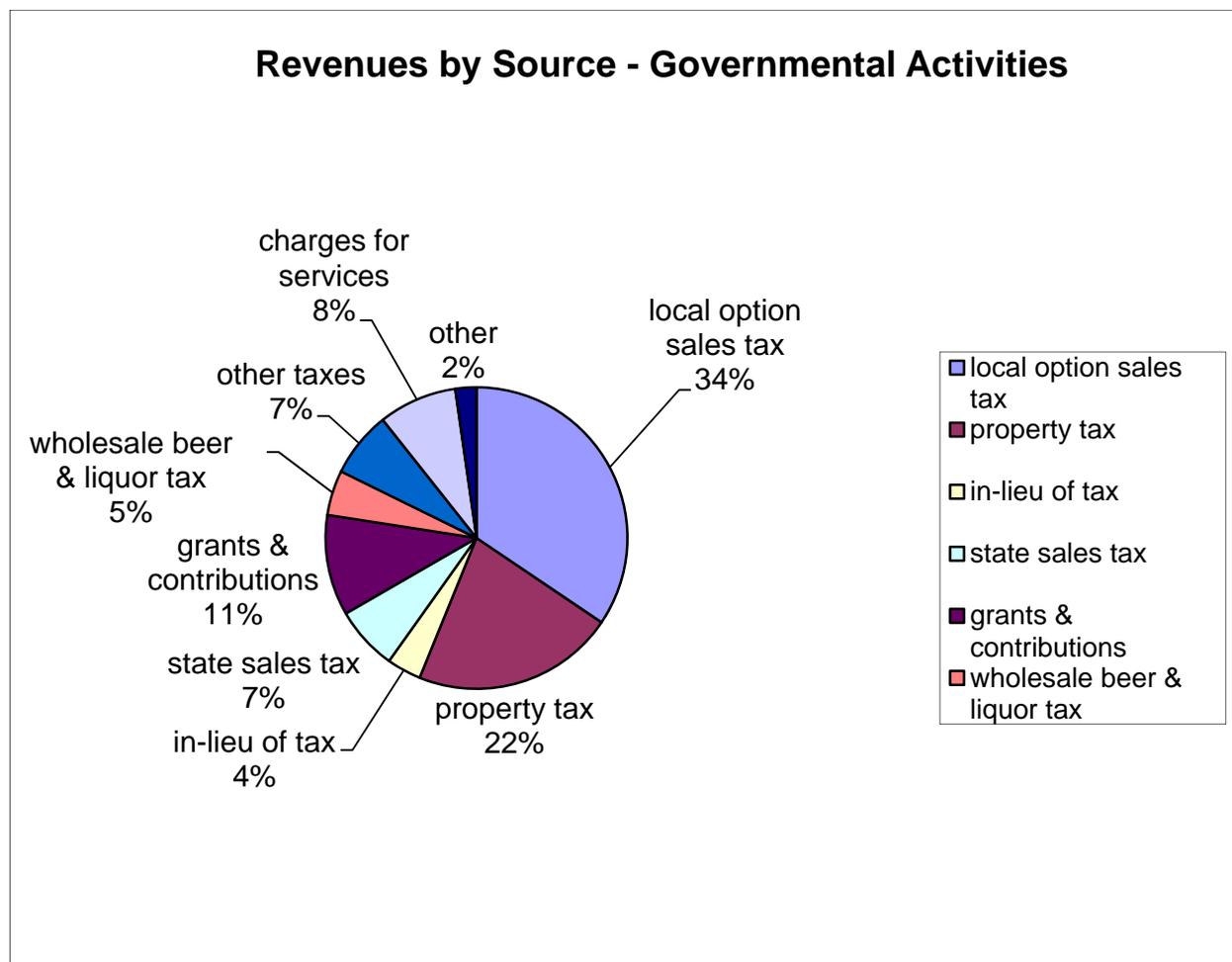
An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used and are restricted for various purposes. The remaining balance of unrestricted net

position (\$40,965,432) may be used to meet the government’s ongoing obligations to citizens and creditors, however, the net assets of the internal service fund are for the purposes of paying health related claims. At June 30, 2013, the amount available for health related claims was \$3,597,448.

At June 30, 2013, the City of Cookeville is able to report positive balances in all three categories of net position for the government as a whole as well as its separate governmental and business type activities. Net position increased \$3,573,886 for governmental activities and \$3,470,022 for business-type activities. The City’s overall financial position improved during fiscal year 2013.

Governmental activities. Governmental activities increased the City of Cookeville’s net position by \$3,573,886 thereby accounting for 51 percent of the total growth in the net position of the City of Cookeville.

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



The following table presents a summary of the City's changes in net position for the primary Government for the year ended June 30, 2013.

Summary of Changes in Net Position							
	Governmental		Business-type		Totals		
	Activities		Activities				
	2013	2012	2013	2012	2013	2012	
Revenues:							
Program revenues							
Charges for services	2,593,377	2,581,613	77,192,175	76,297,420	79,785,552	78,879,033	
Operating Grants & Contributions	1,130,817	1,176,921			1,130,817	1,176,921	
Capital Grants & Contrib	2,205,946	4,883,361	-	72,204	2,205,946	4,955,565	
General revenues							
Local option sales tax	10,635,378	10,411,198			10,635,378	10,411,198	
Property tax	6,694,878	6,156,587			6,694,878	6,156,587	
In-lieu of tax	1,137,247	1,138,323			1,137,247	1,138,323	
State sales tax	2,103,563	2,053,620			2,103,563	2,053,620	
Wholesale beer tax	1,151,027	1,083,704			1,151,027	1,083,704	
Wholesale liquor tax	333,601	348,537			333,601	348,537	
other taxes	2,181,584	1,867,983			2,181,584	1,867,983	
Other revenues	695,357	714,798	133,412	114,021	828,769	828,819	
Transfers	1,438,043	1,314,770	(1,438,043)	(1,314,770)	-	-	
Total Revenues	32,300,818	33,731,415	75,887,544	75,168,875	108,188,362	108,900,290	
Expenses:							
General government	4,744,034	4,264,592			4,744,034	4,264,592	
Planning & codes	1,164,637	1,139,557			1,164,637	1,139,557	
Public Safety	12,343,702	11,724,015			12,343,702	11,724,015	
Parks & maintenance	1,316,703	1,282,838			1,316,703	1,282,838	
Public Works	6,387,288	6,758,823			6,387,288	6,758,823	
Culture & recreation	2,430,840	2,306,631			2,430,840	2,306,631	
Interest on Debt	339,728	356,954			339,728	356,954	
Electric			51,771,121	49,653,559	51,771,121	49,653,559	
Gas			9,211,250	8,248,668	9,211,250	8,248,668	
Water Quality Control			11,435,151	11,039,791	11,435,151	11,039,791	
Total Expenses	28,726,932	27,833,410	72,417,522	68,942,018	101,144,454	96,775,428	
Change in Net Position	3,573,886	5,898,005	3,470,022	6,226,857	7,043,908	12,124,862	
Beginning Net Position	50,873,259	44,975,254	115,506,873	109,280,016	166,380,132	154,255,270	
Ending Net Position	54,447,145	50,873,259	118,976,895	115,506,873	173,424,040	166,380,132	

Business-type activities. Business-type activities increased the City of Cookeville's net position by \$3,470,022 accounting for 49 percent of the total growth in the government's net position.

The three Proprietary Fund Statements demonstrate that the electric, water quality control, and gas departments continue to grow and to be financially stable. Net position for these three operations grew by 1.5 %, 4.1%, and 4.0% respectively this year.

The electric operations continue to be positive. Net position increased by \$593,009 with operating revenues of \$53,295,061 and operating expenses of \$51,602,198. Non-operating expenses totaled \$49,084

and transfers to the general government were \$1,050,770. The electric department receives power from TVA at four substation sites located throughout the city. These substation sites then distribute power to the electric department's customers. Construction on the newest electric department substation in southwest Cookeville was completed in 2013. This substation serves customers in the southwest area of Cookeville as well as supplies power to the Highlands Industrial/Business Park.

Net position increased \$2,216,953 for the water quality control department. Operating revenues were \$13,734,931 and operating expenses were \$11,091,611. The department had non-operating expenses totaling \$236,950 with this being primarily interest expense on long-term debt. Transfers to the general government totaled \$246,759 and capital contributions totaled \$57,342. Water and sewer lines were on a portion of Seventh Street were replaced as part of the city's improvement project. The cost for these new lines were paid by the general government and resulted in the \$57,342 capital contributions for the department. The department aggressively maintains the water distribution and sewer collection systems. The department routinely performs leak surveys to locate water leaks in their distribution system and repair them as soon as they are found. The department continued with its planned expansion and renovation of the water treatment plant located near Center Hill Lake. The renovations at the water treatment plant should be completed in December 2013. After conducting a rate study in 2009, the department implemented planned rate increases for water and sewer services. The final preplanned rate increase was implemented in October 2013. These preplanned rate increases will provide sufficient cash reserves to fund the majority of planned capital expansion costs and minimize the amount of debt that would otherwise be issued for system expansion. The department continues to sell water to seven area utility districts which in turn provide water services to their own customers. The utility districts consume approximately 51% of the water sold by the department and accounts for approximately 36% of the water department's water sales revenue. The department's water supply is from Center Hill Lake. The department is required to pay the Army Corps of Engineers for water storage rights in Center Hill Lake. At June 30th the amount due for this water storage right was \$2,171,757. The department continues to rehab and upgrade sewer lines and sewer pump stations to minimize storm water infiltration into the sewer system and help prevent potential discharge of untreated sewage. The department is required by the annexation plan of services to provide sewer service to residents in the Southeast Annexation Area. The department is investigating the feasibility of a pressurized sewer system to serve this area. It's believed the pressurized system could be constructed and maintained at a fraction of the cost of a gravity system.

The gas department's net position increased by \$829,439. Operating revenues were \$10,162,183 and operating expenses were \$9,147,873. Non-operating income totaled \$12,985 and transfers to the general government were \$197,856. The department has two supply connections on the East TN Pipeline. The department has sufficient supply contract in place to meet projected system growth through 2018. The system has a total of 14 employees. These employees serve over 9,600 customers and maintain over 315 miles of distribution mains. The department annually budgets and plans for the extension of mains throughout its service territory. The department has a separate rate structure for supply services which classify customers as residential, commercial, or industrial. The current base rates for the department have been in effect since July 2003. Gas rates are changed monthly utilizing a purchased gas adjustment (PGA) as prescribed in city ordinance. The monthly increases or decreases in gas commodity prices are factored into the monthly gas rates using the PGA. The PGA allows the department to recover the cost of gas from its customers without changing base rates. Natural gas commodity prices remain relatively low and have been fairly stable the past three years which has helped renew consumer confidence in natural gas as an energy source. Revenue increased 16.3% in FY 2013 as compared to FY 2012. This was primarily a result of colder temperatures during the 2013 winter month compared to 2012. Expenses increased 11.7% in FY 2013 which was related to the colder temperatures. The department purchased more natural gas to meet customer demand during the heating season.

The tables below 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 2013 and 2012					
				Amount	%
	<u>FY 2013</u>	<u>FY 2012</u>		<u>Change</u>	<u>Change</u>
Electric Department	53,295,061	53,907,808		(612,747)	-1.1%
Gas Department	10,162,183	8,740,534		1,421,649	16.3%
Water quality Control Department	13,734,931	13,649,078		85,853	0.6%
Charges for Services-Business-type Activities	77,192,175	76,297,420		894,755	1.2%
Summary Comparison of Expenses for Fiscal Years 2013 and 2012					
				Amount	%
	<u>FY 2013</u>	<u>FY 2012</u>		<u>Change</u>	<u>Change</u>
Electric Department	51,771,121	49,653,559		2,117,562	4.3%
Gas Department	9,211,250	8,248,668		962,582	11.7%
Water quality Control Department	11,435,151	11,039,791		395,360	3.6%
Expenses-Business-type Activities	72,417,522	68,942,018		3,475,504	5.0%

Financial Analysis of the Government's Funds

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

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

As of June 30, 2013, the City of Cookeville's governmental funds reported combined ending fund balances of \$21,193,459, a decrease of \$438,542 in comparison to prior year. This decrease is related to funds used for development and construction of the projects that will be financed with a bond in the new fiscal year. There is \$2,279,085 in restricted fund balances which must be used for specific purposes with \$604,456 restricted for the completion of the Highlands Industrial/Business Park, \$1,236,158 restricted for street maintenance, \$67,109 restricted for police drug enforcement programs and \$371,362 restricted for sanitation operations. There is \$7,338,227 in committed fund balances for the payment of principal and interest on the city's general obligation debt. The general fund is the chief operating fund of the City of Cookeville. At June 30, 2013, the unassigned fund balance of the general fund was \$9,217,453 and is available to be expended for any valid governmental purpose by the city. As a measure of the general

fund's liquidity, it may be useful to compare the unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 40 percent of total general fund expenditures during FY 2013. The capital projects fund has a negative fund balance at June 30, 2013. This is due to the City incurring expenditures on projects that will be financed with a debit issue in FY 14. This bond issue will reimburse the general fund for expenditures incurred prior to the sale of the bonds. The planned bond issue amount is \$4.3 million.

The City of Cookeville's general fund revenue is primarily generated from the local option sales tax and property tax. The local option sales tax and property tax revenue account for 73% of the general fund revenues. The sales tax collections for FY 2013 were 10,635,378 which is the highest amount ever collected by the city. This was a 2% or \$224,180 increase from June 2012 to June 2013. The city continues to budget conservatively assuming sales tax collections will grow but at modest amounts. The city's total property tax rate for FY 2013 (2012 property tax) was \$.90 which is a \$.05 property tax rate increase over the prior year's rate. This tax rate remains relatively low compared to other cities across the state. Total fair market value of properties located within the corporate city limits of Cookeville was \$2,299,293,903 for the 2012 property tax year and was a 1.15% increase over the 2011 tax year. The property tax rate allocated to the general fund accounted for \$5,869,325 in general fund property tax revenue. Departmental budgets have seen minimal increases the past two years and the departments have been successful in staying within their approved budgets. In FY 2013, the city transferred \$1,375,000 from the general fund to the economic development fund to provide funds to complete the Highlands Industrial/Business Park and the purchase of additional property adjoining the Lemon Farris Business Park at a cost of \$418,755. Despite this transfer and land purchase, the combination of unanticipated revenue and departmental spending less than budgeted, the city only decreased the general fund's unassigned fund balance by \$6,148 to \$9,217,453.

The debt service fund has a total fund balance of \$7,338,227, all of which is committed for the payment of principal and interest on outstanding debt. \$.06 cents of the city property tax rate along with the city's share of state sales tax is allocated to the debt service fund. Property tax and state sales tax totaled \$2,555,749 in the debt service fund. In lieu payments are received from entities that are exempt from property tax but have agreed to make payments because they receive the same city services that other tax payers receive. The city allocated \$700,000 of in lieu tax payments to the debt service fund for FY 2013. Revenue allocated to the debt service fund exceeded debt service obligations resulting in an increase in the debt service fund balance. The increase in the fund balance was \$162,153. Interest rates were much lower than budgeted on the city's variable rate debt. Interest rates were budgeted at 5% and the actual rates were closer to 1%. In 2010, the city issued \$7.2 million in G.O. Taxable Build America Bonds to finance the city's half of the Highlands Industrial/Business Park. These bonds are scheduled to receive a subsidy from the U.S. Treasury equal to 35% of the interest payments due on the bonds. However, as a result of Congressional sequestration of federal funds, the historical 35% interest rate subsidy was reduced by 8.7% for the interest payment due June 1, 2013. Future subsidies are scheduled to be reduced by 7.2%. This interest rate subsidy reduction will not have a significant impact on the debt service fund balance or the city's ability to meet its debt payment obligations.

The capital projects fund is used to account for expenditures related to infrastructure projects such as road construction, facility improvements, property acquisition and specialized equipment purchases. Funding for these type expenditures is typically handled through bond issues or variable rate loan agreements with the Tennessee Municipal Bond Fund (TMBF). This fund had a negative fund balance of \$345,137 at the end of the fiscal year. During the fiscal year, the City incurred expenditures on projects that will be financed with a debt issue in FY 2014. The funds were advanced to the capital projects fund from the

general fund and will be reimbursed when the new debt is issued. The planned bond issue is \$4.3 million and the bonds will sale in December 2013.

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

Budgetary Highlights

The statements, subtitled Budget and Actual, report on the City's compliance with the budget adoption and execution requirements. These statements for the general fund can be found beginning on page 11. The statements for the other funds can be found in the supplementary information.

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, 2013 was \$49,290,420 and \$109,574,806 respectively. The net investment increased 6.2% for governmental and increased 2.6% for business-type activities.

Capital asset additions for the governmental funds were \$5,320,411. Construction continues on the Highlands Industrial/Business Park. In FY 2013, the bridge in the park was completed and capitalized at a cost of \$2,856,122. The City anticipates completing the remaining infrastructure in FY 2014. In FY 2013, the city also purchased 10.2 acres adjacent to the Lemon Farris Industrial Park for a cost of \$418,755. Other major capital asset additions for governmental funds included the completion of Lee Seminary Road improvements as well as the Seventh Street widening project. Additions of \$560,866 in vehicles included a new sanitation truck (\$271,397), 11 new vehicles for the police department (\$235,255) and additional vehicles for public works and parks maintenance. Construction in process includes the development costs on the Highlands Industrial/Business Park as well as costs on renovations of the new public works facility. The property for the new public works facility was purchased in the prior fiscal year and renovations to the property started in FY 2013. Completion of these renovations are expected in FY 2014.

Capital asset additions for the business-type activities were \$8,676,193. Additions for the Electric Department were \$2,354,840 for the Water Quality Control Department \$6,080,500 and for the Gas Department \$240,853.

The Electric Department worked on many large endeavors during this fiscal year. Projects at several of the substations included the purchase of 13KV breakers for the north substation (\$75,000); an ongoing project to rehabilitate the west substation (\$119,000); and continued work on the new southwest substation (\$118,000). The Electric Department also worked on distribution line projects from the Highlands Industrial/Business Park (\$314,000) and Mine Lick Creek Road (\$158,000). New primary lines were constructed at Dry Valley in the UCEMC annexed area (\$40,000) and Gould Drive has seen a change-out of poles and an upgrade to #795 aluminum conductor (\$93,000). Construction was also completed on a three bay truck garage at the electric warehouse (\$61,000) and a new service truck was purchased (\$24,880).

The Water Quality Control Department additions include the completion of the Buck Mountain water tank renovations and replacement of the Briargate pump station. Construction in progress includes renovation work being done at the water treatment plant.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION					
	<u>Governmental Activities</u>		<u>Amount Change</u>	<u>% Change</u>	
	<u>2013</u>	<u>2012</u>			
Non-depreciable assets:					
Land	10,137,865	9,739,330	398,535	4.1%	
Construction in progress	9,531,636	10,185,102	(653,466)	-6.4%	
Depreciable assets:					
Buildings	6,213,305	6,363,941	(150,636)	-2.4%	
Improvements	1,261,311	1,375,229	(113,918)	-8.3%	
Vehicles	2,029,088	2,117,951	(88,863)	-4.2%	
Machinery & equipment	405,964	346,093	59,871	17.3%	
Software	12,500	-	12,500	100.0%	
Infrastructure	19,698,751	16,300,472	3,398,279	20.8%	
Total	49,290,420	46,428,118	2,862,302	6.2%	
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION					
	<u>Business-type Activities</u>		<u>Amount Change</u>	<u>% Change</u>	
	<u>2013</u>	<u>2012</u>			
Non-depreciable assets:					
Land	2,652,759	2,624,839	27,920	1.1%	
Construction in progress	12,382,210	7,098,068	5,284,142	74.4%	
Depreciable assets:					
Building & Improvements	2,406,104	2,468,208	(62,104)	-2.5%	
Plant & distribution systems	75,583,122	77,114,698	(1,531,576)	-2.0%	
Machinery & equipment	4,667,036	4,744,466	(77,430)	-1.6%	
Furniture & equipment	41,543	41,245	298	0.7%	
Plant acquisition adjustment	11,842,032	12,670,718	(828,686)	-6.5%	
Total	109,574,806	106,762,242	2,812,564	2.6%	

Long-term Liabilities. At the end of the fiscal year, the Primary Government had total long-term liabilities of \$44,158,632. Of this amount, \$16,564,603 relates to governmental activities while the remaining \$27,594,029 relates to business type activities. Of the \$16,564,603 of long-term liabilities of governmental activities, \$15,626,669 was debt related to a bond or note issuance and is backed by the full faith and credit of the City of Cookeville.

	Governmental		Business-type		Totals	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Bonds & notes payable	15,626,669	18,490,419	24,345,043	27,876,939	39,971,712	46,367,358
Compensated Absences	937,934	955,509	373,774	361,161	1,311,708	1,316,670
Other debt			2,875,212	2,902,851	2,875,212	2,902,851
	16,564,603	19,445,928	27,594,029	31,140,951	44,158,632	50,586,879
Less:						
Amounts due within one year	(2,556,752)	(2,863,751)	(3,574,601)	(3,595,354)	(6,131,353)	(6,459,105)
Total Long term liabilities	14,007,851	16,582,177	24,019,428	27,545,597	38,027,279	44,127,774

Economic Factors and Considerations

Cookeville, the county seat of Putnam County is located at the intersection of Interstate 40 and Highway 111 at the foothills of the Cumberland Mountains. It is 80 miles east of Nashville, 100 miles west of Knoxville, and 90 miles north of Chattanooga. Cookeville is home to Tennessee Technological University. The university is a four-year, state supported, co-educational university with an enrollment of 10,000 students. Also, Cookeville is home to the Cookeville Regional Medical Center, a 227-bed facility providing quality care to the 14 county upper Cumberland region.

The city's current population is 31,154, but is the regional center for employment, shopping, dining, education, health care and recreational/cultural activities for the approximately 200,000 people that live in the surrounding counties.

The city has partnered with Putnam County and purchased approximately 350 acres along Interstate 40 to develop the Highlands Industrial/Business Park. Construction is underway on this park with completion expected in spring 2014. The city is working with the State of Tennessee to develop a new interchange off of Interstate 40 for additional access to the new park. It's anticipated that this interchange will be completed late 2015. As part of the interchange project, the city will construct a new 2.75 mile road that will connect I40 to Highway 70. The construction of this road will be funded by a planned city bond issue and a \$4 million local interstate connector grant from the State of Tennessee. The city and chamber of commerce are actively recruiting new industry and commercial growth for the Upper Cumberland Area.

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 POSITION
June 30, 2013

	Primary Government			Component Units		Total Reporting Entity
	Governmental Activities	Business- Type Activities	Total	CRMC*	PBA	
Assets						
Current assets:						
Cash	\$ 15,970,934	\$ 21,087,491	\$ 37,058,425	\$ 7,999,584	\$ 18,016	\$ 45,076,025
Sinking fund cash	-	1,155,897	1,155,897	-	-	1,155,897
Temporary cash investments	8,698,946	10,229,931	18,928,877	16,243,560	-	35,172,437
Accounts receivable, net of allowance	115,108	8,223,659	8,338,767	29,648,019	2,436	37,989,222
Taxes receivable, net of allowance	7,060,573	-	7,060,573	-	-	7,060,573
Other receivables	2,002,654	-	2,002,654	3,430,138	-	5,432,792
Due from other funds	(332,163)	332,163	-	-	-	-
Inventories	-	1,970,421	1,970,421	6,820,608	-	8,791,029
Prepaid expenses and other current assets	2,404	149,660	152,064	3,189,527	338	3,341,929
Total current assets	<u>33,518,456</u>	<u>43,149,222</u>	<u>76,667,678</u>	<u>67,331,436</u>	<u>20,790</u>	<u>144,019,904</u>
Noncurrent assets:						
Notes receivable, net of allowance	-	684,284	684,284	-	-	684,284
Water storage rights	-	1,971,814	1,971,814	-	-	1,971,814
Equity interest in joint venture	3,828,689	-	3,828,689	830,914	-	4,659,603
Long-term investments	-	-	-	9,729,862	-	9,729,862
Bond issuance cost, net of amortization	139,607	-	139,607	-	-	139,607
Other assets	-	77,869	77,869	18,407,346	-	18,485,215
Capital assets:						
Land and construction in progress	19,669,501	15,034,969	34,704,470	35,064,179	-	69,768,649
Other capital assets, net of accumulated depreciation	29,620,919	94,539,837	124,160,756	150,074,494	84,482	274,319,732
Total noncurrent assets	<u>53,258,716</u>	<u>112,308,773</u>	<u>165,567,489</u>	<u>214,106,795</u>	<u>84,482</u>	<u>379,758,766</u>
Total assets	<u>86,777,172</u>	<u>155,457,995</u>	<u>242,235,167</u>	<u>281,438,231</u>	<u>105,272</u>	<u>523,778,670</u>
Deferred Outflows of Resources						
Interest rate swap	-	-	-	3,645,230	-	3,645,230
Unamortized bond issuance costs	-	-	-	373,931	-	373,931
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,019,161</u>	<u>-</u>	<u>4,019,161</u>
Liabilities						
Current liabilities:						
Accounts payable	801,628	5,784,856	6,586,484	9,186,932	15,946	15,789,362
Health claims payable	142,539	-	142,539	-	-	142,539
Current portion of long-term debt	2,556,752	3,492,744	6,049,496	3,152,285	7,232	9,209,013
Current portion of water storage rights payable	-	81,857	81,857	-	-	81,857
Accrued expenses	810,275	65,637	875,912	12,093,794	4,030	12,973,736
Deferred revenue	7,282,829	45,332	7,328,161	-	-	7,328,161
Estimated amounts due to third-party payors	-	-	-	6,748,958	-	6,748,958
Other current liabilities	241,961	72,931	314,892	-	18,688	333,580
Total current liabilities	<u>11,835,984</u>	<u>9,543,357</u>	<u>21,379,341</u>	<u>31,181,969</u>	<u>45,896</u>	<u>52,607,206</u>
Noncurrent liabilities:						
Compensated absences	937,934	373,774	1,311,708	-	-	1,311,708
TVA heat pump notes payable	-	703,455	703,455	-	-	703,455
Water storage rights payable	-	2,089,900	2,089,900	-	-	2,089,900
Net other post-retirement liability	6,486,192	2,532,724	9,018,916	-	-	9,018,916
Other non-current liabilities	-	385,591	385,591	-	-	385,591
Long-term debt, less current portion	13,069,917	20,852,299	33,922,216	82,228,655	-	116,150,871
Total noncurrent liabilities	<u>20,494,043</u>	<u>26,937,743</u>	<u>47,431,786</u>	<u>82,228,655</u>	<u>-</u>	<u>129,660,441</u>
Total liabilities	<u>32,330,027</u>	<u>36,481,100</u>	<u>68,811,127</u>	<u>113,410,624</u>	<u>45,896</u>	<u>182,267,647</u>
Deferred Inflows of Resources						
Interest rate swap	-	-	-	3,645,230	-	3,645,230
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,645,230</u>	<u>-</u>	<u>3,645,230</u>
Net position						
Net investment in capital assets	34,268,207	85,229,763	119,497,970	107,366,414	77,250	226,941,634
Restricted for:						
Drug Fund	67,109	-	67,109	-	-	67,109
Highways and streets	1,236,158	-	1,236,158	-	-	1,236,158
Debt service	7,457,320	-	7,457,320	-	-	7,457,320
Sanitation	371,362	-	371,362	-	-	371,362
Equity interest in joint venture	3,828,689	-	3,828,689	-	-	3,828,689
Unrestricted	7,218,300	33,747,132	40,965,432	61,035,124	(17,874)	101,982,682
Total net position	<u>\$ 54,447,145</u>	<u>\$ 118,976,895</u>	<u>\$ 173,424,040</u>	<u>\$ 168,401,538</u>	<u>\$ 59,376</u>	<u>\$ 341,884,954</u>

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

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED June 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue</u>	
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>		<u>Capital</u> <u>Grants and</u> <u>Contributions</u>
Function/program activities					
Primary government:					
Governmental activities:					
General government	\$ 4,744,034	\$ 137,183	\$ 530	\$ 2,004,901	\$ (2,601,420)
Planning and codes	1,164,637	255,511	-	-	(909,126)
Public safety	12,343,702	508,341	258,339	-	(11,577,022)
Parks & maintenance	1,316,703	-	-	-	(1,316,703)
Public works	6,387,288	1,443,506	871,948	148,309	(3,923,525)
Culture and recreation	2,430,840	248,836	-	52,736	(2,129,268)
Interest on long-term debt	339,728	-	-	-	(339,728)
Total governmental activities	<u>28,726,932</u>	<u>2,593,377</u>	<u>1,130,817</u>	<u>2,205,946</u>	<u>(22,796,792)</u>
Business-type activities:					
Electric	51,771,121	53,295,061	-	-	1,523,940
Gas	9,211,250	10,162,183	-	-	950,933
Water quality control	11,435,151	13,734,931	-	-	2,299,780
Total business-type activities	<u>72,417,522</u>	<u>77,192,175</u>	<u>-</u>	<u>-</u>	<u>4,774,653</u>
Total primary government	<u>\$ 101,144,454</u>	<u>\$ 79,785,552</u>	<u>\$ 1,130,817</u>	<u>\$ 2,205,946</u>	<u>\$ (18,022,139)</u>
Component units:					
CRMC*	\$ 250,393,164	\$ 255,550,364			\$ 5,157,200
PBA	162,910	163,621			711
Total component units	<u>\$ 250,556,074</u>	<u>\$ 255,713,985</u>			<u>\$ 5,157,911</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, 2013

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>CRMC*</u>	<u>PBA</u>
Change in net position:					
Net (expense) revenue	\$ (22,796,792)	\$ 4,774,653	\$ (18,022,139)	\$ 5,157,200	\$ 711
General revenues:					
Taxes:					
Property tax	6,694,878	-	6,694,878	-	-
In lieu of tax	1,137,247	-	1,137,247	-	-
Business tax	1,124,267	-	1,124,267	-	-
State sales tax	2,103,563	-	2,103,563	-	-
Franchise tax	286,010	-	286,010	-	-
Local option sales tax	10,635,378	-	10,635,378	-	-
Wholesale beer tax	1,151,027	-	1,151,027	-	-
Wholesale liquor tax	333,601	-	333,601	-	-
State income tax	546,296	-	546,296	-	-
Mixed drink tax	164,370	-	164,370	-	-
Other taxes	60,641	-	60,641	-	-
Interest revenue	67,765	121,854	189,619	-	4
Investment income	(91,845)	-	(91,845)	235,069	-
Gain (loss) on sale of assets	133,267	11,558	144,825	(109,664)	-
Federal subsidy	81,301	-	81,301	-	-
Other, net	504,869	-	504,869	(133,958)	-
Transfers	<u>1,438,043</u>	<u>(1,438,043)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues	<u>26,370,678</u>	<u>(1,304,631)</u>	<u>25,066,047</u>	<u>(8,553)</u>	<u>4</u>
Change in net position	3,573,886	3,470,022	7,043,908	5,148,647	715
Net position - beginning	<u>50,873,259</u>	<u>115,506,873</u>	<u>166,380,132</u>	<u>163,252,891</u>	<u>58,661</u>
Net position - ending	<u>\$ 54,447,145</u>	<u>\$ 118,976,895</u>	<u>\$ 173,424,040</u>	<u>\$ 168,401,538</u>	<u>\$ 59,376</u>

*Audited by other auditors

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

CITY OF COOKEVILLE, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

<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	\$ 5,617,667	\$ 4,075,537	\$ 190,678	\$ 4,179,480	\$ 14,063,362
Temporary cash investments	2,774,234	3,077,170	4	1,003,045	6,854,453
Accounts receivable	-	-	-	116,541	116,541
Taxes receivable	6,941,437	456,666	-	380,555	7,778,658
Other receivables	1,729,878	182,515	80	90,181	2,002,654
Less: allowance for bad debts	(704,690)	(7,306)	-	(7,522)	(719,518)
Due from other funds	629,494	3,079	-	1,559	634,132
Prepaid expenses	2,334	-	-	-	2,334
Total assets	<u>\$ 16,990,354</u>	<u>\$ 7,787,661</u>	<u>\$ 190,762</u>	<u>\$ 5,763,839</u>	<u>\$ 30,732,616</u>
 <u>Liabilities and Fund Balances</u>					
Accounts payable	\$ 619,466	\$ 75	\$ 144,916	\$ 35,023	\$ 799,480
Accrued expenses	789,761	-	-	-	789,761
Due to other funds	4,638	-	390,983	39,505	435,126
Deferred revenue	6,303,803	449,359	-	519,667	7,272,829
Other liabilities	52,899	-	-	189,062	241,961
Total liabilities	<u>7,770,567</u>	<u>449,434</u>	<u>535,899</u>	<u>783,257</u>	<u>9,539,157</u>
 Fund balances:					
Nonspendable					
Prepaid expenses	2,334	-	-	-	2,334
Restricted					
Drug fund	-	-	-	67,109	67,109
State street aid	-	-	-	1,236,158	1,236,158
Economic development	-	-	-	604,456	604,456
Sanitation	-	-	-	371,362	371,362
Committed					
Debt service	-	7,338,227	-	-	7,338,227
Capital projects	-	-	-	-	-
Animal control	-	-	-	546,641	546,641
Economic development	-	-	-	1,793,911	1,793,911
Quality of life	-	-	-	360,945	360,945
Unassigned	9,217,453	-	(345,137)	-	8,872,316
Total fund balances	<u>9,219,787</u>	<u>7,338,227</u>	<u>(345,137)</u>	<u>4,980,582</u>	<u>21,193,459</u>
Total liabilities and fund balances	<u>\$ 16,990,354</u>	<u>\$ 7,787,661</u>	<u>\$ 190,762</u>	<u>\$ 5,763,839</u>	<u>\$ 30,732,616</u>

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

CITY OF COOKEVILLE, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED June 30, 2013

Total fund balance - total governmental funds		\$ 21,193,459
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	86,701,773	
Less: accumulated depreciation	<u>(37,411,353)</u>	49,290,420
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Bond costs	196,550	
Less: accumulated amortization	<u>(56,943)</u>	139,607
Equity interest in joint venture		3,828,689
Interest payable is not payable from current financial resources and therefore is not reported in the governmental funds.		
		(20,514)
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	(6,365,000)	
Governmental notes payable	(9,261,669)	
Net other post-retirement liability	(6,486,192)	
Compensated absences	<u>(937,934)</u>	(23,050,795)
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>3,066,279</u>
Net position of governmental activities		<u>\$ 54,447,145</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, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 19,836,855	\$ 1,152,186	\$ -	\$ 373,367	\$ 21,362,408
Licenses and permits	335,770	-	-	-	335,770
Intergovernmental	978,826	2,184,864	-	2,937,242	6,100,932
Charges for services	261,868	-	-	1,504,517	1,766,385
Fines, forfeitures and penalties	380,677	-	-	66,198	446,875
Rent	15,475	26,172	-	2,700	44,347
Interest	28,263	24,782	1,061	13,659	67,765
Other	669,750	-	-	21,804	691,554
Total revenues	<u>22,507,484</u>	<u>3,388,004</u>	<u>1,061</u>	<u>4,919,487</u>	<u>30,816,036</u>
Expenditures:					
Current					
General government	2,628,896	-	393,864	355,178	3,377,938
Public safety	11,398,478	-	-	224,943	11,623,421
Planning and codes	1,114,555	-	-	-	1,114,555
Parks and maintenance	1,252,439	-	-	-	1,252,439
Public works	2,751,711	-	-	1,709,739	4,461,450
Culture and recreation	2,166,759	-	75	57,437	2,224,271
Capital outlay	1,494,671	-	190,588	3,980,765	5,666,024
Debt service	-	3,225,851	-	-	3,225,851
Total expenditures	<u>22,807,509</u>	<u>3,225,851</u>	<u>584,527</u>	<u>6,328,062</u>	<u>32,945,949</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(300,025)</u>	<u>162,153</u>	<u>(583,466)</u>	<u>(1,408,575)</u>	<u>(2,129,913)</u>
Other financing sources (uses):					
Interfund transfers in	1,602,154	-	-	1,439,220	3,041,374
Interfund transfers (out)	(1,439,220)	-	-	(106,769)	(1,545,989)
Insurance recoveries	33,499	-	-	-	33,499
Sale of assets	95,669	-	-	66,818	162,487
Net other financing sources	<u>292,102</u>	<u>-</u>	<u>-</u>	<u>1,399,269</u>	<u>1,691,371</u>
Net change in fund balances	(7,923)	162,153	(583,466)	(9,306)	(438,542)
Fund balances, July 1, 2012	<u>9,227,710</u>	<u>7,176,074</u>	<u>238,329</u>	<u>4,989,888</u>	<u>21,632,001</u>
Fund balances, June 30, 2013	<u>\$ 9,219,787</u>	<u>\$ 7,338,227</u>	<u>\$ (345,137)</u>	<u>\$ 4,980,582</u>	<u>\$ 21,193,459</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, 2013

Net change in fund balances - total governmental funds \$ (438,542)

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

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

Expenditures for capital assets	5,320,411	
Less: current year depreciation	<u>(2,428,889)</u>	2,891,522

Contributed capital assets		-
----------------------------	--	---

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

Bond and note proceeds	-	
Principal payments	<u>2,863,750</u>	2,863,750

Bond issuance costs are expenditures to governmental funds, but are deferred position in the statement of net position.

Current year amortization		(13,654)
---------------------------	--	----------

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		(91,845)
Change in accrued interest on long-term debt		7,845
Change in net other post-retirement liability		(1,256,540)
Change in accrued compensated absences		17,575

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net assets.		(29,220)
--	--	----------

Internal Service Fund is used by management to charge the costs of certain activities to individual funds. The net loss of the Internal Service Funds is allocated to the governmental activities and business-type activities.		<u>(377,005)</u>
---	--	------------------

Change in net position of governmental activities		<u>\$ 3,573,886</u>
---	--	---------------------

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

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	<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>	
<u>Assets</u>					
Current assets:					
Cash	\$ 7,146,151	\$ 8,993,413	\$ 4,947,927	\$ 21,087,491	\$ 1,907,572
Sinking fund cash	770,157	385,740	-	1,155,897	-
Temporary cash investments	2,426,683	4,321,013	3,482,235	10,229,931	1,844,493
Accounts receivable, net of allowance	6,008,406	614,423	1,600,830	8,223,659	-
Inventory of material and supplies	896,536	596,147	477,738	1,970,421	-
Prepaid expenses and other current assets	147,027	1,914	719	149,660	70
Total current assets	<u>17,394,960</u>	<u>14,912,650</u>	<u>10,509,449</u>	<u>42,817,059</u>	<u>3,752,135</u>
Noncurrent assets:					
Capital assets, non-depreciable	5,610,554	204,798	9,219,617	15,034,969	
Capital assets, depreciable	56,785,297	20,315,903	96,401,069	173,502,269	
Less: accumulated depreciation	<u>(18,706,824)</u>	<u>(11,614,161)</u>	<u>(48,641,447)</u>	<u>(78,962,432)</u>	
	43,689,027	8,906,540	56,979,239	109,574,806	
Notes receivable	684,284	-	-	684,284	
Water storage rights	-	-	1,971,814	1,971,814	
Other assets	<u>48,605</u>	<u>11,979</u>	<u>17,285</u>	<u>77,869</u>	
Total noncurrent assets	<u>44,421,916</u>	<u>8,918,519</u>	<u>58,968,338</u>	<u>112,308,773</u>	
Total assets	<u>\$ 61,816,876</u>	<u>\$ 23,831,169</u>	<u>\$ 69,477,787</u>	<u>\$ 155,125,832</u>	<u>\$ 3,752,135</u>
<u>Liabilities and Net Position</u>					
Current liabilities:					
Accounts payable	\$ 4,585,072	\$ 595,265	\$ 604,519	\$ 5,784,856	\$ 2,148
Health claims payable	-	-	-	-	142,539
Due to other funds	120,475	32,035	46,496	199,006	-
Current portion of long-term debt	1,813,000	420,000	1,259,744	3,492,744	-
Current portion of water storage rights payable	-	-	81,857	81,857	-
Accrued expenses	16,561	2,918	46,158	65,637	-
Deferred revenue	-	45,332	-	45,332	10,000
Other current liabilities	<u>10,663</u>	<u>11,663</u>	<u>50,605</u>	<u>72,931</u>	<u>-</u>
Total current liabilities	<u>6,545,771</u>	<u>1,107,213</u>	<u>2,089,379</u>	<u>9,742,363</u>	<u>154,687</u>
Noncurrent liabilities:					
Compensated absences	142,578	44,001	187,195	373,774	
TVA heat pump notes payable	703,455	-	-	703,455	
Water storage rights payable	-	-	2,089,900	2,089,900	
Net other post-retirement liability	969,728	350,816	1,212,180	2,532,724	
Long-term debt, less current portion	11,999,000	835,000	8,018,299	20,852,299	
Other non-current liabilities	<u>353,291</u>	<u>32,300</u>	<u>-</u>	<u>385,591</u>	
Total noncurrent liabilities	<u>14,168,052</u>	<u>1,262,117</u>	<u>11,507,574</u>	<u>26,937,743</u>	
Total liabilities	<u>20,713,823</u>	<u>2,369,330</u>	<u>13,596,953</u>	<u>36,680,106</u>	<u>154,687</u>
Net position:					
Invested in capital assets, net of related debt	29,877,027	7,651,540	47,701,196	85,229,763	-
Unrestricted	<u>11,226,026</u>	<u>13,810,299</u>	<u>8,179,638</u>	<u>33,215,963</u>	<u>3,597,448</u>
Total net position	<u>41,103,053</u>	<u>21,461,839</u>	<u>55,880,834</u>	<u>118,445,726</u>	<u>3,597,448</u>
Total liabilities and net position	<u>\$ 61,816,876</u>	<u>\$ 23,831,169</u>	<u>\$ 69,477,787</u>	<u>\$ 155,125,832</u>	<u>\$ 3,752,135</u>

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

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED June 30, 2013

	<u>Business-type Activities/Enterprise Funds</u>			<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
	<u>Cookeville Electric Department</u>	<u>Cookeville Gas Department</u>	<u>Cookeville Water Quality Control Department</u>		
Operating revenues:					
Charges for services	\$ 52,153,419	\$ 9,932,156	\$ 13,268,558	\$ 75,354,133	\$ 3,411,325
Other operating revenue	<u>1,141,642</u>	<u>230,027</u>	<u>466,373</u>	<u>1,838,042</u>	<u>54,746</u>
Total operating revenues	<u>53,295,061</u>	<u>10,162,183</u>	<u>13,734,931</u>	<u>77,192,175</u>	<u>3,466,071</u>
Operating expenses:					
Purchased utilities	43,935,970	6,902,572	-	50,838,542	-
Operating expenses	2,727,171	921,847	3,155,981	6,804,999	-
Maintenance expenses	1,186,000	57,753	390,964	1,634,717	-
Depreciation and amortization	2,508,764	712,348	2,694,052	5,915,164	-
Utilities	-	-	1,945,833	1,945,833	-
Administrative and general expenses	850,947	553,353	2,904,781	4,309,081	514,218
Health claims	-	-	-	-	3,510,051
Facilities rental	<u>393,346</u>	<u>-</u>	<u>-</u>	<u>393,346</u>	<u>-</u>
Total operating expenses	<u>51,602,198</u>	<u>9,147,873</u>	<u>11,091,611</u>	<u>71,841,682</u>	<u>4,024,269</u>
Operating income	<u>1,692,863</u>	<u>1,014,310</u>	<u>2,643,320</u>	<u>5,350,493</u>	<u>(558,198)</u>
Nonoperating revenues (expenses):					
Interest revenue	47,006	41,091	33,757	121,854	11,814
Interest expense	(96,090)	(39,664)	(270,707)	(406,461)	-
Gain on sale of assets	<u>-</u>	<u>11,558</u>	<u>-</u>	<u>11,558</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(49,084)</u>	<u>12,985</u>	<u>(236,950)</u>	<u>(273,049)</u>	<u>11,814</u>
Interfund transfers (out)	<u>(1,050,770)</u>	<u>(197,856)</u>	<u>(246,759)</u>	<u>(1,495,385)</u>	<u>-</u>
Income before contributions	593,009	829,439	2,159,611	3,582,059	
Capital contributions	<u>-</u>	<u>-</u>	<u>57,342</u>	<u>57,342</u>	
Change in net position	593,009	829,439	2,216,953	3,639,401	(546,384)
Total net position, July 1, 2012	<u>40,510,044</u>	<u>20,632,400</u>	<u>53,663,881</u>	<u>114,806,325</u>	<u>4,143,832</u>
Total net position, June 30, 2013	<u>\$ 41,103,053</u>	<u>\$ 21,461,839</u>	<u>\$ 55,880,834</u>	<u>\$ 118,445,726</u>	<u>\$ 3,597,448</u>
Reconciliation of changes in net position to statement of activities:					
Total changes in net position of business-type activities				\$ 3,639,401	
Net income (loss) of internal service fund related to business-type activities				<u>(169,379)</u>	
Changes in business-type net position included in the statement of activities				<u>\$ 3,470,022</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, 2013

	<u>Business-type Activities/Enterprise Funds</u>				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	\$ 52,532,354	\$ 9,878,486	\$ 13,474,337	\$ 75,885,177	\$ 3,410,705
Cash receipts from customer service charges	577,085	157,314	466,373	1,200,772	-
Other operating cash receipts	740,610	72,713	-	813,323	54,746
Cash payments to suppliers of goods and services	(43,858,764)	(6,302,147)	-	(50,160,911)	-
Cash payments to employees for services	(2,356,576)	(687,895)	(740,965)	(3,785,436)	-
Cash payments for interfund services used	(396,373)	(300,206)	(578,884)	(1,275,463)	-
Cash payments for maintenance expenses	(1,186,000)	(57,753)	(390,964)	(1,634,717)	-
Cash payments for claims	-	-	-	-	(3,517,301)
Utilities and other operating cash payments	(900,083)	(529,396)	(6,675,703)	(8,105,182)	(514,218)
Net cash provided by (used in) operating activities	<u>5,152,253</u>	<u>2,231,116</u>	<u>5,554,194</u>	<u>12,937,563</u>	<u>(566,068)</u>
Cash flows from noncapital financing activities:					
Interfund transfers (out)	(1,050,770)	(197,856)	(246,759)	(1,495,385)	
Net cash (used in) noncapital financing activities	<u>(1,050,770)</u>	<u>(197,856)</u>	<u>(246,759)</u>	<u>(1,495,385)</u>	
Cash flows from capital and related financing activities:					
Proceeds from sale of assets	-	11,558	-	11,558	-
Cash received from grants	-	-	-	-	10,000
Cash payments for interest	(95,844)	(40,593)	(302,417)	(438,854)	-
Reduction of long-term debt	(1,781,000)	(400,000)	(1,414,354)	(3,595,354)	-
Acquisition and construction of capital assets	(2,354,840)	(240,853)	(6,023,158)	(8,618,851)	-
Other capital asset adjustments	50,733	-	-	50,733	-
Net cash provided by (used in) capital and related financing activities	<u>(4,180,951)</u>	<u>(669,888)</u>	<u>(7,739,929)</u>	<u>(12,590,768)</u>	<u>10,000</u>
Cash flows from investing activities:					
(Increase) decrease in temporary cash investments	(101,747)	(5,758)	(194,488)	(301,993)	(2,458)
Cash receipts from interest	47,006	40,584	34,768	122,358	11,912
Net cash provided by (used in) investing activities	<u>(54,741)</u>	<u>34,826</u>	<u>(159,720)</u>	<u>(179,635)</u>	<u>9,454</u>
Net increase (decrease) in cash and cash equivalents	(134,209)	1,398,198	(2,592,214)	(1,328,225)	(546,614)
Cash and cash equivalents, July 1, 2012	8,050,517	7,980,955	7,540,141	23,571,613	2,454,186
Cash and cash equivalents, June 30, 2013	<u>\$ 7,916,308</u>	<u>\$ 9,379,153</u>	<u>\$ 4,947,927</u>	<u>\$ 22,243,388</u>	<u>\$ 1,907,572</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 1,692,863	\$ 1,014,310	\$ 2,643,320	\$ 5,350,493	\$ (558,198)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	2,508,764	712,348	2,694,052	5,915,164	-
(Increase) decrease in accounts receivable	445,928	(61,598)	256,662	640,992	-
Decrease in due from other funds	313	-	275	588	-
(Increase) decrease in inventory of material and supplies	122,222	336,005	(66,666)	391,561	-
Decrease in prepaid expenses and other current assets	168,918	-	-	168,918	-
Decrease in deferred charges and other	5,012	-	-	5,012	-
(Increase) in other receivables	(20,770)	-	-	(20,770)	-
Increase (decrease) in accounts payable	(38,372)	267,673	(232,440)	(3,139)	1,870
(Decrease) in health claims payable	-	-	-	-	(9,120)
Increase in TVA notes payable	35,820	-	-	35,820	-
Increase (decrease) in accrued expenses and compensated absences	(7,179)	(3,969)	23,762	12,614	-
Increase in net other post-retirement liability	176,080	64,972	224,644	465,696	-
Increase (decrease) in due to other funds	27,413	(125,029)	10,703	(86,913)	(620)
Increase in other current liabilities	55,214	23,500	-	78,714	-
Increase (decrease) in other non-current liabilities	(19,973)	2,904	(118)	(17,187)	-
Net cash provided by (used in) operating activities	<u>\$ 5,152,253</u>	<u>\$ 2,231,116</u>	<u>\$ 5,554,194</u>	<u>\$ 12,937,563</u>	<u>\$ (566,068)</u>

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

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE, BUDGET AND ACTUAL DETAIL - GENERAL FUND
FOR THE YEAR ENDED June 30, 2013

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Taxes :				
Property taxes current	\$ 5,463,833	\$ 5,463,833	\$ 5,552,182	\$ 88,349
Property taxes delinquent	135,000	215,000	259,852	44,852
Property taxes penalty & interest	25,000	45,000	57,291	12,291
In lieu of tax- CHA	40,000	40,000	42,098	2,098
In lieu of tax- Laurel Creek	750	750	617	(133)
In lieu of tax- Russell Stover	46,000	46,000	46,123	123
In lieu of tax- TVA	351,000	351,000	348,409	(2,591)
Local option sales tax	10,655,979	10,655,979	10,635,378	(20,601)
Wholesale beer tax	1,043,000	1,043,000	1,151,027	108,027
Wholesale liquor tax	315,000	315,000	333,601	18,601
Business tax	989,678	989,678	1,124,267	134,589
Cable TV Franchise tax	275,000	275,000	286,010	11,010
Total taxes	<u>19,340,240</u>	<u>19,440,240</u>	<u>19,836,855</u>	<u>396,615</u>
Licenses and permits:				
Beer permits	6,500	6,500	6,050	(450)
Beer license	12,000	12,000	12,233	233
Liquor license	30,000	30,000	45,680	15,680
Building permits	100,000	100,000	117,041	17,041
Electrical permits	45,000	45,000	47,339	2,339
Plumbing permits	12,000	12,000	13,866	1,866
Mechanical permits	17,000	17,000	24,292	7,292
Plan review fees	8,000	8,000	35,604	27,604
Fireworks permits	10,000	10,000	12,150	2,150
Miscellaneous permits	17,200	17,200	21,515	4,315
Total licenses and permits	<u>257,700</u>	<u>257,700</u>	<u>335,770</u>	<u>78,070</u>
Intergovernmental:				
State excise tax	40,000	40,000	42,931	2,931
State income tax	315,000	315,000	546,296	231,296
State beer tax	14,000	14,000	15,105	1,105
Mixed drink tax	125,000	125,000	164,370	39,370
Gasoline inspection fee	57,000	57,000	62,605	5,605
Telecommunications sales tax	-	-	2,605	2,605
Training supplement	69,000	69,000	70,800	1,800
Grants-other	-	61,680	74,114	12,434
Total intergovernmental	<u>620,000</u>	<u>681,680</u>	<u>978,826</u>	<u>297,146</u>
Charges for services:				
Clerk's Fee	10,500	10,500	12,577	2,077
Recreation concessions	43,300	43,300	61,562	18,262
Recreational rentals/admissions	93,800	93,800	134,143	40,343
Daycamp fees	40,000	40,000	53,131	13,131
Miscellaneous	1,500	1,500	455	(1,045)
Total charges for services	<u>\$ 189,100</u>	<u>\$ 189,100</u>	<u>\$ 261,868</u>	<u>\$ 72,768</u>

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

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL DETAIL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2013

	<u>Original</u>		<u>Final</u>		<u>Variance-</u>
	<u>Budget</u>		<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>
					<u>(Unfavorable)</u>
Revenues:					
Fines, forfeitures and penalties:					
Court fines and fees	\$ 349,000	\$	349,000	\$ 346,880	\$ (2,120)
Parking violations	2,000		2,000	2,860	860
Other	31,500		31,500	30,937	(563)
Total fines and costs	<u>382,500</u>		<u>382,500</u>	<u>380,677</u>	<u>(1,823)</u>
Miscellaneous:					
Interest	22,040		22,040	28,263	6,223
Rent	15,175		15,175	15,475	300
Contributions	491,500		524,582	180,301	(344,281)
Admin charges to other funds	426,240		426,240	434,690	8,450
Other	30,150		43,650	54,759	11,109
Total miscellaneous	<u>985,105</u>		<u>1,031,687</u>	<u>713,488</u>	<u>(318,199)</u>
Total revenues	<u>\$ 21,774,645</u>	<u>\$</u>	<u>21,982,907</u>	<u>\$ 22,507,484</u>	<u>\$ 524,577</u>

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

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL DETAIL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2013

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable</u> <u>(Unfavorable)</u>
Expenses:				
General government:				
Salaries and wages	\$ 1,031,750	\$ 1,031,750	\$ 1,034,929	\$ (3,179)
Payroll taxes and fringes	376,358	376,358	362,800	13,558
Contractual services	104,500	104,500	74,167	30,333
Utilities	928,800	928,800	934,639	(5,839)
Supplies and maintenance	215,200	215,200	191,225	23,975
Fixed charges	10,620	10,620	8,692	1,928
Miscellaneous	<u>27,000</u>	<u>27,000</u>	<u>22,444</u>	<u>4,556</u>
Total general government	<u>2,694,228</u>	<u>2,694,228</u>	<u>2,628,896</u>	<u>65,332</u>
Public safety:				
Police:				
Salaries and wages	4,719,500	4,799,500	4,545,742	253,758
Payroll taxes and fringes	1,815,703	1,815,703	1,719,000	96,703
Supplies and maintenance	912,650	926,150	818,766	107,384
Fixed charges	115,500	147,500	168,113	(20,613)
Miscellaneous	<u>10,500</u>	<u>72,180</u>	<u>58,465</u>	<u>13,715</u>
Total police	<u>7,573,853</u>	<u>7,761,033</u>	<u>7,310,086</u>	<u>450,947</u>
Fire:				
Salaries and wages	2,616,800	2,616,800	2,568,999	47,801
Payroll taxes and fringes	1,082,590	1,082,590	1,062,055	20,535
Supplies and maintenance	356,200	389,282	318,558	70,724
Fixed charges	28,000	128,000	135,518	(7,518)
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>3,262</u>	<u>1,738</u>
Total fire	<u>4,088,590</u>	<u>4,221,672</u>	<u>4,088,392</u>	<u>133,280</u>
Total public safety	<u>\$ 11,662,443</u>	<u>\$ 11,982,705</u>	<u>\$ 11,398,478</u>	<u>\$ 584,227</u>

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

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL DETAIL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2013

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable</u> <u>(Unfavorable)</u>
Planning and codes:				
Salaries and wages	\$ 753,500	\$ 753,500	\$ 757,374	\$ (3,874)
Payroll taxes and fringes	300,473	300,473	284,795	15,678
Supplies and maintenance	103,500	103,500	65,151	38,349
Fixed charges	4,000	4,000	4,380	(380)
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>2,855</u>	<u>145</u>
Total planning and codes	<u>1,164,473</u>	<u>1,164,473</u>	<u>1,114,555</u>	<u>49,918</u>
Parks and maintenance:				
Salaries and wages	738,000	738,000	717,718	20,282
Payroll taxes and fringes	303,577	303,577	295,813	7,764
Supplies and maintenance	185,400	185,400	200,026	(14,626)
Fixed charges	16,100	46,100	38,692	7,408
Miscellaneous	<u>200</u>	<u>200</u>	<u>190</u>	<u>10</u>
Total parks and maintenance	<u>1,243,277</u>	<u>1,273,277</u>	<u>1,252,439</u>	<u>20,838</u>
Public works:				
Salaries and wages	1,612,975	1,612,975	1,618,905	(5,930)
Payroll taxes and fringes	681,051	681,051	666,393	14,658
Supplies and maintenance	471,900	471,900	378,388	93,512
Fixed charges	34,200	64,200	84,401	(20,201)
Miscellaneous	<u>3,250</u>	<u>3,250</u>	<u>3,624</u>	<u>(374)</u>
Total public works	<u>2,803,376</u>	<u>2,833,376</u>	<u>2,751,711</u>	<u>81,665</u>
Capital outlay:				
Capital outlay	<u>1,303,955</u>	<u>1,825,955</u>	<u>1,494,671</u>	<u>331,284</u>
Total capital outlay	<u>\$ 1,303,955</u>	<u>\$ 1,825,955</u>	<u>\$ 1,494,671</u>	<u>\$ 331,284</u>

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

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL DETAIL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2013

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>
Culture and recreation:				
Salaries and wages	\$ 815,760	\$ 815,760	\$ 794,005	\$ 21,755
Payroll taxes and fringes	283,981	283,981	264,896	19,085
Supplies and maintenance	372,500	372,500	343,314	29,186
Fixed charges	9,450	9,450	15,001	(5,551)
Miscellaneous	9,320	9,320	15,988	(6,668)
Nonprofit contributions:				
Putnam County Library	325,000	325,000	325,000	-
Putnam County Imagination Library	10,000	10,000	10,000	-
Cookeville Arts Council	18,608	18,608	18,608	-
Cumberland Arts Society	1,900	1,900	1,900	-
Tennessee Rehabilitation Center	45,589	48,589	48,589	-
U C Regional Airport	28,000	28,000	28,000	-
Chamber of Commerce	14,750	14,750	14,750	-
Chamber of Commerce-Highlands	50,000	50,000	50,000	-
Chamber of Commerce-Sports Council	50,000	50,000	50,000	-
Emergency Management Agency	25,400	25,400	25,400	-
WCTE Public Television	10,000	10,000	10,000	-
CityScape	32,417	32,417	32,417	-
Genesis House	11,407	11,407	11,407	-
Stephens Center for Child Abuse	2,377	2,377	2,377	-
Kids Putnam	6,000	6,000	6,000	-
Cookeville - PC Clean Commission	9,000	9,000	9,000	-
Helping Hands of Putnam County	11,407	11,407	11,407	-
Cookeville Senior Citizens	47,530	47,530	47,530	-
Kiwanis Cookeville Childrens Museum	1,500	1,500	1,500	-
UC Child Advocacy Center	4,000	4,000	4,000	-
TN Central Heritage Rail Trail	6,769	6,769	6,769	-
Thirteenth Judicial District Regional Drug Court	7,500	7,500	7,500	-
Putnam County Veterans Organization	8,000	8,000	8,000	-
UCHRA - CASA	1,500	1,500	1,500	-
UCHRA - Meals on Wheels	1,901	1,901	1,901	-
Total culture and recreation	<u>\$ 2,221,566</u>	<u>\$ 2,224,566</u>	<u>\$ 2,166,759</u>	<u>\$ 57,807</u>

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

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL DETAIL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Total expenditures	\$ 23,093,318	\$ 23,998,580	\$ 22,807,509	\$ 1,191,071
(Deficiency) of revenues (under) expenditures	<u>(1,318,673)</u>	<u>(2,015,673)</u>	<u>(300,025)</u>	<u>1,715,648</u>
Other financing sources (uses):				
Interfund transfers in	1,451,384	1,451,384	1,602,154	150,770
Interfund transfers (out)	(64,220)	(1,439,220)	(1,439,220)	-
Insurance recoveries	-	30,000	33,499	3,499
Sale of assets	<u>-</u>	<u>94,500</u>	<u>95,669</u>	<u>1,169</u>
Net other financing sources	<u>1,387,164</u>	<u>136,664</u>	<u>292,102</u>	<u>155,438</u>
Net change in fund balance	<u>\$ 68,491</u>	<u>\$ (1,879,009)</u>	<u>(7,923)</u>	<u>\$ 1,871,086</u>
Fund balance, July 1, 2012			<u>9,227,710</u>	
Fund balance, June 30, 2013			<u>\$ 9,219,787</u>	

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

CITY OF COOKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity

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

Cookeville Regional Medical Center Authority (the Authority) was established by a Private Act of the State of Tennessee legislature during 1999 for the purpose of operating Cookeville Regional Medical Center (Medical Center) and Affiliates and all other hospital, clinical and related health care facilities of the City of Cookeville, Tennessee. The Private Act effectively reconstituted the Board of Trustees of the Medical Center as that of the Authority and granted such powers to the Authority as permitted under the State of Tennessee Private Act Hospital Authority Act of 1996. The initial members of the Board of Trustees of the Authority, a quasi-municipal corporation independent of the City 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 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 41) as audited by other auditors.

The City has recorded \$700,000 in payments in lieu of taxes and \$3,141,000 for utilities services from the Medical Center during the year ended June 30, 2013. In addition, the Medical Center contributed approximately \$148,000 to assist in the renovations of Seventh Street.

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

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

B. Government-wide and Fund Financial Statements

Government-wide financial statements

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance

annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

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

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

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

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

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

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

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

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

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

D. Fund Types and Major Funds

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

GASB Statement No. 34 sets forth minimum criteria (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 2013 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," "sinking fund cash," and "temporary cash investments." See Note 2 for information describing cash and temporary cash investments.

I. Inventories and Prepaids

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

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

J. Accounts Receivable

An allowance for doubtful accounts has been established based on the amount of accounts receivable that are 90 days or more past due. Accounts are written off when they are deemed uncollectible by management. Accounts are considered to be past due if they have not been collected according to contractual terms. The allowance was approximately \$331,000 for the year ended June 30, 2013.

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 \$2,955,000 in 2013.

L. Capital Assets, Depreciation, and Amortization

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

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

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

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

M. Compensated Absences

The City allows employees to accumulate unused sick leave. Upon retirement an employee will receive pay for only one-half of accumulated sick leave. Sick leave has not been accrued because the amount cannot be reasonably estimated. Earned vacation time can be accrued up to certain maximums based upon years of service. As of June 30, 2013, the liability for accrued vacation leave is approximately \$1,312,000.

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. Deferred Revenue

Deferred revenue represents amounts that were receivable and measurable at June 30, 2013 but were not available to finance expenditures for the year ended June 30, 2013. Deferred revenues primarily include unearned or unavailable revenues.

P. Net Position and Fund Balances

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources in the government-wide and business-type fund financial statements. Net position is displayed in three components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets after adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

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

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

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

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

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

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

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

Q. Joint Ventures

The Upper Cumberland Regional Airport (UCRA) was established as a joint venture between Putnam County, White County, the City of Cookeville, and the City of Sparta. The airport operates the regional airport for the two-county area. The five-member board of the airport includes one member appointed by each of the four participating governments with the fifth member of the board being the chief executive officer of one of the participating governments. This fifth board position serves a one-year term and rotates among the four participating governments in a prescribed order. Each participant retains a 25 percent ownership in the airport. The City of Cookeville contributed \$28,000 to the Upper Cumberland Regional Airport for the year ended June 30, 2013.

The Cookeville – Putnam County Emergency Management Agency was established in 1951 as a joint venture between the City of Cookeville and Putnam County. The purpose of the Cookeville – Putnam County Emergency Management Agency is to plan and prepare for emergency operations and to assist other emergency services during emergencies or disasters. The City of Cookeville contributed \$25,400 to the Cookeville – Putnam County Emergency Management Agency for the year ended June 30, 2013. An interlocal agreement has been proposed that would transfer sole responsibility of Putnam County Emergency Management Agency to Putnam County, Tennessee. Under this proposed agreement, the City of Cookeville would continue to make a contribution of \$25,400 per year for services provided.

The Tennessee Central Heritage Rail Trail Authority is operated through an interlocal agreement between Putnam County and the cities of Algood, Cookeville and Monterey. The agreement created a ten-member board to construct and manage a rail trail on the right-of-way owned by the Nashville Eastern Railroad Authority. The county and cities will each appoint two members, the ninth member will be appointed by the Putnam County Chamber of Commerce, and the tenth member will be appointed by the Upper Cumberland Heritage Association. The county and cities will each approve the budget of the authority. The City of Cookeville contributed \$6,769 to the Rail Trail Authority for the year ended June 30, 2013.

The Putnam County Library has been in existence for a number of years but was formally recognized as a joint venture between the City of Cookeville and Putnam County under an agreement dated June 30, 2011. The seven-member board includes four members appointed by the County and three members appointed by the City. The City of Cookeville contributed \$325,000 to the Putnam County Library for the year ended June 30, 2013.

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

R. Use of Estimates

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

S. Recently Issued Accounting Pronouncements

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-government pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the City's financial statements.

In addition, during the year ended June 30, 2013, the City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of GASB 63 is to provide reporting guidance for deferred outflows and deferred inflows of resources which are distinct from assets and liabilities and also identifies net position, rather than net assets, as the residual of all other elements presented in a statement of net position. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources, which represent a consumption of net position that applies to a future period and will not be as an expense until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources, which represent acquisition of net position applicable to a future period and will not be recognized as revenue until then.

T. Subsequent Events

Subsequent to June 30, 2013, the City approved the issuance of \$4,300,000 of General Obligation Bonds, Series 2013, to be dated December 19, 2013 for funding of certain capital projects in the City.

Subsequent events were evaluated through December 17, 2013, which is the date the financial statements were available to be issued.

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 \$718,000 for the year ended June 30, 2013.

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

A schedule of interfund receivables and payables follows:

<u>Due from:</u>	<u>Due to:</u>			<u>Total Due From</u>
	<u>Governmental Activities</u>			
	<u>General Fund</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	
<u>Governmental Activities:</u>				
Major Governmental Funds				
General Fund		\$ 3,079	\$ 1,559	\$ 4,638
Capital Projects	\$ 390,983	-	-	390,983
Other Governmental Funds	39,505	-	-	39,505
<u>Business-type Activities:</u>				
Electric	120,475	-	-	120,475
Water Quality Control	46,496	-	-	46,496
Gas	32,035	-	-	32,035
 Total Due To	 <u>\$ 629,494</u>	 <u>\$ 3,079</u>	 <u>\$ 1,559</u>	 <u>\$ 634,132</u>

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

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

A schedule of interfund transfers follows:

	Transfer from:						Total
	<u>General</u>	<u>Economic Development</u>	<u>Quality of Life</u>	<u>Cookeville Electric Department</u>	<u>Cookeville Gas Department</u>	<u>Cookeville Water Quality Control Department</u>	
<u>Transfer to:</u>							
Animal Control	\$ 64,220						\$ 64,220
Economic Dev	1,375,000						1,375,000
General	-	\$ 100,000	\$ 6,769	\$ 1,050,770	\$ 197,856	\$ 246,759	1,602,154
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total:	<u>\$ 1,439,220</u>	<u>\$ 100,000</u>	<u>\$ 6,769</u>	<u>\$ 1,050,770</u>	<u>\$ 197,856</u>	<u>\$ 246,759</u>	<u>\$ 3,041,374</u>

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

NOTE 5 - CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets follows:

	Balance July 1, 2012	Additions	Retirements	Amortization	Transfers & Reclasses	Balance June 30, 2013
<u>Government-type activities:</u>						
Capital assets not being depreciated						
Land	\$ 9,739,330	\$ 427,755	\$ (29,220)			\$ 10,137,865
Construction in progress	10,185,102	634,378	-		\$ (1,287,844)	9,531,636
Total capital assets not being depreciated	19,924,432	1,062,133	(29,220)		(1,287,844)	19,669,501
Capital assets, being depreciated						
Buildings	9,502,181	40,406	-		-	9,542,587
Improvements	2,274,284	-	-		-	2,274,284
Vehicles	9,117,869	560,866	(297,772)		-	9,380,963
Machinery and equipment	2,788,698	185,277	(14,000)		-	2,959,975
Software	333,516	12,500	(21,035)		-	324,981
Infrastructure	37,846,008	3,459,229	(43,599)		1,287,844	42,549,482
Total capital assets being depreciated	61,862,556	4,258,278	(376,406)		1,287,844	67,032,272
Less accumulated depreciation for:						
Buildings	(3,138,240)	(191,042)	-		-	(3,329,282)
Improvements	(899,055)	(113,918)	-		-	(1,012,973)
Vehicles	(6,999,918)	(649,729)	297,772		-	(7,351,875)
Machinery and equipment	(2,442,605)	(125,406)	14,000		-	(2,554,011)
Software	(333,516)	-	21,035		-	(312,481)
Infrastructure	(21,545,536)	(1,348,794)	43,599		-	(22,850,731)
Total accumulated depreciation	(35,358,870)	(2,428,889)	376,406		-	(37,411,353)
Total capital assets being depreciated, net	26,503,686	1,829,389	-		1,287,844	29,620,919
Total government-type activities capital assets, net	\$ 46,428,118	\$ 2,891,522	\$ (29,220)		\$ -	\$ 49,290,420
<u>Business-type activities:</u>						
Capital assets not being depreciated						
Land and easements	\$ 2,624,839	\$ 27,920				\$ 2,652,759
Construction in progress	7,098,068	6,024,121	\$ (81,605)		\$ (658,374)	12,382,210
Total capital assets not being depreciated	9,722,907	6,052,041	(81,605)		(658,374)	15,034,969
Capital assets being depreciated						
Buildings and improvements	4,567,070	60,896	-			4,627,966
Plant and distribution system	142,330,400	2,160,266	(494,512)		587,167	144,583,321
Machinery and equipment	11,538,373	372,618	(149,656)		71,207	11,832,542
Furniture and equipment	632,791	30,371	(46,754)		-	616,408
Plant acquisition adjustment	12,670,718	-	-	\$ (828,686)	-	11,842,032
Total capital assets being depreciated	171,739,352	2,624,151	(690,922)	(828,686)	658,374	173,502,269
Less accumulated depreciation for:						
Buildings and improvements	(2,098,862)	(123,000)	-	-	-	(2,221,862)
Plant and distribution system	(65,215,702)	(4,311,381)	526,884	-	-	(69,000,199)
Machinery and equipment	(6,793,907)	(521,255)	149,656	-	-	(7,165,506)
Furniture and equipment	(591,546)	(28,573)	45,254	-	-	(574,865)
Total accumulated depreciation	(74,700,017)	(4,984,209)	721,794	-	-	(78,962,432)
Total capital assets being depreciated, net	97,039,335	(2,360,058)	30,872	(828,686)	658,374	94,539,837
Total business-type activities capital assets, net	\$ 106,762,242	\$ 3,691,983	\$ (50,733)	\$ (828,686)	\$ -	\$ 109,574,806

The City has active construction projects as of June 30, 2013. Total accumulated commitments for ongoing capital projects are comprised of the following:

Governmental activities:

Public Works Facility	\$ 1,106,896
Highlands Industrial/Business Park	<u>1,246,646</u>
Total commitments - governmental activities	<u>\$ 2,353,542</u>

Proprietary Fund activities:

Water Quality	<u>\$ 740,000</u>
Total commitments - Proprietary Fund activities	<u>\$ 740,000</u>

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

Governmental activities:

General government	\$ 74,261
Planning and codes	8,501
Public safety	373,120
Public works	1,789,127
Parks & maintenance	21,058
Culture and recreation	<u>162,822</u>
Total depreciation expense - governmental activities	<u>\$ 2,428,889</u>

Business-type activities:

Cookeville Water Quality Control Department	\$ 2,597,532
Cookeville Electric Department	1,680,078
Cookeville Gas Department	<u>706,599</u>
Total depreciation expense - business-type activities	<u>\$ 4,984,209</u>

NOTE 6 - LONG-TERM LIABILITIES:

The following summarizes long-term liabilities transactions of the City of Cookeville during the year ended June 30, 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Bonds and notes payable:					
General Obligation Bonds	\$ 7,045,000	\$ -	\$ (680,000)	\$ 6,365,000	\$ 425,000
Notes payable	<u>11,445,419</u>	<u>-</u>	<u>(2,183,750)</u>	<u>9,261,669</u>	<u>2,131,752</u>
Total bonds and notes payable	<u>18,490,419</u>	<u>-</u>	<u>(2,863,750)</u>	<u>15,626,669</u>	<u>2,556,752</u>
Other liabilities:					
Compensated absences	<u>955,509</u>	<u>-</u>	<u>(17,575)</u>	<u>937,934</u>	<u>-</u>
Total other liabilities	<u>955,509</u>	<u>-</u>	<u>(17,575)</u>	<u>937,934</u>	<u>-</u>
Total governmental activities long-term liabilities:	<u>\$ 19,445,928</u>	<u>\$ -</u>	<u>\$ (2,881,325)</u>	<u>\$ 16,564,603</u>	<u>\$ 2,556,752</u>
<u>Business-Type Activities:</u>					
Bonds and notes payable:					
Revenue bonds payable	\$ 5,655,000	\$ -	\$ (630,000)	\$ 5,025,000	\$ 655,000
Notes payable	<u>22,221,939</u>	<u>-</u>	<u>(2,901,896)</u>	<u>19,320,043</u>	<u>2,837,744</u>
Total bonds and notes payable	<u>27,876,939</u>	<u>-</u>	<u>(3,531,896)</u>	<u>24,345,043</u>	<u>3,492,744</u>
Other liabilities:					
Compensated absences	361,161	12,613	-	373,774	-
TVA heat pump notes payable	667,635	207,556	(171,736)	703,455	-
Water storage rights payable	<u>2,235,216</u>	<u>-</u>	<u>(63,459)</u>	<u>2,171,757</u>	<u>81,857</u>
Total other liabilities	<u>3,264,012</u>	<u>220,169</u>	<u>(235,195)</u>	<u>3,248,986</u>	<u>81,857</u>
Total business-type activities long-term liabilities:	<u>\$ 31,140,951</u>	<u>\$ 220,169</u>	<u>\$ (3,767,091)</u>	<u>\$ 27,594,029</u>	<u>\$ 3,574,601</u>

Bonds and notes payable at June 30, 2013, are comprised of the following:

Governmental Bonds and Notes Payable:

1.0% through 5.05% General Obligation Industrial & Business Park Bonds, Series 2010, Taxable Build America bonds, issued December 15, 2010, payable annually in varying amounts plus semi-annual interest payments through 2026.	\$ 6,365,000
Note payable to Tennessee Municipal Bond Fund, maximum borrowing of \$9,000,000, payable annually beginning in 2000 through 2014, with a variable rate of interest. Interest rate at June 30, 2013 is .31%.	866,000
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, 2013 is .33%.	461,000
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, 2013 is .33%.	818,000
Note payable to the Dunlap Family Trust, dated July 2, 2001 maturity date July 2, 2013 bearing interest of 3.5%. Principal and interest payments due annually. Original Debt \$1,897,000	158,086
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, 2013 is .33%.	2,475,000
Note payable to Tennessee Municipal Bond Fund, maximum borrowing of \$3,200,000, payable annually beginning in 2007 through 2023, with a variable rate of interest. Interest rate at June 30, 2013 is .33%.	2,333,000
Note payable to Tennessee Municipal Bond Fund, maximum borrowing of \$2,350,000, payable annually beginning in 2009 through 2024, with a variable rate of interest. Interest rate at June 30, 2013 is .33%.	1,817,250
Capital outlay note payable to First National Bank of Tennessee dated August 26, 2011 with maturity date of August 26, 2014 principal and interest payments due annually. Interest rate 1.73%.	<u>333,333</u>
	<u>\$ 15,626,669</u>

Business-type Bonds and Notes Payable:

Gas Department revenue bonds, series 2009 interest rate 2.79% due serially through 2015.	\$ 1,255,000
Revolving loan payable to State of Tennessee, interest rate 3.14%, due in monthly installments through 2017.	2,517,031
Revolving loan payable to State of Tennessee, interest rate 2.5% due in monthly installments through 2031.	1,886,012
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, 2013 is .31%.	4,875,000
Electric Department System Revenue and Tax Bonds, issued February 15, 2012, payable annually in varying amounts plus semi-annual interest payments through 2027. Interest 1.0% to 3.0%.	3,770,000
Notes payable to UCEMC related to various annexations, payable annually through 2017 without interest.	5,000,000
Notes payable to Tennessee Municipal Bond Fund, maximum borrowing of \$2,500,000, payable annually beginning in 2000 through 2014, variable interest rate.	240,000
Notes payable to Tennessee Municipal Bond Fund, maximum borrowing of \$6,000,000, payable annually beginning in 2000 through 2024, variable interest rate.	<u>4,802,000</u>
	<u>\$ 24,345,043</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>
2014	\$ 425,000	\$ 237,813
2015	430,000	231,225
2016	440,000	221,550
2017	450,000	210,330
2018	455,000	196,830
2019	470,000	182,043
2020	480,000	165,358
2021	495,000	146,878
2022	510,000	126,830
2023	525,000	105,155
2024	545,000	81,793
2025	560,000	56,450
2026	580,000	29,290
Total	<u>\$ 6,365,000</u>	<u>\$ 1,991,545</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>
2014	\$ 2,131,752	\$ 37,302	\$ 2,837,744	\$ 148,716
2015	1,146,667	25,861	2,665,216	124,515
2016	1,021,000	19,746	2,735,348	100,274
2017	1,063,000	16,376	2,808,116	75,229
2018	755,000	12,868	2,339,911	55,709
2019	786,000	10,376	1,292,440	49,265
2020	820,000	7,782	1,354,900	43,014
2021	442,000	5,076	578,432	36,501
2022	462,000	3,618	604,024	32,338
2023	481,000	2,093	631,676	28,040
2024	153,250	506	661,400	23,586
2025	-	-	113,184	18,984
2026	-	-	116,052	16,116
2027	-	-	118,980	13,188
2028	-	-	121,992	10,176
2029	-	-	125,076	7,092
2030	-	-	128,244	3,924
2031	-	-	87,308	720
Total	<u>\$ 9,261,669</u>	<u>\$ 141,604</u>	<u>\$ 19,320,043</u>	<u>\$ 787,387</u>

Revenue Bonds

Year Ending June 30,	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 655,000	\$ 111,442
2015	645,000	95,165
2016	665,000	78,766
2017	245,000	67,987
2018	250,000	63,038
2019	255,000	57,987
2020	260,000	51,538
2021	270,000	43,587
2022	275,000	35,413
2023	285,000	28,437
2024	290,000	22,688
2025	300,000	16,788
2026	310,000	10,494
2027	320,000	3,600
Total	<u>\$ 5,025,000</u>	<u>\$ 686,930</u>

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

Water Storage Rights Payable:

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

Annual maturities of water storage rights payable, 2014 through 2033.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 81,857	\$ 62,438	\$ 144,295
2015	84,210	60,085	144,295
2016	86,631	57,664	144,295
2017	89,122	55,173	144,295
2018	91,684	52,611	144,295
2019-2023	499,509	221,966	721,475
2024-2028	575,563	145,912	721,475
2029-2033	<u>663,181</u>	<u>58,279</u>	<u>721,460</u>
	<u>\$2,171,757</u>	<u>\$714,129</u>	<u>\$2,885,886</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 at <http://www.tn.gov/treasury/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, 2013, was 16.05% of annual covered payroll. The contribution requirements of plan members are 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, 2013, the City of Cookeville's annual pension cost of \$2,760,217 to TCRS was equal to the required and actual contributions.

The required contribution was determined as part of the July 1, 2011 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 3.0% annual rate of inflation, (c) 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), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% 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 ten-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, 2011, was 8 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/13	\$2,760,217	100.00%	\$0.00
6/30/12	\$2,669,290	100.00%	\$0.00
6/30/11	\$2,576,638	100.00%	\$0.00

D. Schedule of Funding Progress for the City of Cookeville

As of July 1, 2011, the most recent actuarial valuation date, the plan was 93.56% funded. The actuarial accrued liability for benefits was \$102.76 million, and the actuarial value of assets was \$96.14 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$6.62 million. The covered payroll (annual payroll of active employees covered by the plan) was \$15.64 million, and the ratio of the UAAL to the covered payroll was 42.30%.

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 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 Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability -Entry Age (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$96,144	\$102,760	\$6,616	93.56%	\$15,641	42.30%
July 1, 2009	\$83,263	\$83,263	\$0	100.00%	\$15,016	0.00%
July 1, 2007	\$79,813	\$79,813	\$0	100.00%	\$14,706	0.00%

NOTE 8 - CONTINGENCIES:

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

NOTE 9 - SELF-INSURANCE:

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

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

Claims expensed during the year ended June 30, 2013, totaled approximately \$80,000 for general liability and \$320,000 for worker's compensation. Liabilities for claims incurred but not reported as of June 30, 2013, are not calculated by an actuary. The plan administrator reported claims payable of approximately \$245,000 as of June 30, 2013 which have been included in these financial statements.

The employee health care coverage program is partially self-insured by the City up to \$150,000 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, 2013, are not calculated by an actuary. The plan administrator reported health claims payable of approximately \$154,000 as of June 30, 2013. These are claims received by the plan administrator for a two month period following the end of the fiscal year and incurred by the end of the plan year. For the year ended June 30, 2013, the amount for health insurance claims and premiums totaled approximately \$3,510,000.

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

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS:

The City has adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, prospectively for the year ended June 30, 2009.

Plan description

In addition to the pension plan sponsored by the City, the City provides single-employer health care benefits (medical, dental, vision, life insurance) for all retired employees and their spouses. These benefit provisions and all other requirements are established by City policy. The participants are required to pay a portion of the cost of the Plan, which generally ranges from approximately 20% to 100% of the annual premiums. Employees are eligible for these retirement benefits at age 55 with a minimum of 5 years of service. Surviving spouses of employees who were eligible for these benefits at the time of death will be eligible for the same benefits with the exception of life insurance.

Retirees and spouses pay a percentage of the self-insured health premiums based on the retirees' years of services at retirement. Retirees and spouses contribute 100% of the pooled premium rate for active employees and retirees under the self-insured dental plan. The retirees and spouses have limited life insurance and vision benefits and they must contribute toward the cost of the coverage.

Funding policy and assumptions

The City contribution is based on projected pay-as-you go financing requirements through the General Fund and the proprietary funds.

The City's annual OPEB costs (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the ARC are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presents the multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculation. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Information as of the latest actuarial valuation follows:

Valuation date	July 1, 2013
Actuarial cost method	Entry age normal, level dollar
Actuarial assumptions	
Interest rate	4.0%
Salary increases	4.5% per annum
Inflation	Medical cost 8% in the first year, future increases grade uniformly to 5% over 6 year period. Dental cost increase 4% per annum.
Amortization period	30 years, open period

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB costs and net OPEB obligations to the plan for the year ended June 30, 2013 were as follows:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 1,784,362	\$ 479,635	\$ 2,263,997
Interest on Net OPEB	209,186	82,681	291,867
Adjustment	(185,457)	(73,303)	(258,760)
Contribution made	(551,551)	(23,317)	(574,868)
Change in Net OPEB, Obligation	1,256,540	465,696	1,722,236
Net OPEB Obligation, beginning	5,229,652	2,067,026	7,296,678
Net OPEB Obligation, ending	<u>\$ 6,486,192</u>	<u>\$ 2,532,722</u>	<u>\$ 9,018,914</u>

Three-Year Trend Information

Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
2013	\$ 2,297,104	25%	\$ 7,296,678
2012	2,585,108	25%	5,349,149
2011	2,523,461	23%	3,397,231

Funded Status and Schedule of Funding Process

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2012	\$ -	\$ 29,161,826	\$ 29,161,826	0.00%	\$ 15,522,845	187.9%
7/1/2011	\$ -	\$ 35,621,757	\$ 35,621,757	0.00%	\$ 15,518,129	229.6%
7/1/2010	\$ -	\$ 33,492,912	\$ 33,492,912	0.00%	\$ 15,217,765	220.1%

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

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

Notes to the Financial Statements

June 30, 2013 and 2012

(1) Nature of operations

(a) Organization

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 "Private Act"). 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 citizens of Cookeville, Tennessee, Putnam County and surrounding areas.

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

Notes to the Financial Statements

June 30, 2013 and 2012

Blended Component Units: The accompanying financial statements include the accounts of four blended component units at June 30, 2013 and three blended component units at June 30, 2012. The Cookeville Regional Medical Center ("CRMC") Children's Center (the "Children's Center") and Cookeville Regional Medical Group, Inc. (the "CRMG") are component units blended with the Medical Center as the governing bodies are essentially the same. Both entities began operations during the year ended June 30, 2005. The Children's Center was established to provide a quality early childhood program to employees of the Medical Center. The CRMG was established to provide physician services to the City and the surrounding areas. In January 2012, CRMC MSO Sub 1 ("MSO Sub 1") was established to provide cardiology services. In March 2012, the former CRMC MSO, Inc. (the "MSO") was formally renamed Cookeville Regional Medical Group ("CRMG"). In August 2012, Cumberland River Hospital, Inc. in Celina, Tennessee was acquired by Cookeville Regional Medical Center to extend the health network into surrounding counties. The Cookeville Regional Medical Center, Children's Center, CRMG, MSO Sub 1 and Cumberland River Hospital are collectively referred to as the "Medical Center" in the notes to the financial statements.

(b) Acquisition

In August 2012, Cookeville Regional Medical Center purchased certain assets and liabilities of Cumberland River Hospital, Inc. for total cash consideration of \$6,371,040. The Medical Center also paid approximately \$94,000 in direct costs associated with the transaction. This transaction has been accounted for as an acquisition and, accordingly, the purchase price was allocated to the assets and liabilities acquired, based upon the fair value of the assets and liabilities at the date of acquisition, as follows:

Cash and cash equivalents	\$ 241,977
Patient accounts receivable	1,044,011
Other receivables	2,775,658
Inventories	163,859
Prepaid expenses	65,451
Property and equipment	4,179,217
Accounts payable	(466,035)
Accrued salaries and related liabilities	(611,380)
Other accrued expenses	<u>(1,021,718)</u>
	\$ <u>6,371,040</u>

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

Notes to the Financial Statements

June 30, 2013 and 2012

(2) Summary of significant accounting policies

(a) Basis of accounting

The Medical Center utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis, which is an economic resources measurement focus approach to accounting. In December 2010, Governmental Accounting Standards Board ("GASB") issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 makes the GASB Accounting Standards Codification the sole source of authoritative accounting technical literature for governmental entities in the United States of America. In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*. GASB 62 and 63 were effective for periods beginning after December 15, 2011.

(b) 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.

(c) Inventories

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

(d) Investments

Investments consist of short-term repurchase agreements, certificates of deposit, mortgage-backed securities, 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 is classified as current assets. Investment income is reported as nonoperating revenue. Any changes in fair market value in the current year are recognized in the statements of revenue, expenses and changes in net position as a component of investment income.

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

Notes to the Financial Statements

June 30, 2013 and 2012

(e) 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.

(f) Derivative instruments

The Medical Center records all derivatives as assets or liabilities on the balance sheets at estimated fair value. The Medical Center's derivative holdings consist of interest rate swap agreements (Note 9). In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the interest rate swap agreement is considered effective, and is classified as a hedging derivative instrument. The changes in the interest rate swap's fair value are recorded on the balance sheet as deferred outflows. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item.

The Medical Center's objective in using derivatives is to manage the mix of fixed versus variable rate debt.

(g) Property and equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed by the straight-line method over the estimated useful life of the asset, generally 20 to 40 years for buildings, 5 to 20 years for land improvements and 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 and amortization expense and accumulated depreciation and amortization, respectively. The Medical Center has established a capitalization threshold for property and equipment of \$5,000, except for computer software and hardware, which has a threshold of \$10,000. The Medical Center reviews the carrying values of long-lived assets if facts and circumstances indicate that recoverability may have been impaired. Costs of repairs and maintenance 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.

(h) 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 of the joint venture.

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

Notes to the Financial Statements

June 30, 2013 and 2012

(i) 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, which is included in the accrual for compensated absences. In the past, if an employee reached 55 and completed 5 years of service, one-half of the accumulated hours were paid out as a benefit upon retirement. During 2012, the Medical Center eliminated certain sick pay benefits. As a result, approximately \$708,000 was recognized in 2012 as income in the accompanying statements of revenues, expenses and changes in net position.

(j) Contributed resources

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

(k) Net patient service revenue/receivables

Net patient service revenue is reported on the 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 collectibility. Such evaluation includes historical experience, aging of the receivables and other factors which affect the collectibility 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, Blue Cross, health maintenance organizations and commercial insurance carriers.

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

Notes to the Financial Statements

June 30, 2013 and 2012

(l) Net position

The Medical Center's net position is classified in three components. The *net position invested in capital assets, net of related debt* consist of capital assets net of accumulated depreciation and reduced by the remaining balances of any outstanding borrowings used to finance the purchase or construction of those assets. For 2013 and 2012, the net position invested in capital assets, net of related debt excludes the \$7,608,681 and \$10,235,074, respectively, in debt currently held as assets limited as to use. The *restricted net position* is the noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center, including amounts deposited with trustees as required by revenue bond indentures. The *unrestricted net position* is the remaining net position that does 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 position is available. As of June 30, 2013 and 2012, there was no net position classified as permanently or temporarily restricted.

(m) Operating revenues and expenses

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

(n) 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. These costs are estimated based on the ratio of total costs to gross charges. In addition to these charity care services, the Medical Center provides a number of other services to benefit underprivileged patients for which little or no payment is received, including providing services to TennCare and state indigent patients and providing various public health education, health evaluation and screening programs.

(o) 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 financial statements.

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

Notes to the Financial Statements

June 30, 2013 and 2012

(p) Use of estimates

The preparation of 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(q) Performance indicator

Excess of revenues over expenses reflected in the accompanying statements of revenues, expenses and changes in net position is a performance indicator.

(r) Adoption of new accounting pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement amends the reporting standards for reporting component units in a government's financial statements. The statement requires inclusion of a component unit if a financial benefit or burden is present or if the financial statements would be misleading if excluded. This accounting standard was effective for financial statements for fiscal years beginning after June 15, 2012. Therefore the Medical Center adopted this accounting standard at the beginning of fiscal year 2013. The adoption of this accounting standard did not have a material impact on the Medical Center's financial statements.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement amends accounting standards relating to the application of FASB Statements that do not contradict GASB pronouncements and incorporates into the GASB authoritative literature certain accounting and financial reporting guidance to bring all authoritative literature together in one place. This accounting standard was effective for financial statements for fiscal years beginning after December 15, 2011. Therefore the Medical Center adopted this accounting standard at the beginning of fiscal year 2013. The adoption of this accounting standard did not have a material impact on the Medical Center's financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and identifies net position as the residual of all other elements presented in a statement of financial position. This accounting standard was effective for financial statements for fiscal years beginning after December 15, 2011. Therefore the Medical Center adopted this accounting standard at the beginning of fiscal year 2013. The adoption of this accounting standard did not have a material impact on the Medical Center's financial statements.

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

Notes to the Financial Statements

June 30, 2013 and 2012

(s) New accounting pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities and is effective for financial statements for fiscal years beginning after December 15, 2012. Therefore the Medical Center expects to adopt this accounting standard at the beginning of fiscal year 2014.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement relates to accounting and financial reporting for government combinations and disposals of government operations and is effective for financial statements for fiscal years beginning after December 15, 2013. Therefore the Medical Center expects to adopt this accounting standard at the beginning of fiscal year 2015.

In March 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees and is effective for financial statements for fiscal years beginning after June 15, 2013. Therefore the Medical Center expects to adopt this accounting standard at the beginning of fiscal year 2014.

The Medical Center is currently assessing the impact of adopting these accounting standards.

(t) Events occurring after reporting date

The Medical Center has evaluated events and transactions that occurred between June 30, 2013 and October 25, 2013, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Net patient service revenue and patient accounts receivable

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

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

Notes to the Financial Statements

June 30, 2013 and 2012

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

	<u>2013</u>	<u>2012</u>
Gross patient service charges	\$ 584,606,517	\$ 544,380,517
Less: Medicare contractual adjustments	(206,006,472)	(184,024,759)
TennCare contractual adjustments	(50,309,140)	(41,552,673)
Other contractual adjustments	(55,426,086)	(60,097,024)
Bad debts	(23,313,889)	(20,442,719)
Charity Care	<u>(2,111,253)</u>	<u>(3,035,087)</u>
Net patient service revenue	<u>\$ 247,439,677</u>	<u>\$ 235,228,255</u>

Net patient accounts receivable consists of the following:

	<u>2013</u>	<u>2012</u>
Medicare	\$ 13,766,865	\$ 14,173,397
TennCare	7,737,128	4,418,434
Blue Cross and commercial	10,278,342	10,657,825
Patients, including self-insured	<u>11,534,801</u>	<u>9,848,847</u>
	43,317,136	39,098,503
Less: allowance for uncollectible accounts	<u>(13,669,117)</u>	<u>(12,065,579)</u>
	<u>\$ 29,648,019</u>	<u>\$ 27,032,924</u>

(4) Third-party payor reimbursement programs

The Medical Center renders services to patients under contractual arrangements with the Medicare and Medicaid programs. Effective January 1, 1994, the Medicaid program in Tennessee was replaced with TennCare, a managed care program designed to cover previous Medicaid eligible enrollees as well as other previously uninsured and uninsurable participants.

Amounts earned under these contractual arrangements are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. Activity with respect to audits and reviews of governmental programs and reimbursement has increased and is expected to increase in the future. No additional reserves or allowances have been established with regard to these increased audits and reviews as management is not able to estimate such amounts. In the opinion of management, any adjustments which may result from such audits and reviews will not have a material impact on the financial statements; however, due to the uncertainties involved, it is at least reasonably possible that management's estimates will change in the future. 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.

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

Notes to the Financial Statements

June 30, 2013 and 2012

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 \$135,000,000 and \$22,000,000, respectively, in 2013 and approximately \$130,000,000 and \$20,000,000, respectively, in 2012.

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

Contractual adjustments under third-party reimbursement programs also include any differences between estimated settlements for prior years and subsequent tentative or final settlements. The adjustments resulting from tentative or final settlements to estimated reimbursement amounts resulted in a decrease to revenue of approximately \$730,000 and \$1,018,000 for the years ended June 30, 2013 and 2012, respectively.

The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for hospitals that implemented "meaningfully use" certified electronic health record (EHR) technology. In order to receive incentive payments, a hospital which is able to meet the meaningful use criteria must attest that during the EHR reporting period, the hospital used certified EHR technology and specify the technology used, satisfied the required meaningful use objectives and associated measures for the applicable stage, and must specify the EHR reporting period and provide the result of each applicable measure for all patients admitted to the inpatient or emergency department of the hospital during the EHR reporting period for which a selected measure is applicable. A hospital may receive an incentive payment for up to four years, provided it successfully demonstrates meaningful use of certified EHR technology for the EHR reporting period. Hospitals that adopt a certified EHR system and are meaningful users can begin receiving incentive payments in any federal fiscal year from 2011 (October 1, 2010 - September 30, 2011) to 2015; however, the incentive payments will decrease for hospitals that first start receiving payments in federal fiscal year 2014 or 2015.

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

Notes to the Financial Statements

June 30, 2013 and 2012

The Medical Center met the Medicare meaningful use criteria during 2013 and recognized income from Medicare of approximately \$2,850,000 in 2013. The Medical Center met Medicaid meaningful use criteria during 2012 and recognized income from Medicaid of approximately \$461,000 and \$770,000 in 2013 and 2012, respectively. The income is reported as other revenue on the accompanying statements of revenues, expenses and changes in net position.

Cumberland River Hospital met the meaningful use criteria during 2013 and received \$1,586,000 in July 2013. Included in the purchase price allocation was a receivable for approximately \$2,800,000 relating to EHR incentive payments and an accrued expense for approximately \$745,000 for EHR incentive payments due back to the seller.

(5) 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 short-term 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 balance sheets are as follows:

	<u>2013</u>	<u>2012</u>
Carrying amount:		
Cash and cash equivalents	\$ 40,242,431	\$ 41,021,415
Investments	<u>11,339,256</u>	<u>14,189,147</u>
Total deposits and investments	<u>\$ 51,581,687</u>	<u>\$ 55,210,562</u>
	<u>2013</u>	<u>2012</u>
Included in the following balance sheet captions:		
Cash and cash equivalents	\$ 7,999,584	\$ 16,935,962
Short-term investments	16,243,560	5,473,333
Long-term investments	9,729,862	12,566,193
Assets internally designated for capital acquisition	10,000,000	10,000,000
Assets designated by bond indenture agreement	<u>7,608,681</u>	<u>10,235,074</u>
	<u>\$ 51,581,687</u>	<u>\$ 55,210,562</u>

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

Notes to the Financial Statements

June 30, 2013 and 2012

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, 2013 is as follows:

	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
June 30, 2013					
Undesignated	\$ 25,973,422	\$ 16,243,561	\$ 3,468,439	\$ 1,230,663	\$ 5,030,759
Assets internally designated for capital acquisition	10,000,000	10,000,000	-	-	-
Assets designated by bond indenture agreement	7,608,681	7,608,681	-	-	-
Cash and cash equivalents	<u>7,999,584</u>	<u>7,999,584</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 51,581,687</u>	<u>\$ 41,851,826</u>	<u>\$ 3,468,439</u>	<u>\$ 1,230,663</u>	<u>\$ 5,030,759</u>

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, 2013, 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. As of June 30, 2013 and 2012, 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, U.S. Treasury securities and certificates of deposit.

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

Notes to the Financial Statements

June 30, 2013 and 2012

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

	<u>2013</u>	<u>2012</u>
Interest income and realized gain on investments	\$ 185,611	\$ 320,332
Unrealized gain (loss) on investments	<u>49,458</u>	<u>40,315</u>
	<u>\$ 235,069</u>	<u>\$ 360,647</u>

(6) 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 1. A summary of property and equipment and schedule of activity is as follows:

	<u>Balance at</u>	<u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at</u>
						<u>June 30, 2013</u>
Land	\$	15,908,556	\$ 166,000	\$ -	\$ -	\$ 16,074,556
Land improvements		5,124,713	-	-	884,870	6,009,583
Building		164,542,126	3,286,022	(19,892)	4,361,283	172,169,539
Automobiles		180,122	-	-	-	180,122
Equipment		68,979,076	2,414,899	(2,457,047)	6,327,564	75,264,492
Equipment under capitalized leases		<u>5,431,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,431,889</u>
		260,166,482	5,866,921	(2,476,939)	11,573,717	275,130,181
Less: allowance for depreciation and amortization:						
Land improvements		2,102,533	245,897	-	-	2,348,430
Building		37,593,481	4,821,078	-	-	42,414,559
Automobiles		180,122	-	-	-	180,122
Equipment		53,170,390	7,513,785	(2,120,478)	-	58,563,697
Equipment under capitalized leases		<u>5,431,889</u>	<u>42,434</u>	<u>-</u>	<u>-</u>	<u>5,474,323</u>
		<u>98,478,415</u>	<u>12,623,194</u>	<u>(2,120,478)</u>	<u>-</u>	<u>108,981,131</u>
Construction in progress		<u>20,075,003</u>	<u>10,488,337</u>	<u>-</u>	<u>(11,573,717)</u>	<u>18,989,623</u>
	<u>\$</u>	<u>181,763,070</u>	<u>\$ 3,732,064</u>	<u>\$ (356,461)</u>	<u>\$ -</u>	<u>\$ 185,138,673</u>

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

Notes to the Financial Statements

June 30, 2013 and 2012

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2012</u>
Land	\$ 15,502,882	\$ 405,674	\$ -	\$ -	\$ 15,908,556
Land improvements	5,124,713	-	-	-	5,124,713
Building	162,710,679	109,593	-	1,721,854	164,542,126
Automobiles	180,122	-	-	-	180,122
Equipment	59,061,251	4,429,184	(1,018,810)	6,507,451	68,979,076
Equipment under capitalized leases	<u>5,441,584</u>	<u>-</u>	<u>(9,695)</u>	<u>-</u>	<u>5,431,889</u>
	248,021,231	4,944,451	(1,028,505)	8,229,305	260,166,482
Less: allowance for depreciation and amortization:					
Land improvements	1,870,927	231,606	-	-	2,102,533
Building	32,964,980	4,628,501	-	-	37,593,481
Automobiles	180,122	-	-	-	180,122
Equipment	47,002,918	7,142,831	(975,359)	-	53,170,390
Equipment under capitalized leases	<u>5,431,265</u>	<u>10,319</u>	<u>(9,695)</u>	<u>-</u>	<u>5,431,889</u>
	<u>87,450,212</u>	<u>12,013,257</u>	<u>(985,054)</u>	<u>-</u>	<u>98,478,415</u>
Construction in progress	<u>8,353,217</u>	<u>19,951,091</u>	<u>-</u>	<u>(8,229,305)</u>	<u>20,075,003</u>
	<u>\$ 168,924,236</u>	<u>\$ 12,882,285</u>	<u>\$ (43,451)</u>	<u>\$ -</u>	<u>\$ 181,763,070</u>

On July 1, 2011, the Medical Center acquired certain property and equipment from Sleep Solutions of Tennessee, LLC for \$250,000 and on January 1, 2012, the Medical Center acquired certain assets of Tennessee Heart, PLLC for approximately \$471,000.

Construction in progress at June 30, 2013 consists of construction on the expansion of the Medical Center's operating room, central storage area, pharmacy, outpatient imaging center, laboratory, new operational and accounting software systems, assets not yet placed in service and various other construction projects. Estimated costs to complete the projects amount to approximately \$16,700,000 at June 30, 2013.

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

Notes to the Financial Statements

June 30, 2013 and 2012

(7) 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. Condensed financial information for the Surgery Center as of and for the years ended June 30, 2013 and 2012 is as follows (unaudited):

	<u>2013</u>	<u>2012</u>
Assets	\$ <u>2,421,000</u>	\$ <u>2,702,000</u>
Liabilities	\$ 991,000	\$ 1,223,000
Member's equity	<u>1,430,000</u>	<u>1,479,000</u>
	<u>\$ 2,421,000</u>	<u>\$ 2,702,000</u>
Medical Center's interest:		
Investment in joint ventures	\$ <u>831,000</u>	\$ <u>863,000</u>
Equity in earnings of joint ventures	\$ <u>121,000</u>	\$ <u>218,000</u>

(8) Long-term debt

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

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2013</u>	<u>Amounts Due Within One Year</u>
Series 2009					
Bonds	\$ 28,830,000	\$ -	\$ (630,000)	\$ 28,200,000	\$ 655,000
Series 2010-A					
Bonds	11,910,220	-	(466,470)	11,443,750	519,720
Series 2010-B					
Bonds	16,059,780	-	(628,530)	15,431,250	700,280
Build America					
Bonds Series					
2010	29,320,000	-	(730,000)	28,590,000	780,000
Companion					
Instrument (Note					
9)	<u>2,225,466</u>	<u>-</u>	<u>(509,526)</u>	<u>1,715,940</u>	<u>497,285</u>
	<u>\$ 88,345,466</u>	<u>\$ -</u>	<u>\$ (2,964,526)</u>	<u>\$ 85,380,940</u>	<u>\$ 3,152,285</u>

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

Notes to the Financial Statements

June 30, 2013 and 2012

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Series 2009 Bonds	\$ 29,430,000	\$ -	\$ (600,000)	\$ 28,830,000	\$ 630,000
Series 2010-A Bonds	12,346,870	-	(436,650)	11,910,220	466,470
Series 2010-B Bonds	16,648,130	-	(588,350)	16,059,780	628,530
Build America Bonds Series 2010	30,000,000	-	(680,000)	29,320,000	730,000
Companion Instrument (Note 9)	<u>2,745,821</u>	<u>-</u>	<u>(520,355)</u>	<u>2,225,466</u>	<u>509,527</u>
	<u>\$ 91,170,821</u>	<u>\$ -</u>	<u>\$ (2,825,355)</u>	<u>\$ 88,345,466</u>	<u>\$ 2,964,527</u>

During the year ended June 30, 2010, the Medical Center issued \$30,000,000 Revenue Refunding Bonds (the Series 2009 Bonds) in order to partially redeem the outstanding balance of the Series 2006 Bonds. Also during 2010, the Medical Center issued \$12,775,000 Revenue Refunding Bonds (Series 2010-A) and \$17,225,000 Revenue Refunding Bonds (Series 2010-B) (collectively, the Series 2010 Bonds) in order to fully redeem or pay off the then-outstanding balance of the Series 2001 A-2, Series 2001 A-3, and Series 2006 Bonds. The Series 2009 Bonds and Series 2010 Bonds bear interest at a variable rate, equal to the sum of 65% of the sum of the 30-day London Inter-Bank Offering Rate ("LIBOR") plus 2%, plus .25%. The rate was 1.68% and 1.71% at June 30, 2013 and 2012, respectively. The interest rates on the Series 2009 Bonds and Series 2010 Bonds were effectively converted to fixed rates utilizing an interest rate swap agreement (Note 9).

The Series 2009 Bonds and Series 2010 Bonds are subject to prepayment, in whole or in part, for a prepayment price equal to the principal amount to be repaid plus interest accrued, without penalty. Any partial prepayment of the Series 2009 Bonds or Series 2010 Bonds must be made on a prorata basis, and applied to future scheduled principal payments in reverse chronological order.

During the year ended June 30, 2011, the Medical Center issued \$30,000,000 Build America Bonds Series 2010. The Build America Bonds bear interest at a variable rate, equal to the sum of the 30-day LIBOR plus 1.85%. The rate was 2.04% and 2.09% at June 30, 2013 and 2012, respectively. These Bonds also provide for a refundable tax credit paid to the Medical Center by the Treasury Department and the Internal Revenue Service ("IRS") in an amount equal to 35% of the total coupon interest payable on these taxable bonds. The Medical Center recognizes this refund as a reduction to interest expense in the financial statements.

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

Notes to the Financial Statements

June 30, 2013 and 2012

The debt service requirements at June 30, 2013 related to bonds and notes payable are as follows:

<u>Year</u>	<u>Principal Maturities or Sinking Fund Requirements</u>	<u>Interest</u>
2014	\$ 3,152,285	\$ 3,313,000
2015	3,313,574	3,195,000
2016	3,436,251	3,070,000
2017	50,308,830	1,772,000
2018	980,000	525,000
2019 - 2023	5,650,000	2,278,000
2024 - 2028	7,000,000	1,609,000
2029 - 2033	8,590,000	783,000
2034 - 2035	<u>2,950,000</u>	<u>53,000</u>
	<u>\$ 85,380,940</u>	<u>\$ 16,598,000</u>

Interest amounts for the Series 2009 Bonds and Series 2010 Bonds included in the table above are based on current rates in effect at June 30, 2013 and the effect of the interest rate swap agreement (Note 9).

The bond indentures related to the various bond issues contain covenants with which the Medical Center must comply. These requirements include maintenance of certain liquidity ratios and insurance coverage, limitations on additional indebtedness and guarantees, use of facilities and disposals of property, among other things. Management has concluded that the Medical Center is in compliance with all such covenants at June 30, 2013.

(9) Derivative instruments

During 2010, the Medical Center entered into a pay fixed/receive floating interest rate swap transaction with a \$60,000,000 notional amount. The interest rate swap was entered as a cash flow hedge to manage the interest rate risk associated with the Medical Center's Series 2009 Bonds and Series 2010 Bonds (Note 8). As a part of this transaction, the Medical Center received an up-front payment of \$3,410,000 in the form of a borrowing from the counterparty, which was used to terminate interest rate swaps previously held. As a result, the fixed rate on the interest rate swap was adjusted to account for this borrowing. This off-market interest rate swap is therefore considered a hybrid instrument, composed of the borrowing (the "Companion Instrument") and an interest rate swap. The Companion Instrument is recorded as debt for financial reporting purposes at its amortized historical cost (Note 8). Amortization of the Companion Instrument is reported as a reduction of interest expense in the financial statements.

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

Notes to the Financial Statements

June 30, 2013 and 2012

Through a Novation Agreement, the rights and obligations for \$20,000,000 of the \$60,000,000 notional amount were transferred to a second counterparty.

A summary of the interest rate swap is as follows:

Variable rate payers:	Fifth Third Bank First Tennessee Bank, N.A.
Term:	March 1, 2010 - December 30, 2016
Fixed rate:	3.43%
Variable rate:	65% of USD-LIBOR-BBA

This interest rate swap agreement was determined to be effective by utilizing an approved method as outlined in GASB Statement No. 53. The third-party valuation of the swap value was a liability of \$3,645,230 and \$4,934,572 as of June 30, 2013 and 2012, respectively, and was accounted for in the balance sheet with the proper offsetting deferred outflow in accordance with GASB statement No. 53.

Credit risk: As described above, the Medical Center's interest rate swap is held by Fifth Third Bank and First Tennessee Bank, N.A. The credit rating for each of these counterparties was Baa1 (Moody's) at June 30, 2013.

Termination risk: The Medical Center or its counterparties may terminate the interest rate swap agreement if the other party fails to perform under the terms of the contract. If at the time of termination a derivative instrument is in a liability position, the Medical Center would be liable to the counterparties for a payment equal to the liability.

Rollover risk: The Medical Center is exposed to rollover risk on the interest rate swap. If the swap terminates prior to the maturity of the debt, the Medical Center will be re-exposed to the risks being hedged by the interest rate swap.

Net receipts and payments on the interest rate swap are presented in Note 8 with the Medical Center's aggregate debt service requirements.

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

Notes to the Financial Statements

June 30, 2013 and 2012

(10) Leases

The Medical Center leases equipment and office space primarily under operating lease agreements. Future minimum lease payments under noncancellable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2013 are as follows:

<u>Year</u>	<u>Operating Leases</u>
2014	\$ 511,335
2015	378,770
2016	301,212
2017	169,677
2018	34,873
2019 and later years	<u>52,442</u>
Total future minimum lease payments	\$ <u>1,448,309</u>

Total rental expense was \$1,842,828 and \$1,560,863 for the years ended June 30, 2013 and 2012, respectively.

(11) 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, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

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

Notes to the Financial Statements

June 30, 2013 and 2012

The Medical Center is a political subdivision of the City. The Medical Center's funding policy and schedule of pension plan funding progress have not been included within the financial statements as these amounts are aggregated with the City. The City of Cookeville Annual Financial Report should be read to obtain the aggregated information related to funding policy and schedule of pension plan funding progress. For the years ended June 30, 2013 and 2012, the Medical Center's annual pension costs were approximately \$3,330,000 and \$3,910,000, respectively.

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 401(k) noncontributory plan. The Medical Center 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.

Additionally, the Medical Center offers its employees participation in a 401(k) Profit Sharing Plan. The Plan administrator maintains the records of the trust which holds all investments of the Plan. The Plan is a defined contribution plan covering all employees who have completed six months of service.

The Medical Center's contributions to the 401(k) noncontributory and profit sharing plans for the years ended June 30, 2013 and 2012 were \$2,132,822 and \$1,929,758, respectively.

(12) Other receivables

Other current and long-term receivables at June 30, 2013 and 2012 include \$1,356,753 and \$803,382, respectively, in receivables from certain physicians which were made as part of the Medical Center's recruitment program to attract physicians to the Medical Center's service area. Under terms of the related agreements, such receivables will be forgiven over a period of time, generally over three years, as long as the physician continues to practice in the area. The Medical Center is amortizing these loans over the physicians' service commitments.

(13) Commitments and contingencies

Insurance

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.

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

Notes to the Financial Statements

June 30, 2013 and 2012

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, 2013 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.

Compliance with such laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

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 annual health claims in excess of \$160,000 per employee with an unlimited lifetime reimbursement. Contributions by the Medical Center and participating employees are based on actual claims experience. Claims liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported based on historical experience. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other factors. The amount of the estimated claim liabilities was \$1,714,401 and \$1,630,155 at June 30, 2013 and 2012, respectively. Total expenses under this program amounted to approximately \$11,100,000 and \$9,800,000 for the years ended June 30, 2013 and 2012, respectively.

The Medical Center is also self-insured for workers' compensation with umbrella coverage in excess of \$500,000 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, 2013 and 2012, approximately \$1,225,000 was accrued and included in other accrued expense on the balance sheets for estimated claims incurred but not reported.

Physician Employment Commitments

Beginning in 2012, certain physicians were offered employment agreements with the Medical Center. Under such agreements, the Medical Center is required to pay annual compensation to these physicians. These agreements are typically for 3-5 years. Future minimum compensation commitments under employment agreements at June 30, 2013, are as follows:

<u>Year</u>	
2014	\$ 3,250,000
2015	3,275,000
2016	2,950,000
2017	<u>1,330,000</u>
	<u>\$ 10,805,000</u>

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

Notes to the Financial Statements

June 30, 2013 and 2012

Healthcare Industry

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse, and, 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.

The Centers for Medicare and Medicaid Services ("CMS") have implemented a Recovery Audit Contractors ("RAC") program. The purpose of the program is to reduce improper Medicare payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. While management believes that all Medicare billings are proper and adequate support is maintained, certain aspects of Medicare billing, coding and support are subject to interpretation and may be viewed differently by the RAC auditors. At June 30, 2013, the Medical Center recorded a reserve which is shown as a reduction in patient accounts receivable in the accompanying balance sheet. The reserve is based on the percentage success rate and the total dollar of potential claims that are under audit. At June 30, 2012, the amount of any recovery was unknown, thus management did not record any reserves related to the RAC audit.

Healthcare Reform

In March 2010, Congress adopted comprehensive health care insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act ("collectively, the "Health Care Reform Legislation"). The Health Care Reform Legislation, among other matters, is designed to expand access to health care coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Provisions of the Health Care Reform Legislation become effective at various dates over the next several years and a number of additional steps are required to implement these requirements. Due to the complexity of the Health Care Reform Legislation, reconciliation and implementation of the legislation continues to be under consideration by lawmakers, and it is not certain as to what changes may be made in the future regarding health care policies. Changes to existing Medicaid coverage and payments are also expected to occur as a result of this legislation. While the full impact of Health Care Reform Legislation is not yet fully known, changes to policies regarding reimbursement, universal health insurance and managed competition may materially impact the Medical Center's operations.

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

Notes to the Financial Statements

June 30, 2013 and 2012

(14) 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, 2013 and 2012 and contributions of \$148,309 and \$560,391 during the years ended June 30, 2013 and 2012, respectively. Operating expenses also include \$3,805,917 and \$3,558,735 in 2013 and 2012, respectively, for the purchase of utilities.

(15) Fair value measurements

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3).

(a) Financial assets

The carrying amount of financial assets, consisting of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and current portions of long-term debt and capital lease obligations approximate their fair value due to their relatively short maturities. Long-term debt and capital lease obligations are carried at amortized cost, which approximates fair value. While approximately \$32,240,000 and \$24,080,000 of the Medical Center's investments and assets whose use is limited are cash equivalents as of June 30, 2013 and 2012, respectively, the Medical Center has approximately \$11,300,000 and \$14,200,000 in certificates of deposit and mortgage backed securities as of June 30, 2013 and 2012, respectively, that would be classified as Level 2 under the hierarchy in the preceding paragraph.

(b) Non-financial assets

The Medical Center's non-financial assets, which include property and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the Medical Center is required to evaluate the non-financial instrument for impairment, a resulting asset impairment would require that the non-financial asset be recorded at the fair value. During the years ended June 30, 2013 and 2012, there were no triggering events that prompted an asset impairment test of the Medical Center's non-financial assets. Interest rate swaps are considered Level 3 fair value measurements. The estimated fair value of the interest rate swap liability as of June 30, 2013 and 2012 was \$3,645,230 and \$4,934,572, respectively. The interest rate swap liability increased/(decreased) by \$(1,289,342) and \$1,480,686 during June 30, 2013 and 2012, respectively, and is reflected in the accompanying financial statements. See Note 9.

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

Notes to the Financial Statements

June 30, 2013 and 2012

(16) Functional expenses

The following is a summary of management's functional classification of operating expenses:

	<u>2013</u>	<u>2012</u>
Healthcare services	\$ 179,114,348	\$ 167,805,656
General and administrative	<u>68,544,073</u>	<u>63,939,461</u>
	<u>\$ 247,658,421</u>	<u>\$ 231,745,117</u>

SUPPLEMENTAL SECTION

CITY OF COOKEVILLE, TENNESSEE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013

	<u>Special Revenue Funds</u>						<u>Total Other Governmental Funds</u>
	<u>Drug Fund</u>	<u>State Street Aid Fund</u>	<u>Sanitation Fund</u>	<u>Animal Control Board Fund</u>	<u>Economic Development Fund</u>	<u>Quality of Life Fund</u>	
<u>Assets</u>							
Cash	\$ 157,369	\$ 778,642	\$ 311,401	\$ 84,033	\$ 2,397,983	\$ 450,052	\$ 4,179,480
Temporary cash investments	-	489,130	-	513,915	-	-	1,003,045
Accounts receivable	-	-	116,541	-	-	-	116,541
Taxes receivable	-	-	-	-	304,444	76,111	380,555
Less allowance for bad debts	-	-	(1,433)	-	(4,871)	(1,218)	(7,522)
Other receivables	541	80,729	104	572	1,142	7,093	90,181
Due from other funds	-	25	-	-	1,227	307	1,559
Total assets	<u>\$ 157,910</u>	<u>\$ 1,348,526</u>	<u>\$ 426,613</u>	<u>\$ 598,520</u>	<u>\$ 2,699,925</u>	<u>\$ 532,345</u>	<u>\$ 5,763,839</u>
<u>Liabilities and Fund Balances</u>							
Accounts payable	\$ 17	\$ 12,185	\$ 18,861	\$ 2,906	\$ 13	\$ 1,041	\$ 35,023
Due to other funds	-	105	36,132	1,296	1,972	-	39,505
Deferred revenue	-	4,678	-	45,057	299,573	170,359	519,667
Other liabilities	<u>90,784</u>	<u>95,400</u>	<u>258</u>	<u>2,620</u>	<u>-</u>	<u>-</u>	<u>189,062</u>
Total liabilities	90,801	112,368	55,251	51,879	301,558	171,400	783,257
Restricted fund balances							
Drug fund	67,109	-	-	-	-	-	67,109
State street aid	-	1,236,158	-	-	-	-	1,236,158
Economic development	-	-	-	-	604,456	-	604,456
Sanitation	-	-	371,362	-	-	-	371,362
Committed fund balances							
Animal control	-	-	-	546,641	-	-	546,641
Economic development	-	-	-	-	1,793,911	-	1,793,911
Quality of life	-	-	-	-	-	360,945	360,945
Total fund balances	<u>67,109</u>	<u>1,236,158</u>	<u>371,362</u>	<u>546,641</u>	<u>2,398,367</u>	<u>360,945</u>	<u>4,980,582</u>
Total liabilities and fund balances	<u>\$ 157,910</u>	<u>\$ 1,348,526</u>	<u>\$ 426,613</u>	<u>\$ 598,520</u>	<u>\$ 2,699,925</u>	<u>\$ 532,345</u>	<u>\$ 5,763,839</u>

CITY OF COOKEVILLE, TENNESSEE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED June 30, 2013

	Special Revenue Funds						Total Other Governmental Funds
	Drug Fund	State Street Aid Fund	Sanitation Fund	Animal Control Board Fund	Economic Development Fund	Quality of Life Fund	
Revenues:							
Local taxes		\$ 2,601			\$ 296,613	\$ 74,153	\$ 373,367
Intergovernmental		809,343		\$ 77,100	2,004,901	45,898	2,937,242
Charges for services		-	\$ 1,443,506	61,011	-	-	1,504,517
Fines, forfeitures and penalties	\$ 66,198	-	-	-	-	-	66,198
Rent	-	-	-	-	2,700	-	2,700
Interest	552	3,135	1,547	1,129	5,520	1,776	13,659
Other	-	-	7,841	11,721	2,242	-	21,804
Total revenues	<u>66,750</u>	<u>815,079</u>	<u>1,452,894</u>	<u>150,961</u>	<u>2,311,976</u>	<u>121,827</u>	<u>4,919,487</u>
Expenditures:							
General government	-	-	-	-	355,178	-	355,178
Public safety	18,266	-	-	206,677	-	-	224,943
Public works	-	288,903	1,420,836	-	-	-	1,709,739
Culture and recreation	-	-	-	-	-	57,437	57,437
Debt service	-	-	-	-	-	-	-
Capital outlay	30,450	9,000	271,397	-	3,669,918	-	3,980,765
Total expenditures	<u>48,716</u>	<u>297,903</u>	<u>1,692,233</u>	<u>206,677</u>	<u>4,025,096</u>	<u>57,437</u>	<u>6,328,062</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,034</u>	<u>517,176</u>	<u>(239,339)</u>	<u>(55,716)</u>	<u>(1,713,120)</u>	<u>64,390</u>	<u>(1,408,575)</u>
Other financing sources (uses):							
Operating transfers in	-	-	-	64,220	1,375,000	-	1,439,220
Operating transfers out	-	-	-	-	(100,000)	(6,769)	(106,769)
Sale of assets	-	-	55,100	-	11,718	-	66,818
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>55,100</u>	<u>64,220</u>	<u>1,286,718</u>	<u>(6,769)</u>	<u>1,399,269</u>
Net change in fund balances	18,034	517,176	(184,239)	8,504	(426,402)	57,621	(9,306)
Fund balances, July 1, 2012	<u>49,075</u>	<u>718,982</u>	<u>555,601</u>	<u>538,137</u>	<u>2,824,769</u>	<u>303,324</u>	<u>4,989,888</u>
Fund balances, June 30, 2013	<u>\$ 67,109</u>	<u>\$ 1,236,158</u>	<u>\$ 371,362</u>	<u>\$ 546,641</u>	<u>\$ 2,398,367</u>	<u>\$ 360,945</u>	<u>\$ 4,980,582</u>

See Independent Auditor's Report

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, 2013

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Current property taxes	\$ 414,975	\$ 414,975	\$ 418,574	\$ 3,599
Delinquent property taxes	20,000	20,000	26,031	6,031
Penalty & Interest	4,000	4,000	7,581	3,581
In-lieu of taxes	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>-</u>
Total taxes	<u>1,138,975</u>	<u>1,138,975</u>	<u>1,152,186</u>	<u>13,211</u>
Intergovernmental:				
State shared sales tax	1,960,000	1,960,000	2,103,563	143,563
Other intergovernmental	<u>84,999</u>	<u>84,999</u>	<u>81,301</u>	<u>(3,698)</u>
	<u>2,044,999</u>	<u>2,044,999</u>	<u>2,184,864</u>	<u>139,865</u>
Rent	26,160	26,160	26,172	12
Interest	<u>20,000</u>	<u>20,000</u>	<u>24,782</u>	<u>4,782</u>
Total revenues	<u>3,230,134</u>	<u>3,230,134</u>	<u>3,388,004</u>	<u>157,870</u>
Expenditures:				
Debt service - principal	3,046,250	3,046,250	2,863,750	182,500
Debt service - interest	995,647	995,647	347,573	648,074
Administrative expenditures	<u>20,700</u>	<u>20,700</u>	<u>14,528</u>	<u>6,172</u>
Total expenditures	<u>4,062,597</u>	<u>4,062,597</u>	<u>3,225,851</u>	<u>836,746</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(832,463)</u>	<u>(832,463)</u>	<u>162,153</u>	<u>994,616</u>
Net change in fund balance	<u>\$ (832,463)</u>	<u>\$ (832,463)</u>	162,153	<u>\$ 994,616</u>
Fund balance, July 1, 2012			<u>7,176,074</u>	
Fund balance, July 1, 2013			<u>\$ 7,338,227</u>	

See Independent Auditor's Report

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, 2013

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Property taxes delinquent	\$ 1,500	\$ 1,500	\$ 2,065	\$ 565
Property taxes penalty & interest	200	200	536	336
Total taxes	<u>1,700</u>	<u>1,700</u>	<u>2,601</u>	<u>901</u>
Intergovernmental				
State gasoline & motor fuel	750,000	750,000	537,349	(212,651)
State -3 cent tax	-	-	160,839	160,839
State - Gas 1989	-	-	86,658	86,658
TDOT Grant STP Funds	<u>203,844</u>	<u>203,844</u>	<u>24,497</u>	<u>(179,347)</u>
Total Intergovernmental	<u>953,844</u>	<u>953,844</u>	<u>809,343</u>	<u>(144,501)</u>
Interest	<u>1,800</u>	<u>1,800</u>	<u>3,135</u>	<u>1,335</u>
Total revenues	<u>957,344</u>	<u>957,344</u>	<u>815,079</u>	<u>(142,265)</u>
Expenditures:				
Paving	600,000	655,000	196,542	458,458
Sidewalk improvements	30,000	30,000	24,102	5,898
Intersection improvements	75,000	75,000	29,363	45,637
Street maintenance supplies	45,000	45,000	7,638	37,362
TDOT grant expense	203,847	203,847	30,621	173,226
Capital Expenditures	-	9,000	9,000	-
Other	<u>100</u>	<u>100</u>	<u>637</u>	<u>(537)</u>
Total expenditures	<u>953,947</u>	<u>1,017,947</u>	<u>297,903</u>	<u>720,044</u>
Excess (deficiency) of revenues				
Over (under) expenditures	<u>3,397</u>	<u>(60,603)</u>	<u>517,176</u>	<u>577,779</u>
Net change in fund balance	<u>\$ 3,397</u>	<u>\$ (60,603)</u>	517,176	<u>\$ 577,779</u>
Fund balance, July 1, 2012			<u>718,982</u>	
Fund balance, June 30, 2013			<u>\$ 1,236,158</u>	

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DRUG FUND
FOR THE YEAR ENDED June 30, 2013

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, forfeitures & penalties	\$ 31,000	\$ 63,000	\$ 66,198	\$ 3,198
Interest	250	250	552	302
Total revenues	<u>31,250</u>	<u>63,250</u>	<u>66,750</u>	<u>3,500</u>
Expenditures:				
Investigative	2,000	2,000	2,000	-
Seized property expense	5,000	5,000	150	4,850
Equipment & materials	21,000	21,000	-	21,000
Education & training	1,000	1,000	3,750	(2,750)
K-9 police dog	-	-	7,150	(7,150)
Contribution - Drug Task Force	-	-	5,000	(5,000)
Other expenses	1,350	1,350	216	1,134
Capital outlay - vehicles	-	30,450	30,450	-
Total expenditures	<u>30,350</u>	<u>60,800</u>	<u>48,716</u>	<u>12,084</u>
Excess of revenues over expenditures	<u>900</u>	<u>2,450</u>	<u>18,034</u>	<u>15,584</u>
Net change in fund balance	<u>\$ 900</u>	<u>\$ 2,450</u>	18,034	<u>\$ 15,584</u>
Fund balance, July 1, 2012			<u>49,075</u>	
Fund balance, June 30, 2013			<u>\$ 67,109</u>	

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SANITATION FUND
FOR THE YEAR ENDED June 30, 2013

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 1,445,500	\$ 1,445,500	\$ 1,443,506	\$ (1,994)
Interest	2,200	2,200	1,547	(653)
Other revenue	-	-	7,841	7,841
Total revenues	<u>1,447,700</u>	<u>1,447,700</u>	<u>1,452,894</u>	<u>5,194</u>
Expenditures:				
Personnel	567,500	598,500	593,601	4,899
Taxes & fringes	226,490	226,490	223,458	3,032
Materials & supplies	17,650	17,650	14,638	3,012
Vehicle expense	344,000	354,000	364,727	(10,727)
Fixed charges	9,500	9,500	11,326	(1,826)
Other operating expense	109,265	109,265	106,884	2,381
Landfill services	24,000	24,000	24,106	(106)
Other equipment	117,500	117,500	82,096	35,404
Capital outlay-vehicles	<u>286,500</u>	<u>286,500</u>	<u>271,397</u>	<u>15,103</u>
Total expenditures	<u>1,702,405</u>	<u>1,743,405</u>	<u>1,692,233</u>	<u>51,172</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>(254,705)</u>	<u>(295,705)</u>	<u>(239,339)</u>	<u>56,366</u>
Other financing (uses):				
Sale of assets	-	55,100	55,100	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources:	<u>-</u>	<u>55,100</u>	<u>55,100</u>	<u>-</u>
Net change in fund balance	<u>\$ (254,705)</u>	<u>\$ (240,605)</u>	(184,239)	<u>\$ 56,366</u>
Fund balance, July 1, 2012			<u>555,601</u>	
Fund balance, June 30, 2013			<u>\$ 371,362</u>	

See Independent Auditor's Report

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, 2013

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Putnam County Allocation	\$ 55,100	\$ 55,100	\$ 65,100	\$ 10,000
City of Algood Allocation	5,000	5,000	5,000	-
Town of Baxter Allocation	1,000	1,000	1,000	-
Town of Monterey Allocation	6,000	6,000	6,000	-
Total intergovernmental	67,100	67,100	77,100	10,000
Charges for services	43,000	43,000	61,011	18,011
Interest	800	800	1,129	329
Other revenue	20,000	20,000	11,721	(8,279)
Total revenues	<u>130,900</u>	<u>130,900</u>	<u>150,961</u>	<u>20,061</u>
Expenditures:				
Personnel	132,000	132,000	116,965	15,035
Taxes & fringes	18,848	18,848	16,617	2,231
Utility expense	27,000	27,000	22,652	4,348
Supplies & maintenance	38,700	38,700	38,913	(213)
Other expense	6,320	6,320	11,530	(5,210)
Capital outlay	1,388,000	1,388,000	-	1,388,000
Total expenditures	<u>1,610,868</u>	<u>1,610,868</u>	<u>206,677</u>	<u>1,404,191</u>
(Deficiency) of revenues (under) expenditures	<u>(1,479,968)</u>	<u>(1,479,968)</u>	<u>(55,716)</u>	<u>1,424,252</u>
Other financing sources:				
Proceeds of debt issue	900,000	900,000	-	(900,000)
Operating transfers in	64,220	64,220	64,220	-
Net other financing sources:	<u>964,220</u>	<u>964,220</u>	<u>64,220</u>	<u>(900,000)</u>
Net change in fund balance	<u>\$ (515,748)</u>	<u>\$ (515,748)</u>	8,504	<u>\$ 524,252</u>
Fund balance, July 1, 2012			<u>538,137</u>	
Fund balance, June 30, 2013			<u>\$ 546,641</u>	

See Independent Auditor's Report

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, 2013

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Property taxes current	\$ 276,650	\$ 276,650	\$ 279,049	\$ 2,399
Property taxes delinquent	8,500	8,500	14,329	5,829
Property taxes penalty & interest	1,000	1,000	3,235	2,235
Total Property taxes	<u>286,150</u>	<u>286,150</u>	<u>296,613</u>	<u>10,463</u>
Intergovernmental:				
Putnam County Allocation	1,670,396	2,004,901	2,004,901	-
Rental income	-	-	2,700	2,700
Interest	500	500	5,520	5,020
Other revenues	-	-	2,242	2,242
Total revenues	<u>1,957,046</u>	<u>2,291,551</u>	<u>2,311,976</u>	<u>20,425</u>
Expenditures:				
Industrial/Business park development:				
Engineering	-	-	13,460	(13,460)
Construction	2,609,473	5,467,784	3,209,458	2,258,326
Other development expense	-	-	5,887	(5,887)
Lee Seminary Road Project:				
Construction	731,318	796,098	772,461	23,637
Other development expense	-	-	23,646	(23,646)
Miscellaneous	200	200	184	16
Total expenditures	<u>3,340,991</u>	<u>6,264,082</u>	<u>4,025,096</u>	<u>2,238,986</u>
(Deficiency) of revenues (under) expenditures	<u>(1,383,945)</u>	<u>(3,972,531)</u>	<u>(1,713,120)</u>	<u>2,259,411</u>
Other financing sources (uses):				
Sale of assets	-	-	11,718	11,718
Operating transfers in	-	1,375,000	1,375,000	-
Operating transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net other financing sources:	<u>(100,000)</u>	<u>1,275,000</u>	<u>1,286,718</u>	<u>11,718</u>
Net change in fund balance	<u>\$ (1,483,945)</u>	<u>\$ (2,697,531)</u>	<u>(426,402)</u>	<u>\$ 2,271,129</u>
Fund balance, July 1, 2012			<u>2,824,769</u>	
Fund balance, June 30, 2013			<u>\$ 2,398,367</u>	

See Independent Auditor's Report

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, 2013

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Property taxes current	\$ 71,000	\$ 71,000	\$ 69,762	\$ (1,238)
Property taxes delinquent	2,000	2,000	3,582	1,582
Property taxes penalty & interest	400	400	809	409
Total Property taxes	<u>73,400</u>	<u>73,400</u>	<u>74,153</u>	<u>753</u>
Intergovernmental:				
State Grant	2,094,148	2,094,148	40,568	(2,053,580)
Putnam County Allocation	22,735	22,735	2,665	(20,070)
Town of Monterey Allocation	32,706	32,706	1,332	(31,374)
City of Algood Allocation	11,369	11,369	1,333	(10,036)
Total Intergovernmental	<u>2,160,958</u>	<u>2,160,958</u>	<u>45,898</u>	<u>(2,115,060)</u>
Interest	<u>1,100</u>	<u>1,100</u>	<u>1,776</u>	<u>676</u>
Total revenues	<u>2,235,458</u>	<u>2,235,458</u>	<u>121,827</u>	<u>(2,113,631)</u>
Expenditures:				
Tennessee Central Heritage				
Rails with Trails project	2,292,648	2,292,648	51,227	2,241,421
Capital outlay	17,200	17,200	6,129	11,071
Other expense	100	100	81	19
Total expenditures	<u>2,309,948</u>	<u>2,309,948</u>	<u>57,437</u>	<u>2,252,511</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(74,490)</u>	<u>(74,490)</u>	<u>64,390</u>	<u>138,880</u>
Other financing sources:				
Operating transfers(out)	<u>(6,769)</u>	<u>(6,769)</u>	<u>(6,769)</u>	<u>-</u>
Net other financing sources:	<u>(6,769)</u>	<u>(6,769)</u>	<u>(6,769)</u>	<u>-</u>
Net change in fund balance	<u>\$ (81,259)</u>	<u>\$ (81,259)</u>	<u>57,621</u>	<u>\$ 138,880</u>
Fund balance, July 1, 2012			<u>303,324</u>	
Fund balance, June 30, 2013			<u>\$ 360,945</u>	

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

June 30, 2013

<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>
2013			\$ 6,849,986			\$ 6,849,986	
2012		\$ 6,579,503	-	\$ 101,519	\$ (6,278,739)	402,283	
2011	\$ 326,453	-	-	253,633	(225,191)	354,895	\$ 354,895
2010	89,117	-	-	-	(44,173)	44,944	44,944
2009	50,525	-	-	-	(20,087)	30,438	30,438
2008	28,689	-	-	-	(6,315)	22,374	22,374
2007	20,092	-	-	-	(3,165)	16,927	16,927
2006	21,185	-	-	-	(3,810)	17,375	17,375
2005	7,262	-	-	-	(3,077)	4,185	4,185
2004	22,070	-	-	-	(1,023)	21,047	21,047
2003	14,304	-	-	-	(100)	14,204	14,204
	<u>\$ 253,244</u>	<u>\$ 6,579,503</u>	<u>\$ 6,849,986</u>	<u>\$ 355,152</u>	<u>\$ (6,585,680)</u>	<u>\$ 7,778,658</u>	<u>\$ 526,389</u>

74

* Outstanding Delinquent Taxes filed with clerk and master.

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF TAX RATES AND ASSESSMENTS

JUNE 30, 2013

<u>Tax Year</u>	<u>Tax rate</u>	<u>Assessed Value</u>
2013	\$.90 per \$100	\$718,327,143
2012	.90 per 100	699,534,122
2011	.87 per 100	691,237,550
2010	.87 per 100	659,223,510
2009	.87 per 100	656,978,714
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

CITY OF COOKEVILLE, TENNESSEE
GENERAL LONG-TERM DEBT
SUMMARY OF BOND DEBT SERVICE REQUIREMENTS
CLASSIFIED BY MATURITY DATE
JUNE 30, 2013

<u>Fiscal Year Maturity</u>	<u>2010 General Obligation Bonds</u>	<u>Total Bonds</u>	<u>Future Interest Requirements</u>
2014	\$ 425,000	\$ 425,000	\$ 237,813
2015	430,000	430,000	231,225
2016	440,000	440,000	221,550
2017	450,000	450,000	210,330
2018	455,000	455,000	196,830
2019	470,000	470,000	182,043
2020	480,000	480,000	165,358
2021	495,000	495,000	146,878
2022	510,000	510,000	126,830
2023	525,000	525,000	105,155
2024	545,000	545,000	81,793
2025	560,000	560,000	56,450
2026	<u>580,000</u>	<u>580,000</u>	<u>29,290</u>
	<u>\$ 6,365,000</u>	<u>\$ 6,365,000</u>	<u>\$ 1,991,545</u>

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE
GENERAL LONG-TERM DEBT
SUMMARY OF NOTES PAYABLE DEBT SERVICE REQUIREMENTS
CLASSIFIED BY MATURITY DATE
JUNE 30, 2013

77

<u>Fiscal Year Maturity</u>	<u>1999 Tennessee Municipal Bond Fund Variable Interest*</u>	<u>2001 Capital Outlay Note</u>	<u>2002 Tennessee Municipal Bond Fund Variable Interest*</u>	<u>2003 Tennessee Municipal Bond Fund Variable Interest*</u>	<u>2005 Tennessee Municipal Bond Fund Variable Interest*</u>	<u>2007 Tennessee Municipal Bond Fund Variable Interest*</u>	<u>2008 Tennessee Municipal Bond Fund Variable Interest*</u>	<u>2011 Capital Outlay Note</u>	<u>Total Notes Payable</u>	<u>Future Interest Requirements</u>
2014	\$ 866,000	\$ 158,086	\$ 107,000	\$ 194,000	\$ 313,000	\$ 195,000	\$ 132,000	\$ 166,666	\$ 2,131,752	\$ 37,302
2015	-	-	112,000	201,000	326,000	202,000	139,000	166,667	1,146,667	25,861
2016	-	-	118,000	208,000	339,000	210,000	146,000	-	1,021,000	19,746
2017	-	-	124,000	215,000	352,000	219,000	153,000	-	1,063,000	16,376
2018	-	-	-	-	367,000	227,000	161,000	-	755,000	12,868
2019	-	-	-	-	381,000	236,000	169,000	-	786,000	10,376
2020	-	-	-	-	397,000	246,000	177,000	-	820,000	7,782
2021	-	-	-	-	-	256,000	186,000	-	442,000	5,076
2022	-	-	-	-	-	266,000	196,000	-	462,000	3,618
2023	-	-	-	-	-	276,000	205,000	-	481,000	2,093
2024	-	-	-	-	-	-	153,250	-	153,250	506
	<u>\$ 866,000</u>	<u>\$ 158,086</u>	<u>\$ 461,000</u>	<u>\$ 818,000</u>	<u>\$ 2,475,000</u>	<u>\$ 2,333,000</u>	<u>\$ 1,817,250</u>	<u>\$ 333,333</u>	<u>\$ 9,261,669</u>	<u>\$ 141,604</u>

*Principal and interest requirements based on current debt and interest rate. The current interest rate at June 30, 2013 ranges from .31% to .33% on variable rate Tennessee Municipal Bond Fund debt.

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE
WATER QUALITY CONTROL DEPARTMENT - PROPRIETARY FUND
BONDS AND NOTES PAYABLE DEBT SERVICE REQUIREMENTS
CLASSIFIED BY MATURITY DATE
JUNE 30, 2013

<u>Fiscal Year</u> <u>Maturity</u>	<u>State of Tennessee 3.14% Revolving</u>	<u>Tennessee Municipal Bond Fund*</u>	<u>State of Tennessee 2.50% Revolving</u>	<u>Total Bonds and Notes Payable</u>	<u>Future Interest Requirements</u>
2014	\$ 574,740	\$ 599,000	\$ 86,004	\$ 1,259,744	\$ 132,125
2015	593,040	629,000	88,176	1,310,216	109,784
2016	611,940	660,000	90,408	1,362,348	86,714
2017	631,428	693,000	92,688	1,417,116	62,900
2018	105,883	728,000	95,028	928,911	44,671
2019	-	764,000	97,440	861,440	39,583
2020	-	802,000	99,900	901,900	34,754
2021	-	-	102,432	102,432	29,736
2022	-	-	105,024	105,024	27,144
2023	-	-	107,676	107,676	24,492
2024	-	-	110,400	110,400	21,768
2025	-	-	113,184	113,184	18,984
2026	-	-	116,052	116,052	16,116
2027	-	-	118,980	118,980	13,188
2028	-	-	121,992	121,992	10,176
2029	-	-	125,076	125,076	7,092
2030	-	-	128,244	128,244	3,924
2031	-	-	87,308	87,308	720
	<u>\$ 2,517,031</u>	<u>\$ 4,875,000</u>	<u>\$ 1,886,012</u>	<u>\$ 9,278,043</u>	<u>\$ 683,871</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, 2013 is .31%.

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE
DEBT SERVICE REQUIREMENTS - PROPRIETARY FUND
ELECTRIC DEPARTMENT
JUNE 30, 2013

Various Annexations - Non Interest Bearing

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u> <u>Requirements</u>
2014	\$ 1,000,000
2015	1,000,000
2016	1,000,000
2017	1,000,000
2018	1,000,000
	<u>\$ 5,000,000</u>

Tennessee Municipal Bond Fund - Notes and Bonds Payable

<u>Fiscal Year</u> <u>Maturity</u>	<u>1999</u> <u>Principal</u> <u>Requirements*</u>	<u>2008</u> <u>Principal</u> <u>Requirements*</u>	<u>Total</u> <u>Notes</u> <u>Payable</u>	<u>Revenue and</u> <u>Tax Bonds</u> <u>Series 2012</u> <u>Principal</u>	<u>Total</u> <u>Notes and</u> <u>Bonds</u> <u>Payable</u>	<u>Interest</u> <u>Requirements*</u>
2014	\$ 240,000	\$ 338,000	\$ 578,000	\$ 235,000	\$ 813,000	\$ 98,878
2015	-	355,000	355,000	235,000	590,000	92,319
2016	-	373,000	373,000	240,000	613,000	86,397
2017	-	391,000	391,000	245,000	636,000	80,316
2018	-	411,000	411,000	250,000	661,000	74,076
2019	-	431,000	431,000	255,000	686,000	67,669
2020	-	453,000	453,000	260,000	713,000	59,798
2021	-	476,000	476,000	270,000	746,000	50,352
2022	-	499,000	499,000	275,000	774,000	40,607
2023	-	524,000	524,000	285,000	809,000	31,985
2024	-	551,000	551,000	290,000	841,000	24,506
2025	-	-	-	300,000	300,000	16,788
2026	-	-	-	310,000	310,000	10,494
2027	-	-	-	320,000	320,000	3,600
	<u>\$ 240,000</u>	<u>\$ 4,802,000</u>	<u>\$ 5,042,000</u>	<u>\$ 3,770,000</u>	<u>\$ 8,812,000</u>	<u>\$ 737,785</u>

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

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE
DEBT SERVICE REQUIREMENTS - PROPRIETARY FUND
GAS DEPARTMENT
JUNE 30, 2013

Fiscal Year	Revenue Bond	Total	Future
<u>Maturity</u>	Series 2009	Bonds	Interest
	<u>2.79%</u>	<u>Payable*</u>	<u>Requirements*</u>
2014	\$ 420,000	\$ 420,000	\$ 29,155
2015	410,000	410,000	17,577
2016	425,000	425,000	5,929
	<u>\$ 1,255,000</u>	<u>\$ 1,255,000</u>	<u>\$ 52,661</u>

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF INVESTMENTS

JUNE 30, 2013

	State of Tennessee Local Government <u>Investment Pool</u>
Governmental Activities:	
Major Funds	
General	\$ 2,774,234
Debt Service	3,077,170
Capital Projects	4
Non-major funds	<u>1,003,045</u>
Total Governmental Activities	<u>6,854,453</u>
Business-type Activities:	
Major Funds	
Cookeville Electric Department	2,426,683
Cookeville Gas Department	4,321,013
Cookeville Water Quality Control Department	<u>3,482,235</u>
Total Business-type Activities	<u>10,229,931</u>
Internal Service Fund:	
Employee Health Insurance Fund	<u>1,844,493</u>
Total Internal Service Fund	<u>1,844,493</u>
 Total Temporary Cash Investments	 <u>\$ 18,928,877</u>

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF UTILITY CUSTOMERS - UNAUDITED

JUNE 30, 2013

At June 30, 2013, the utility departments serviced the following number of customers:

<u>Department</u>	<u>Number of Customers</u>
Electric	17,267
Gas	9,654
Water	13,911
Sewer	13,717
Sanitation	976

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES - UNAUDITED
JUNE 30, 2013

Electric Department		Retail Rate 1-Jun-13 w/wholesale FCA \$0.02352
Residential	Customer Charge	\$10.00
Alternate Usage Blocks	Block1 kWh (1st 800 kwh)	\$0.09212
	Block2 kWh (additional kwh)	\$0.08726
GSA1	Customer Charge	\$20.00
	All kWh	\$0.10061
GSA2	Customer Charge	\$50.00
	1st 15,000 kWh	\$0.10123
	Additional kWh	\$0.05980
	kW, 0-50	\$0.00
	kW, 51-1,000	\$12.14
GSA3	Customer Charge	\$100.00
	All kWh	\$0.06343
	kW, 0-1,000	\$11.02
	kW, 1,001 - 5,000	\$11.00
SDE-General Power	Customer Charge	\$1,500.00
SGSB	Demand Charge	
	Summer Period (Jun-Sep)	\$21.63
	Winter Period (Dec-Mar)	\$15.31
	Transition Period (Oct,Nov,Apr,May)	\$10.55
	Energy Charge	
	Summer Period (Jun-Sep)	\$0.04972
	Winter Period (Dec-Mar)	\$0.04247
	Transition Period (Oct,Nov,Apr,May)	\$0.04459
SDE-Manufacturing	Customer Charge	\$1,500.00
SMSB	Demand Charge	
	Summer Period (Jun-Sep)	\$18.74
	Winter Period (Dec-Mar)	\$12.41
	Transition Period (Oct,Nov,Apr,May)	\$7.65
	Energy Charge	
	Summer Period (Jun-Sep)	\$0.04206
	Winter Period (Dec-Mar)	\$0.03427
	Transition Period (Oct,Nov,Apr,May)	\$0.03621
Outdoor Lighting	Customer Charge	\$2.50
	All kWh	\$0.06486

Charges for Outdoor Lighting for Individual Customers

	KWH	FAC Rental	1-Jun-13 Energy	Total
			\$0.06486	
100 WHPS	42	5.13	2.72	7.85
250 LED	20	12.03	1.30	13.33
250 WHPS	105	7.10	6.81	13.91
250 WHPS-FLOOD	105	11.09	6.81	17.90
400 WHPS	165	7.10	10.70	17.80
450 WHPS-FLOOD	165	11.09	10.70	21.79
175 WMV	70	4.21	4.54	8.75
400 WMV	155	5.49	10.05	15.54
250 WMHD	105	7.74	6.81	14.55
350 WMHD-FLOOD	140	8.14	9.08	17.22
350 WMHD-SHOE	140	9.84	9.08	18.92
400 WMHD	165	7.78	10.70	18.48
1000 WMHD	398	9.42	25.81	35.23

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES - UNAUDITED (CONTINUED)
JUNE 30, 2013

Gas Department

Residential Rate - Classes 22,60,13,and 61 at July 1, 2013

Monthly rate (inside): First 5,000 cu. ft. for \$.920 per 100 cu. ft.
Next 5,000 cu. ft. for \$.910 per 100 cu. ft.
All additional for \$.900 per 100 cu. ft.

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

Monthly rate (outside): First 5,000 cu. ft. for \$1.100 per 100 cu. ft.
Next 5,000 cu. ft. for \$1.087 per 100 cu. ft.
All additional for \$1.075 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, 2013

Monthly rate (inside): First 5,000 cu. ft. for \$.970 per 100 cu. ft.
Next 10,000 cu. ft. for \$.940 per 100 cu. ft.
All additional for \$.910 per 100 cu. ft.

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

Monthly rate (outside): First 5,000 cu. ft. for \$1.162 per 100 cu. ft.
Next 10,000 cu. ft. for \$1.125 per 100 cu. ft.
All additional for \$1.087 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, 2013

Monthly rate (inside): First 10,000 cu. ft. for \$.940 per 100 cu. ft.
Next 20,000 cu. ft. for \$.920 per 100 cu. ft.
All additional for \$.900 per 100 cu. ft.

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

Monthly rate (outside): First 10,000 cu. ft. for \$1.125 per 100 cu. ft.
Next 20,000 cu. ft. for \$1.100 per 100 cu. ft.
All additional for \$1.075 per 100 cu. ft.

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

Interruptible Rate - Class 55

\$5.450 per 100 cu. ft. (inside)

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES - UNAUDITED (CONTINUED)
JUNE 30, 2013

Water Quality Control Department

Inside Water Rates

Zero Usage (Base Charge)	\$4.10 (minimum bill)
All gallons over zero usage	\$3.07 per 1,000 gallons

Outside Water Rates

Zero Usage (Base Charge)	\$6.15 (minimum bill)
All gallons over zero usage	\$4.57 per 1,000 gallons

Water Storage Rate

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

Sewer Rates

Inside - Residential/Commercial/Industrial	\$4.51 per 1,000 gallons \$5.50 (minimum bill)
--	---

CITY OF COOKEVILLE, TENNESSEE
 WATER LOSS SCHEDULE - UNAUDITED
 For the Year Ended June 30, 2013

AWWA WLCC Free Water Audit Software: Reporting Worksheet						Back to Instructions
Copyright © 2010, American Water Works Association. All Rights Reserved						WAS v4.2
Water Audit Report for: City of Cookeville Reporting Year: 2013 / 7/2012 - 6/2013						
Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades						
All volumes to be entered as: MILLION GALLONS (US) PER YEAR						
<< Enter grading in column 'E'						
WATER SUPPLIED						
	Volume from own sources:	9	3,628.256	Million gallons (US)/yr (MG/Yr)		
	Master meter error adjustment (enter positive value):	n/a		MG/Yr		
	Water imported:	n/a		MG/Yr		
	Water exported:	9	0.000	MG/Yr		
WATER SUPPLIED:			3,628.256	MG/Yr		
AUTHORIZED CONSUMPTION						
	Billed metered:	9	2,720.537	MG/Yr		
	Billed unmetered:	n/a		MG/Yr		
	Unbilled metered:	n/a		MG/Yr		
	Unbilled unmetered:	9	45.353	MG/Yr		
Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed						
AUTHORIZED CONSUMPTION:			2,765.890	MG/Yr		
Click here: ? for help using option buttons below						
Use buttons to select percentage of water supplied OR value						
WATER LOSSES (Water Supplied - Authorized Consumption)						
			862.366	MG/Yr		
Apparent Losses						
	Unauthorized consumption:	9	9.071	MG/Yr		
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed						
	Customer metering inaccuracies:	9	27.480	MG/Yr		
	Systematic data handling errors:	8	0.272	MG/Yr		
Apparent Losses:			36.823	MG/Yr		
Real Losses (Current Annual Real Losses or CARL)						
Real Losses = Water Losses - Apparent Losses:			825.543	MG/Yr		
WATER LOSSES:			862.366	MG/Yr		
NON-REVENUE WATER						
NON-REVENUE WATER:			907.719	MG/Yr		
= Total Water Loss + Unbilled Metered + Unbilled Unmetered						
SYSTEM DATA						
	Length of mains:	10	380.0	miles		
	Number of active AND inactive service connections:	9	18,214			
	Connection density:	10	48	conn./mile main		
	Average length of customer service line:	10	30.0	ft	(pipe length between curbside and customer meter or property boundary)	
	Average operating pressure:	6	81.1	psi		
COST DATA						
	Total annual cost of operating water system:	8	\$6,662,443	\$/Year		
	Customer retail unit cost (applied to Apparent Losses):	8	\$7.45	\$/1000 gallons (US)		
	Variable production cost (applied to Real Losses):	8	\$577.00	\$/Million gallons		
PERFORMANCE INDICATORS						
Financial Indicators						
Non-revenue water as percent by volume of Water Supplied:				25.0%		
Non-revenue water as percent by cost of operating system:				11.7%		
Annual cost of Apparent Losses:				\$274,330		
Annual cost of Real Losses:				\$476,338		
Operational Efficiency Indicators						
Apparent Losses per service connection per day:				5.54	gallons/connection/day	
Real Losses per service connection per day*:				124.18	gallons/connection/day	
Real Losses per length of main per day*:				N/A		
Real Losses per service connection per day per psi pressure:				1.53	gallons/connection/day/psi	
Unavoidable Annual Real Losses (UARL):				164.70	million gallons/year	
From Above, Real Losses = Current Annual Real Losses (CARL):				825.54	million gallons/year	
Infrastructure Leakage Index (ILI) [CARL/UARL]:				5.01		
* only the most applicable of these two indicators will be calculated						
WATER AUDIT DATA VALIDITY SCORE:						
*** YOUR SCORE IS: 83 out of 100 ***						
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score						
PRIORITY AREAS FOR ATTENTION:						
Based on the information provided, audit accuracy can be improved by addressing the following components:						
1: Volume from own sources						
2: Unauthorized consumption						
3: Total annual cost of operating water system						
For more information, click here to see the Grading Matrix worksheet						

CITY OF COOKEVILLE, TENNESSEE
PRINCIPAL CITY OFFICIALS - UNAUDITED
JUNE 30, 2013

Official Title	Name	Bond*
City Council:		
Mayor	Matt Swallows	\$150,000
Vice-Mayor	Larry Epps	\$150,000
Councilman	Alma Anderson	\$150,000
Councilman	Connie Albrecht	\$150,000
Councilman	Jim Woodford	\$150,000
City Manager	Jim Shipley	\$150,000
Finance Director	Mike Davidson	\$150,000
City Clerk	Cathy McClain	\$150,000

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

COMPLIANCE AND INTERNAL CONTROL SECTION

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS & STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2013

Grant/Contract Number	CFDA Number	Program	Grantor Agency	(Receivable) Deferred at 07/01/12	Receipts	Expenditures	(Receivable) Deferred at 06/30/13
ZH12GHS069	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	\$ (3,370)	\$ 5,400	\$ 2,030	\$ -
ZH12GHS148	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	(10,310)	14,974	4,664	-
Z13GHSO72	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	-	5,553	25,146	(19,593)
Z13GHSO73	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	-	1,375	5,000	(3,625)
Z13GHSO74	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	-	3,396	13,167	(9,771)
10052537	16.607	Bulletproof Vest Partnership	U.S. Department of Justice	(1,459)	2,154	2,180	(1,485)
2011-DJ-BX-3436	16.738	Byrne Memorial Justice Assistance Grant	U.S. Department of Justice/Bureau of Justice Assistance	-	11,532	11,532 ^(a)	-
070090	20.205	Rails with Trails Project	State of Tennessee, Department of Transportation Pass-through from Federal Highway Administration	(8,160)	41,952	40,568	(6,776)
STP-M-9204(9)	20.205	Surface Transportation Grant	State of Tennessee, Department of Transportation Pass-through from U.S. Department of Transportation	-	13,476	24,497	(11,021)
060010	20.205	Rail Trail Project	Rails to Trails Conservancy, Washington D.C.	<u>606</u>	<u>-</u>	<u>-</u>	<u>606</u>
TOTAL FEDERAL AWARDS				<u>(22,693)</u>	<u>99,812</u>	<u>128,784</u>	<u>(51,665)</u>
GG-08-23787-00	N/A	Internet Crimes Against Children	Nashville Police Department	(3,334)	18,334	15,000	-
610750	N/A	Tennessee Agricultural Enhancement Program	State of Tennessee, Dept of Agriculture	-	-	1,500	(1,500)
FEMA-1937-DR-TN	97.306	Presidential Disaster Declaration	State of Tennessee, Tennessee Emergency Management Agency	<u>(11,700)</u>	<u>11,700</u>	<u>-</u>	<u>-</u>
TOTAL STATE FINANCIAL ASSISTANCE				<u>(15,034)</u>	<u>30,034</u>	<u>16,500</u>	<u>(1,500)</u>
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE				<u>\$ (37,727)</u>	<u>\$ 129,846</u>	<u>\$ 145,284</u>	<u>\$ (53,165)</u>

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

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

^(a) Of the federal expenditures presented in this line item, the City provided local law enforcement \$4,613.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the City Council of
The City of Cookeville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, budgetary comparison information for the general fund, and the aggregate remaining fund information of the City of Cookeville, Tennessee (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 17, 2013. Our report includes a reference to other auditors who audited the financial statements of Cookeville Regional Medical Center Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

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

Compliance and Other Matter

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Duncan, Wheeler & Wilkerson, P.C.

December 17, 2013
Cookeville, Tennessee