

CITY OF COOKEVILLE, TENNESSEE

FINANCIAL STATEMENTS

Year Ended

June 30, 2014

CITY OF COOKEVILLE, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2014

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INTRODUCTORY SECTION

CITY OF COOKEVILLE, TENNESSEE

OFFICIALS OF THE CITY OF COOKEVILLE, TENNESSEE

June 30, 2014

<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, 2014, 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 52 percent, 48 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, 2014, 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 XIX 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, including the schedule of expenditures of federal awards, 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 22, 2014 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 & Wilkerson, P.C.

December 22, 2014
Cookeville, Tennessee

Management's Discussion and Analysis
Annual Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014. 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 and deferred inflows at June 30, 2014 by \$181,887,538 (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 (\$137,020,520) and unrestricted resources available to continue City operations into the next fiscal year (\$44,867,018).
- The government's total net position increased this year by \$6,730,842. Net position of the governmental activities increased by \$1,304,296 and those of the City's business type activities (utilities) increased by \$5,426,546.
- As of June 30, 2014, the City of Cookeville's governmental funds reported combined ending fund balances of \$24,255,757 an increase of \$3,062,298 in comparison with the prior year. Approximately 47 percent of this total amount, \$11,398,281 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 \$11,143,518 or 49.6 percent of total general fund expenditures.
- The City of Cookeville's total debt decreased by \$1,971,747 (4.9 percent) during the current fiscal year. The City retired (principal payments) \$6,334,497 of previously outstanding debt. New debt was issued during the year of \$4,362,750.
- 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 post-employment healthcare. The City's ARC is \$1,950,296 for governmental activities and \$498,820 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Cookeville is improving or deteriorating.

The 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 62-63 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 4-10 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 plus deferred outflows exceeded liabilities plus deferred inflows by \$181,887,538 at fiscal year end June 30, 2014.

By far the largest portion of the City of Cookeville's net position (68 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:

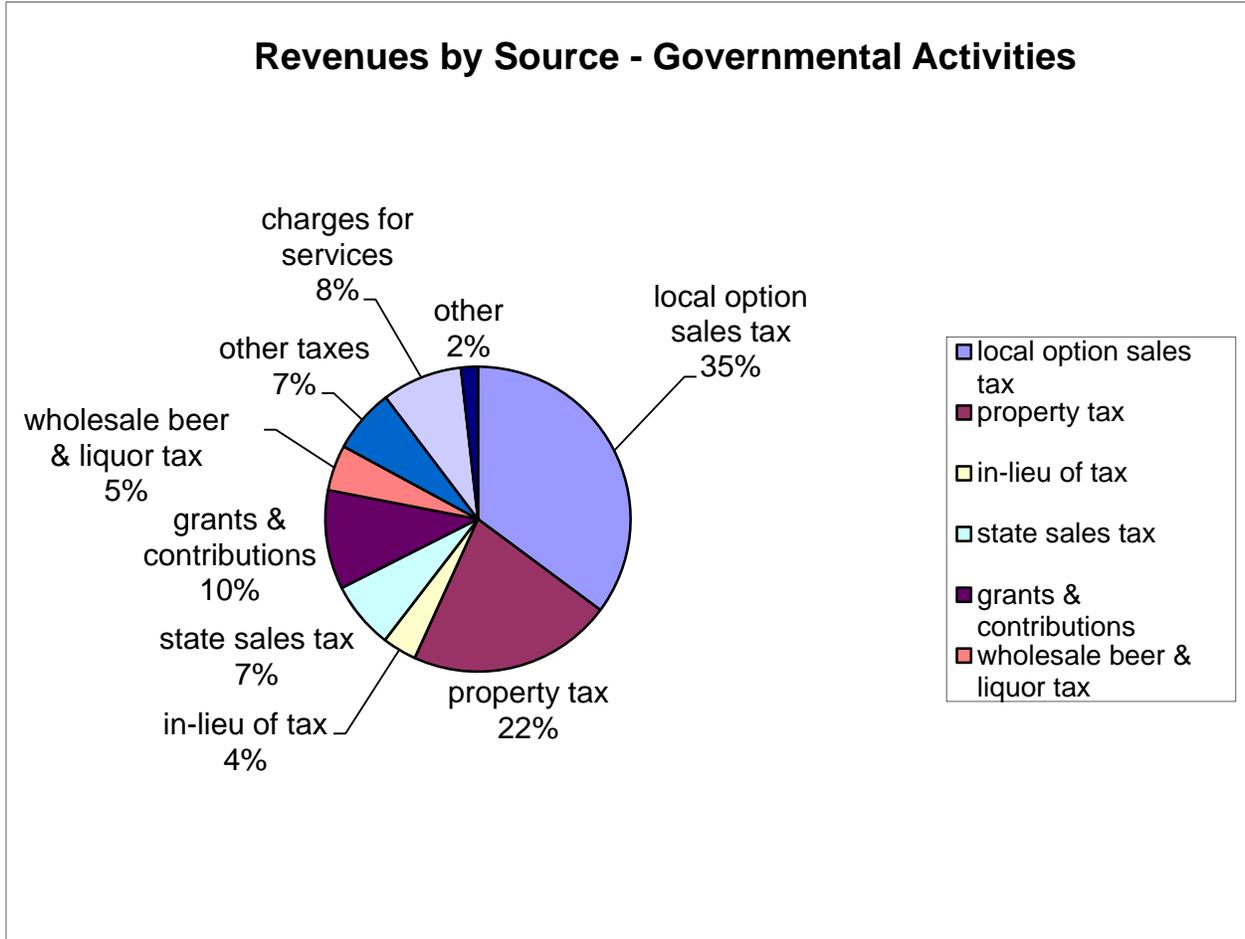
	Governmental		Business-type		Totals	
	Activities		Activites			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current Assets	\$ 36,668,085	\$ 33,518,456	\$ 47,210,554	\$ 43,149,222	\$ 83,878,639	\$ 76,667,678
Capital Assets	50,889,484	49,290,420	109,590,954	109,574,806	160,480,438	158,865,226
Other Assets	<u>3,742,710</u>	<u>3,968,296</u>	<u>2,696,386</u>	<u>2,733,967</u>	<u>6,439,096</u>	<u>6,702,263</u>
Total Assets:	<u>91,300,279</u>	<u>86,777,172</u>	<u>159,497,894</u>	<u>155,457,995</u>	<u>250,798,173</u>	<u>242,235,167</u>
Current Liabilities	4,017,054	11,835,984	9,133,009	9,543,357	13,150,063	21,379,341
Long-term Debt	15,346,000	13,069,917	17,542,083	20,852,299	32,888,083	33,922,216
Other Liabilities	<u>9,383,640</u>	<u>7,424,126</u>	<u>6,547,098</u>	<u>6,085,444</u>	<u>15,930,738</u>	<u>13,509,570</u>
Total Liabilities:	<u>28,746,694</u>	<u>32,330,027</u>	<u>33,222,190</u>	<u>36,481,100</u>	<u>61,968,884</u>	<u>68,811,127</u>
Deferred Inflows of Resources:	<u>6,941,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,941,751</u>	<u>-</u>
Net Position						
Invested in capital assets						
Net of related debt	35,575,994	34,268,207	88,738,655	85,229,763	124,314,649	119,497,970
Restricted	12,705,871	12,960,638			12,705,871	12,960,638
Unrestricted	<u>7,329,969</u>	<u>7,218,300</u>	<u>37,537,049</u>	<u>33,747,132</u>	<u>44,867,018</u>	<u>40,965,432</u>
Total Net Position:	<u>\$ 55,611,834</u>	<u>\$ 54,447,145</u>	<u>\$ 126,275,704</u>	<u>\$ 118,976,895</u>	<u>\$ 181,887,538</u>	<u>\$ 173,424,040</u>

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 (\$44,867,018) 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, 2014, the amount available for health related claims was \$3,339,608.

At June 30, 2014, 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 \$1,304,296 for governmental activities and \$5,426,546 for business-type activities. The City's overall financial position improved during fiscal year 2014.

Governmental activities. Governmental activities increased the City of Cookeville's net position by \$1,304,296 thereby accounting for 19 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, 2014.

Summary of Changes in Net Position

	Governmental		Business-type		Totals	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues						
Charges for services	\$ 2,657,112	\$ 2,593,377	\$ 80,756,683	\$ 77,192,175	\$ 83,413,795	\$ 79,785,552
Operating Grants & Contrib	2,962,257	1,130,817	-	-	2,962,257	1,130,817
Capital Grants & Contrib	321,955	2,205,946	3,812	-	325,767	2,205,946
General revenues						
Local option sales tax	10,977,397	10,635,378	-	-	10,977,397	10,635,378
Property tax	6,751,686	6,694,878	-	-	6,751,686	6,694,878
In-lieu of tax	1,134,242	1,137,247	-	-	1,134,242	1,137,247
State sales tax	2,220,066	2,103,563	-	-	2,220,066	2,103,563
Wholesale beer tax	1,156,619	1,151,027	-	-	1,156,619	1,151,027
Wholesale liquor tax	353,111	333,601	-	-	353,111	333,601
other taxes	2,118,550	2,181,584	-	-	2,118,550	2,181,584
Other revenues	561,224	695,357	109,540	133,412	670,764	828,769
Transfers	1,513,102	1,438,043	(1,513,102)	(1,438,043)	-	-
Total Revenues	<u>32,727,321</u>	<u>32,300,818</u>	<u>79,356,933</u>	<u>75,887,544</u>	<u>112,084,254</u>	<u>108,188,362</u>
Expenses:						
General government	4,350,297	4,744,034	-	-	4,350,297	4,744,034
Planning & codes	1,224,141	1,164,637	-	-	1,224,141	1,164,637
Public Safety	12,427,558	12,343,702	-	-	12,427,558	12,343,702
Parks & maintenance	1,370,727	1,316,703	-	-	1,370,727	1,316,703
Public Works	9,147,606	6,387,288	-	-	9,147,606	6,387,288
Culture & recreation	2,534,300	2,430,840	-	-	2,534,300	2,430,840
Interest on Debt	368,396	339,728	-	-	368,396	339,728
Electric	-	-	51,010,031	51,771,121	51,010,031	51,771,121
Gas	-	-	11,333,947	9,211,250	11,333,947	9,211,250
Water Quality Control	-	-	11,586,409	11,435,151	11,586,409	11,435,151
Total Expenses	<u>31,423,025</u>	<u>28,726,932</u>	<u>73,930,387</u>	<u>72,417,522</u>	<u>105,353,412</u>	<u>101,144,454</u>
Change in Net Position	1,304,296	3,573,886	5,426,546	3,470,022	6,730,842	7,043,908
Beginning Net Position, as restated	<u>54,307,538</u>	<u>50,873,259</u>	<u>120,849,158</u>	<u>115,506,873</u>	<u>175,156,696</u>	<u>166,380,132</u>
Ending Net Position	<u>\$ 55,611,834</u>	<u>\$ 54,447,145</u>	<u>\$ 126,275,704</u>	<u>\$ 118,976,895</u>	<u>\$ 181,887,538</u>	<u>\$ 173,424,040</u>

Business-type activities. Business-type activities increased the City of Cookeville's net position by \$5,426,546, accounting for 81 percent of the total growth in the government's net position.

The three Proprietary Fund Statements demonstrate that the electric, water/sewer, and gas departments continue to grow and to be financially stable. Net assets for these three operations grew by 5.4 percent, 3.9 percent, and 4.8 percent, respectively, this year.

The electric operations continue to be positive. Net assets increased by \$2,320,259 with operating revenues of \$54,322,667 and operating expenses of \$50,888,697. Non-operating expenses totaled \$49,256 and transfers to the general government were \$1,064,455. Beginning net assets were restated by \$1,872,263 to properly reflect amounts the electric department was overcharged for purchased power by the Tennessee Valley Authority. The overcharges were related to incorrect power line losses as calculated by TVA. 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. During the year the electric department began a rehabilitation project on its west Cookeville substation with an estimated cost of \$1.8 million. Construction on the newest electric department substation in southwest Cookeville was completed and this substation was brought on line in the spring of 2014. This substation serves customers in the southwest area of Cookeville as well as supplies power to the Highlands Industrial Business Park.

Net assets increased by \$2,162,939 for the water/sewer department. Operating revenues were \$13,952,187 and operating expenses were \$11,335,113. The water/sewer department had non-operating expenses totaling \$191,106 with this being primarily interest expense on long-term debt. Transfers to the general government totaled \$266,841 and capital contributions totaled \$3,812. 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 completed its planned expansion and renovation of the water treatment plant located near Center Hill Lake. The renovations at the Water Treatment plant totaled \$7,707,179. 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 50.6 percent of the water sold by the department and accounts for approximately 36.8 percent of the water department's water sales revenue. The utility districts are repairing leaks in their systems. The utility district's program to improve their distribution system has decreased the amount of water treated and sold to the districts. The department's water supply comes 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 \$2,089,900. 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 gas department's net assets increased by \$1,020,700. Operating revenues were \$12,481,829 and operating expenses were \$11,294,165. Non-operating income totaled \$14,842 and transfers to the general government were \$181,806. The department has two supply connections on the East

TN Pipeline. The department added additional supply capacity from the East TN pipeline during March 2014. The system has a total of 18 employees. These employees serve over 9,700 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 fluctuations in 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 four years which has helped renew consumer confidence in natural gas as an energy source. Revenue increased 22.8 percent in FY 2014 as compared to FY 2013. This was primarily a result of colder temperatures during the 2014 winter months and Tennessee Tech University switching to natural gas as its primary heating fuel. Expenses increased 23 percent in FY 2014 which was related to the additional gas purchased during the 2014 winter months. The department purchased more natural gas to meet customer demand during the heating season and sold more gas in January 2014 than any month in the history of the department.

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 2014 and 2013

	<u>FY 2014</u>	<u>FY 2013</u>	Amount <u>Change</u>	% <u>Change</u>
Electric Department	\$ 54,322,667	\$ 53,295,061	\$ 1,027,606	1.9%
Gas Department	12,481,829	10,162,183	2,319,646	22.8%
Water Quality Control Department	<u>13,952,187</u>	<u>13,734,931</u>	<u>217,256</u>	1.6%
Charges for Services-Business-type Activities	<u>\$ 80,756,683</u>	<u>\$ 77,192,175</u>	<u>\$ 3,564,508</u>	4.6%

Summary Comparison of Expenses for Fiscal Years 2014 and 2013

	<u>FY 2014</u>	<u>FY 2013</u>	Amount <u>Change</u>	% <u>Change</u>
Electric Department	\$ 51,010,031	\$ 51,771,121	\$ (761,090)	-1.5%
Gas Department	11,333,947	9,211,250	2,122,697	23.0%
Water Quality Control Department	<u>11,586,409</u>	<u>11,435,151</u>	<u>151,258</u>	1.3%
Expenses-Business-type Activities	<u>\$ 73,930,387</u>	<u>\$ 72,417,522</u>	<u>\$ 1,512,865</u>	2.1%

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City of Cookeville's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such

information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Cookeville itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Cookeville's Council.

As of June 30, 2014, the City of Cookeville's governmental funds reported combined ending fund balances of \$24,255,757, an increase of \$3,062,298 in comparison to prior year. There is \$3,296,033 in restricted fund balances which must be used for specific purposes. There was \$1,056,788 restricted for street maintenance, \$43,170 restricted for police drug enforcement programs, \$361,899 restricted for sanitation operations, and \$1,834,176 in unspent bond proceeds. There is \$7,630,772 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, 2014, the unassigned fund balance of the general fund was \$11,143,518 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 50 percent of total general fund expenditures during FY 2014.

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 78 percent of the general fund revenues. The sales tax collections for FY 2014 were 10,977,397 which is the highest amount ever collected by the City. This was a three percent or \$342,019 increase from June 2013 to June 2014. 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 2014 (2013 property tax) remained the same as prior year at \$.90. This tax rate remains relatively low compared to other cities across the state. The property tax rate allocated to the general fund accounted for \$5,907,849 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. The City continues to partner with Putnam County, the Chamber of Commerce, the State of Tennessee and TVA to recruit new business and industry to the Cookeville area. In August 2014, Academy Sports and Outdoors announced the construction of a new 1.1 million square foot distribution center on a site to be located in Cookeville. This distribution center will bring approximately 700 new full-time jobs to Cookeville by 2020. In August 2014, Cookeville and Putnam County passed resolutions to encourage and assist another new industrial employer to locate its planned new facility in the Highlands Business Park. Cookeville and Putnam County would assist in site development for the new facility if it is built in the Highlands Business Park.

The debt service fund has a total fund balance of \$7,630,772, all of which is committed for the payment of principal and interest on outstanding debt. Six 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 \$2,683,112 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 2014. 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 \$292,545. Interest rates were much lower than budgeted on the City's variable rate debt. Interest rates were budgeted at five percent and the actual rates were closer to one percent. 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 7.2% for the interest payment due December 1, 2013. Future subsidies are expected 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). The City issued General Obligation Bonds in December 2013. The proceeds are for construction of a new animal shelter, public works facility, repairs at the Cookeville Performing Arts Center, improvements to Dogwood Park and design fees for the construction of Bennett Road from Interstate 40 north to Highway 70. As of June 30, 2014, unspent bond proceeds totaled \$1,834,176.

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, 2014 was \$50,889,484 and \$109,590,954, respectively. The net investment increased 3.4 percent for governmental and remained about the same for business-type activities.

Capital asset additions for the governmental funds were \$4,092,777. Construction continues on the Highlands Industrial/Business Park and should be completed in the spring of 2015. In FY 2014, property where the new animal shelter will be built was donated to the City. Construction of the new shelter is included in construction in process. Other major capital asset additions for governmental funds included the completion of renovations for the public works facility.

Additions of \$256,782 in vehicles included 7 new vehicles for the police department (\$201,786) and additional vehicles for public works. Major equipment additions included a new fly system installed at the performing arts center. Construction in process includes the development costs on the Highlands Industrial/Business Park, construction cost of the new animal shelter as well as costs on renovations of the performing arts center.

Capital asset additions for the business-type activities were \$5,923,964. Additions for the Electric Department were \$3,440,279, for the Water Department \$2,074,640, and for the Gas Department \$409,045.

The Cookeville Electric Department completed a lighting project at the Highlands Business Park which was budgeted at \$125,000 and completed for \$121,372. The west substation rehabilitation project is ongoing and the FY14 budgeted amount was \$1,800,000 with expenses incurred during that time period of \$1,559,274 and an estimated completion date of April 1, 2015. The department also completed the remaining items on the Southwest Substation in the amount of \$46,313. Total customer growth from all class of customers was 271.

The Water Department additions include the completion of a major three year renovation and expansion project at the water treatment plant located near Center Hill Lake. Final capitalized costs for the project was \$7,707,179. Water line extension in the Popular Grove area was also completed for a cost of \$473,607.

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

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Amount Change	% Change
	<u>2014</u>	<u>2013</u>		
Non-depreciable assets:				
Land	\$ 10,213,503	\$ 10,137,865	\$ 75,638	0.7%
Construction in progress	11,415,275	9,531,636	1,883,639	19.8%
Depreciable assets:				
Buildings	7,534,906	6,213,305	1,321,601	21.3%
Improvements	1,168,271	1,261,311	(93,040)	-7.4%
Vehicles	1,648,510	2,029,088	(380,578)	-18.8%
Machinery & equipment	550,729	405,964	144,765	35.7%
Software	8,333	12,500	(4,167)	-33.3%
Infrastructure	<u>18,349,957</u>	<u>19,698,751</u>	<u>(1,348,794)</u>	-6.8%
Total	<u>\$ 50,889,484</u>	<u>\$ 49,290,420</u>	<u>\$ 1,599,064</u>	3.2%

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Business-type Activities		Amount Change	% Change
	<u>2014</u>	<u>2013</u>		
Non-depreciable assets:				
Land	\$ 2,652,759	\$ 2,652,759	\$ -	0.0%
Construction in progress	3,435,206	12,382,210	(8,947,004)	-72.3%
Depreciable assets:				
Building & Improvements	2,291,904	2,406,104	(114,200)	-4.7%
Plant & distribution systems	85,805,751	75,583,122	10,222,629	13.5%
Machinery & equipment	4,341,656	4,667,036	(325,380)	-7.0%
Furniture & equipment	50,332	41,543	8,789	21.2%
Plant acquisition adjustment	<u>11,013,346</u>	<u>11,842,032</u>	<u>(828,686)</u>	-7.0%
Total	<u>\$ 109,590,954</u>	<u>\$ 109,574,806</u>	<u>\$ 16,148</u>	0.0%

Long-term Liabilities. At the end of the fiscal year, the Primary Government had total long-term liabilities of \$42,269,300. Of this amount, \$18,171,629 relates to governmental activities while the remaining \$24,097,671 relates to business type activities. Of the \$18,171,629 of long-term liabilities of governmental activities, \$17,147,666 was debt related to a bond or note issuance and is backed by the full faith and credit of the City of Cookeville. In December, 2013, \$4,300,000 in general obligation bonds were sold by the City.

	Governmental		Business-type		Totals	
	Activities		Activities			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Bonds & notes payable	\$ 17,147,666	\$ 15,626,669	\$ 20,852,299	\$ 24,345,043	\$ 37,999,965	\$ 39,971,712
Compensated Absences	1,023,963	937,934	398,266	373,774	1,422,229	1,311,708
Other debt	-	-	2,847,106	2,875,212	2,847,106	2,875,212
	<u>18,171,629</u>	<u>16,564,603</u>	<u>24,097,671</u>	<u>27,594,029</u>	<u>42,269,300</u>	<u>44,158,632</u>
Less:						
Amounts due within one year	<u>(1,801,666)</u>	<u>(2,556,752)</u>	<u>(3,394,426)</u>	<u>(3,574,601)</u>	<u>(5,196,092)</u>	<u>(6,131,353)</u>
Total long term liabilities	<u>\$ 16,369,963</u>	<u>\$ 14,007,851</u>	<u>\$ 20,703,245</u>	<u>\$ 24,019,428</u>	<u>\$ 37,073,208</u>	<u>\$ 38,027,279</u>

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. Cookeville annexed approximately 252 acres in the Old Stewart Road annexation area. The annexation area consisted of 3 tracts of land and the 3 property owners petitioned for the annexation. Academy Sports and Outdoors will construct their new distribution center in the annexed area.

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 2015. 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 by late 2015. As mentioned previously, Academy Sports and Outdoors will locate a new distribution facility in Cookeville. The new interchange was a critical component in Academy's decision to locate in Cookeville. Also, as part of the interchange project, the City will construct a new 2.75 mile road that will connect Interstate 40 to Highway 70. The construction of this road (Bennett 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, 2014

	Primary Government			Component Units		Total Reporting Entity
	Governmental Activities	Business- Type Activities	Total	CRMC*	PBA	
Assets						
Current assets:						
Cash	\$ 18,406,394	\$ 25,061,811	\$ 43,468,205	\$ 16,728,403	\$ 64,205	\$ 60,260,813
Sinking fund cash	-	1,140,557	1,140,557	-	-	1,140,557
Temporary cash investments	7,820,418	10,296,106	18,116,524	1,768,798	-	19,885,322
Accounts receivable, net of allowance	118,654	8,477,369	8,596,023	35,030,323	4,458	43,630,804
Taxes receivable, net of allowance	6,963,662	-	6,963,662	-	-	6,963,662
Other receivables	3,484,694	-	3,484,694	1,649,610	-	5,134,304
Due from other funds	(160,391)	160,391	-	-	-	-
Inventories	-	1,929,857	1,929,857	7,097,277	-	9,027,134
Prepaid expenses and other current assets	34,654	144,463	179,117	3,240,397	548	3,420,062
Total current assets	36,668,085	47,210,554	83,878,639	65,514,808	69,211	149,462,658
Noncurrent assets:						
Notes receivable, net of allowance	-	753,985	753,985	-	-	753,985
Water storage rights	-	1,877,918	1,877,918	-	-	1,877,918
Equity interest in joint venture	3,742,710	-	3,742,710	854,248	-	4,596,958
Long-term investments	-	-	-	8,293,134	-	8,293,134
Other assets	-	64,483	64,483	15,983,529	-	16,048,012
Capital assets:						
Land and construction in progress	21,628,778	6,087,965	27,716,743	21,005,043	8,143	48,729,929
Other capital assets, net of accumulated depreciation	29,260,706	103,502,989	132,763,695	161,346,024	76,422	294,186,141
Total noncurrent assets	54,632,194	112,287,340	166,919,534	207,481,978	84,565	374,486,077
Total assets	91,300,279	159,497,894	250,798,173	272,996,786	153,776	523,948,735
Deferred Outflows of Resources						
Interest rate swap	-	-	-	2,654,793	-	2,654,793
Total deferred outflows of resources	-	-	-	2,654,793	-	2,654,793
Liabilities						
Current liabilities:						
Accounts payable	974,850	5,563,518	6,538,368	6,538,161	23,776	13,100,305
Health claims payable	219,639	-	219,639	-	-	219,639
Current portion of long-term debt	1,801,666	3,310,216	5,111,882	3,313,574	-	8,425,456
Current portion of water storage rights payable	-	84,210	84,210	-	-	84,210
Accrued expenses	887,883	62,682	950,565	11,886,429	8,201	12,845,195
Unearned revenue	133,016	45,333	178,349	-	-	178,349
Estimated amounts due to third-party payors	-	-	-	3,319,357	-	3,319,357
Other current liabilities	-	67,050	67,050	-	40,788	107,838
Total current liabilities	4,017,054	9,133,009	13,150,063	25,057,521	72,765	38,280,349
Noncurrent liabilities:						
Compensated absences	1,023,963	398,266	1,422,229	-	-	1,422,229
TVA heat pump notes payable	-	757,206	757,206	-	-	757,206
Water storage rights payable	-	2,005,690	2,005,690	-	-	2,005,690
Net other post-retirement liability	7,860,811	3,014,170	10,874,981	-	-	10,874,981
Other non-current liabilities	498,866	371,766	870,632	-	-	870,632
Long-term debt, less current portion	15,346,000	17,542,083	32,888,083	78,915,076	-	111,803,159
Total noncurrent liabilities	24,729,640	24,089,181	48,818,821	78,915,076	-	127,733,897
Total liabilities	28,746,694	33,222,190	61,968,884	103,972,597	72,765	166,014,246
Deferred Inflows of Resources						
Unavailable property taxes	6,941,751	-	6,941,751	-	-	6,941,751
Interest rate swap	-	-	-	2,654,793	-	2,654,793
Total deferred inflows of resources	6,941,751	-	6,941,751	2,654,793	-	9,596,544
Net position						
Net investment in capital assets	35,575,994	88,738,655	124,314,649	104,540,651	84,565	228,939,865
Restricted for:						
Drug Fund	43,170	-	43,170	-	-	43,170
Highways and streets	1,056,788	-	1,056,788	-	-	1,056,788
Debt service	7,501,304	-	7,501,304	-	-	7,501,304
Sanitation	361,899	-	361,899	-	-	361,899
Equity interest in joint venture	3,742,710	-	3,742,710	-	-	3,742,710
Unrestricted	7,329,969	37,537,049	44,867,018	64,483,538	(3,554)	109,347,002
Total net position	\$ 55,611,834	\$ 126,275,704	\$ 181,887,538	\$ 169,024,189	\$ 81,011	\$ 350,992,738

*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, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Function/program activities				
Primary government:				
Governmental activities:				
General government	\$ 4,350,297	\$ 129,337	\$ 16,290	\$ (4,204,670)
Planning and codes	1,224,141	332,372	-	(891,769)
Public safety	12,427,558	457,758	302,206	\$ 247,000 (11,420,594)
Parks & maintenance	1,370,727	-	-	(1,370,727)
Public works	9,147,606	1,495,252	2,638,815	(5,013,539)
Culture and recreation	2,534,300	242,393	4,946	74,955 (2,212,006)
Interest on long-term debt	368,396	-	-	(368,396)
Total governmental activities	<u>31,423,025</u>	<u>2,657,112</u>	<u>2,962,257</u>	<u>321,955 (25,481,701)</u>
Business-type activities:				
Electric	51,010,031	54,322,667	-	- 3,312,636
Gas	11,333,947	12,481,829	-	- 1,147,882
Water quality control	11,586,409	13,952,187	-	3,812 2,369,590
Total business-type activities	<u>73,930,387</u>	<u>80,756,683</u>	<u>-</u>	<u>3,812 6,830,108</u>
Total primary government	<u>\$ 105,353,412</u>	<u>\$ 83,413,795</u>	<u>\$ 2,962,257</u>	<u>\$ 325,767 (18,651,593)</u>
Component units:				
CRMC*	\$ 257,788,369	\$ 258,500,771		\$ 712,402
PBA	173,769	195,401		21,632
Total component units	<u>\$ 257,962,138</u>	<u>\$ 258,696,172</u>		<u>\$ 734,034</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, 2014

	<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	\$ (25,481,701)	\$ 6,830,108	\$ (18,651,593)	\$ 712,402	\$ 21,632
General revenues:					
Taxes:					
Property tax	6,751,686	-	6,751,686	-	-
In lieu of tax	1,134,242	-	1,134,242	-	-
Business tax	1,001,600	-	1,001,600	-	-
State sales tax	2,220,066	-	2,220,066	-	-
Franchise tax	295,911	-	295,911	-	-
Local option sales tax	10,977,397	-	10,977,397	-	-
Wholesale beer tax	1,156,619	-	1,156,619	-	-
Wholesale liquor tax	353,111	-	353,111	-	-
State income tax	604,293	-	604,293	-	-
Mixed drink tax	151,271	-	151,271	-	-
Other taxes	65,475	-	65,475	-	-
Interest revenue	71,920	109,540	181,460	232,464	3
Investment income(loss)	(85,979)	-	(85,979)	-	-
Gain (loss) on sale of assets	59,790	-	59,790	(118,300)	-
Federal subsidy	77,241	-	77,241	-	-
Other, net	438,252	-	438,252	170,016	-
Transfers	<u>1,513,102</u>	<u>(1,513,102)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues	<u>26,785,997</u>	<u>(1,403,562)</u>	<u>25,382,435</u>	<u>284,180</u>	<u>3</u>
Change in net position	1,304,296	5,426,546	6,730,842	996,582	21,635
Net position - beginning	54,447,145	118,976,895	173,424,040	168,401,538	59,376
Restatement	<u>(139,607)</u>	<u>1,872,263</u>	<u>1,732,656</u>	<u>(373,931)</u>	<u>-</u>
Net position - beginning, as restated	<u>54,307,538</u>	<u>120,849,158</u>	<u>175,156,696</u>	<u>168,027,607</u>	<u>81,011</u>
Net position - ending	<u>\$ 55,611,834</u>	<u>\$ 126,275,704</u>	<u>\$ 181,887,538</u>	<u>\$ 169,024,189</u>	<u>\$ 81,011</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, 2014

<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	\$ 6,229,544	\$ 4,353,437	\$ 2,473,889	\$ 3,624,987	\$ 16,681,857
Temporary cash investments	2,376,520	3,079,940	4	517,801	5,974,265
Accounts receivable	-	-	-	118,654	118,654
Taxes receivable	6,963,843	460,979	-	384,149	7,808,971
Other receivables	1,847,619	194,157	82	1,442,836	3,484,694
Less: allowance for bad debts	(830,969)	(7,560)	-	(6,780)	(845,309)
Due from other funds	1,955,708	3,306	-	1,592	1,960,606
Prepaid expenses	28,370	-	-	-	28,370
Total assets	<u>\$ 18,570,635</u>	<u>\$ 8,084,259</u>	<u>\$ 2,473,975</u>	<u>\$ 6,083,239</u>	<u>\$ 35,212,108</u>
<u>Liabilities</u>					
Accounts payable	\$ 347,010	\$ 69	\$ 384,270	\$ 235,774	\$ 967,123
Accrued expenses	863,612	-	-	-	863,612
Due to other funds	6,112	-	766	1,660,302	1,667,180
Unearned revenue	-	-	-	123,016	123,016
Other liabilities	71,529	-	-	322,140	393,669
Total liabilities	<u>1,288,263</u>	<u>69</u>	<u>385,036</u>	<u>2,341,232</u>	<u>4,014,600</u>
<u>Deferred Inflows of Resources</u>					
Unavailable property taxes	6,110,484	453,418	-	377,849	6,941,751
Total deferred inflows of resources	<u>6,110,484</u>	<u>453,418</u>	<u>-</u>	<u>377,849</u>	<u>6,941,751</u>
<u>Fund Balances</u>					
Nonspendable	28,370	-	-	-	28,370
Restricted	-	-	1,834,176	1,461,857	3,296,033
Committed	-	7,630,772	-	1,902,301	9,533,073
Unassigned	11,143,518	-	254,763	-	11,398,281
Total fund balances	<u>11,171,888</u>	<u>7,630,772</u>	<u>2,088,939</u>	<u>3,364,158</u>	<u>24,255,757</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,570,635</u>	<u>\$ 8,084,259</u>	<u>\$ 2,473,975</u>	<u>\$ 6,083,239</u>	<u>\$ 35,212,108</u>

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

CITY OF COOKEVILLE, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED June 30, 2014

Total fund balance - total governmental funds		\$ 24,255,757
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	90,345,292	
Less: accumulated depreciation	<u>(39,455,808)</u>	50,889,484
<p>Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Equity interest in joint venture		3,742,710
<p>Interest payable is not payable from current financial resources and therefore is not reported in the governmental funds.</p>		
		(24,271)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Governmental bonds payable	(9,955,000)	
Governmental notes payable	(7,192,666)	
Unamortized bond premium	(105,197)	
Net other post-retirement liability	(7,860,811)	
Compensated absences	<u>(1,023,963)</u>	(26,137,637)
<p>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.</p>		
		<u>2,885,791</u>
Net position of governmental activities		<u>\$ 55,611,834</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, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 20,126,729	\$ 1,163,046		\$ 380,791	\$ 21,670,566
Licenses and permits	401,563	-		-	401,563
Intergovernmental	1,044,198	2,297,307		2,726,910	6,068,415
Charges for services	258,927	-		1,541,264	1,800,191
Fines, forfeitures and penalties	371,998	-		39,013	411,011
Rent	15,475	26,172		2,700	44,347
Interest	28,167	24,970	\$ 884	17,899	71,920
Other	503,864	-	-	81,741	585,605
Total revenues	<u>22,750,921</u>	<u>3,511,495</u>	<u>884</u>	<u>4,790,318</u>	<u>31,053,618</u>
Expenditures:					
Current					
General government	2,726,861	-	73,480	77,684	2,878,025
Public safety	11,584,729	-	-	227,750	11,812,479
Planning and codes	1,196,045	-	-	-	1,196,045
Parks and maintenance	1,300,972	-	-	-	1,300,972
Public works	3,022,683	-	-	4,182,973	7,205,656
Culture and recreation	2,267,504	-	-	90,990	2,358,494
Capital outlay	351,928	-	2,376,643	1,321,776	4,050,347
Debt service	-	3,218,950	74,178	-	3,293,128
Total expenditures	<u>22,450,722</u>	<u>3,218,950</u>	<u>2,524,301</u>	<u>5,901,173</u>	<u>34,095,146</u>
Excess (deficiency) of revenues over (under) expenditures	<u>300,199</u>	<u>292,545</u>	<u>(2,523,417)</u>	<u>(1,110,855)</u>	<u>(3,041,528)</u>
Other financing sources (uses):					
Interfund transfers in	1,619,871	-	486,020	64,220	2,170,111
Interfund transfers (out)	(64,220)	-	-	(592,789)	(657,009)
Proceeds of bonds and notes	-	-	4,362,750	-	4,362,750
Premium on issuance of debt	-	-	108,723	-	108,723
Insurance recoveries	23,000	-	-	-	23,000
Sale of assets	73,251	-	-	23,000	96,251
Net other financing sources	<u>1,651,902</u>	<u>-</u>	<u>4,957,493</u>	<u>(505,569)</u>	<u>6,103,826</u>
Net change in fund balances	1,952,101	292,545	2,434,076	(1,616,424)	3,062,298
Fund balances, July 1, 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>
Fund balances, June 30, 2014	<u>\$ 11,171,888</u>	<u>\$ 7,630,772</u>	<u>\$ 2,088,939</u>	<u>\$ 3,364,158</u>	<u>\$ 24,255,757</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, 2014

Net change in fund balances - total governmental funds \$ 3,062,298

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	3,845,777	
Less: current year depreciation	<u>(2,457,252)</u>	1,388,525

Contributed capital assets		247,000
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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	(4,362,750)	
Principal payments	2,841,753	
Premium on bond issue	(108,723)	
Amortization on bond premium	<u>3,526</u>	(1,626,194)

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		(85,979)
Change in accrued interest on long-term debt		(3,757)
Change in net other post-retirement liability		(1,374,619)
Change in accrued compensated absences		(86,029)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net assets.		(36,461)
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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>(180,488)</u>
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Change in net position of governmental activities		<u>\$ 1,304,296</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	<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	\$ 8,809,010	\$ 9,970,103	\$ 6,282,698	\$ 25,061,811	\$ 1,724,537
Sinking fund cash	753,156	387,401	-	1,140,557	-
Temporary cash investments	2,435,817	4,324,902	3,535,387	10,296,106	1,846,153
Accounts receivable, net of allowance	6,120,782	651,503	1,705,084	8,477,369	-
Inventory of material and supplies	853,411	640,195	436,251	1,929,857	-
Due from other funds	2,085	-	-	2,085	-
Prepaid expenses and other current assets	140,785	2,510	1,168	144,463	6,284
Total current assets	<u>19,115,046</u>	<u>15,976,614</u>	<u>11,960,588</u>	<u>47,052,248</u>	<u>3,576,974</u>
Noncurrent assets:					
Capital assets, non-depreciable	3,356,151	195,048	2,536,766	6,087,965	
Capital assets, depreciable	61,172,355	20,680,849	105,084,680	186,937,884	
Less: accumulated depreciation	<u>(19,855,626)</u>	<u>(12,261,359)</u>	<u>(51,317,910)</u>	<u>(83,434,895)</u>	
	44,672,880	8,614,538	56,303,536	109,590,954	
Notes receivable	753,985	-	-	753,985	
Water storage rights	-	-	1,877,918	1,877,918	
Other assets	<u>43,593</u>	<u>6,230</u>	<u>14,660</u>	<u>64,483</u>	
Total noncurrent assets	<u>45,470,458</u>	<u>8,620,768</u>	<u>58,196,114</u>	<u>112,287,340</u>	
Total assets	<u>\$ 64,585,504</u>	<u>\$ 24,597,382</u>	<u>\$ 70,156,702</u>	<u>\$ 159,339,588</u>	<u>\$ 3,576,974</u>
<u>Liabilities and Net Position</u>					
Current liabilities:					
Accounts payable	\$ 4,630,883	\$ 691,885	\$ 240,750	\$ 5,563,518	\$ 7,727
Health claims payable	-	-	-	-	219,639
Due to other funds	225,197	27,026	43,288	295,511	-
Current portion of long-term debt	1,590,000	410,000	1,310,216	3,310,216	-
Current portion of water storage rights payable	-	-	84,210	84,210	-
Accrued expenses	16,780	1,942	43,960	62,682	-
Deferred revenue	-	45,333	-	45,333	10,000
Other current liabilities	<u>10,792</u>	<u>12,766</u>	<u>43,492</u>	<u>67,050</u>	<u>-</u>
Total current liabilities	<u>6,473,652</u>	<u>1,188,952</u>	<u>1,765,916</u>	<u>9,428,520</u>	<u>237,366</u>
Noncurrent liabilities:					
Compensated absences	155,606	53,816	188,844	398,266	
TVA heat pump notes payable	757,206	-	-	757,206	
Water storage rights payable	-	-	2,005,690	2,005,690	
Net other post-retirement liability	1,151,799	417,975	1,444,396	3,014,170	
Long-term debt, less current portion	10,409,000	425,000	6,708,083	17,542,083	
Other non-current liabilities	<u>342,666</u>	<u>29,100</u>	<u>-</u>	<u>371,766</u>	
Total noncurrent liabilities	<u>12,816,277</u>	<u>925,891</u>	<u>10,347,013</u>	<u>24,089,181</u>	
Total liabilities	<u>19,289,929</u>	<u>2,114,843</u>	<u>12,112,929</u>	<u>33,517,701</u>	<u>237,366</u>
Net position:					
Invested in capital assets, net of related debt	32,673,880	7,779,538	48,285,237	88,738,655	-
Unrestricted	<u>12,621,695</u>	<u>14,703,001</u>	<u>9,758,536</u>	<u>37,083,232</u>	<u>3,339,608</u>
Total net position	<u>45,295,575</u>	<u>22,482,539</u>	<u>58,043,773</u>	<u>125,821,887</u>	<u>3,339,608</u>
Total liabilities and net position	<u>\$ 64,585,504</u>	<u>\$ 24,597,382</u>	<u>\$ 70,156,702</u>	<u>\$ 159,339,588</u>	<u>\$ 3,576,974</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, 2014

	<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	\$ 53,166,871	\$ 12,226,927	\$ 13,462,364	\$ 78,856,162	\$ 3,810,190
Other operating revenue	1,155,796	254,902	489,823	1,900,521	55,577
Total operating revenues	<u>54,322,667</u>	<u>12,481,829</u>	<u>13,952,187</u>	<u>80,756,683</u>	<u>3,865,767</u>
Operating expenses:					
Purchased utilities	42,858,215	9,019,110	-	51,877,325	-
Operating expenses	2,968,891	886,362	2,941,944	6,797,197	-
Maintenance expenses	1,133,907	70,682	474,825	1,679,414	-
Depreciation and amortization	2,563,906	706,797	2,846,864	6,117,567	-
Utilities	-	-	1,952,105	1,952,105	-
Administrative and general expenses	985,587	611,214	3,119,375	4,716,176	539,845
Health claims	-	-	-	-	3,592,312
Facilities rental	378,191	-	-	378,191	-
Total operating expenses	<u>50,888,697</u>	<u>11,294,165</u>	<u>11,335,113</u>	<u>73,517,975</u>	<u>4,132,157</u>
Operating income	<u>3,433,970</u>	<u>1,187,664</u>	<u>2,617,074</u>	<u>7,238,708</u>	<u>(266,390)</u>
Nonoperating revenues (expenses):					
Interest revenue	38,817	43,021	27,702	109,540	8,550
Interest expense	(88,073)	(28,179)	(218,808)	(335,060)	-
Total nonoperating revenues (expenses)	<u>(49,256)</u>	<u>14,842</u>	<u>(191,106)</u>	<u>(225,520)</u>	<u>8,550</u>
Interfund transfers (out)	<u>(1,064,455)</u>	<u>(181,806)</u>	<u>(266,841)</u>	<u>(1,513,102)</u>	<u>-</u>
Income before contributions	2,320,259	1,020,700	2,159,127	5,500,086	(257,840)
Capital contributions	-	-	3,812	3,812	-
Change in net position	2,320,259	1,020,700	2,162,939	5,503,898	(257,840)
Total net position, July 1, 2013, restated	<u>42,975,316</u>	<u>21,461,839</u>	<u>55,880,834</u>	<u>120,317,989</u>	<u>3,597,448</u>
Total net position, June 30, 2014	<u>\$ 45,295,575</u>	<u>\$ 22,482,539</u>	<u>\$ 58,043,773</u>	<u>\$ 125,821,887</u>	<u>\$ 3,339,608</u>

Reconciliation of changes in net position to statement of activities:

Total changes in net position of business-type activities	\$ 5,503,898
Net income (loss) of internal service fund related to business-type activities	<u>(77,352)</u>
Changes in business-type net position included in the statement of activities	<u>\$ 5,426,546</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, 2014

	<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	\$ 52,826,135	\$ 12,161,100	\$ 13,280,346	\$ 78,267,581	\$ 3,810,190
Cash receipts from customer service charges	559,123	143,062	489,822	1,192,007	-
Other operating cash receipts	578,448	101,424	-	679,872	55,577
Cash payments to suppliers of goods and services	(40,897,839)	(8,967,172)	-	(49,865,011)	-
Cash payments to employees for services	(2,376,783)	(643,893)	(884,035)	(3,904,711)	-
Cash payments for interfund services used	(413,042)	(314,951)	(608,849)	(1,336,842)	-
Cash payments for maintenance expenses	(1,133,907)	(70,682)	(474,825)	(1,679,414)	-
Cash payments for claims	-	-	-	-	(3,509,634)
Utilities and other operating cash payments	(1,012,893)	(439,682)	(6,541,514)	(7,994,089)	(545,910)
Net cash provided by (used in) operating activities	<u>8,129,242</u>	<u>1,969,206</u>	<u>5,260,945</u>	<u>15,359,393</u>	<u>(189,777)</u>
Cash flows from noncapital financing activities:					
Interfund transfers (out)	(1,064,455)	(181,806)	(266,841)	(1,513,102)	-
Net cash (used in) noncapital financing activities	<u>(1,064,455)</u>	<u>(181,806)</u>	<u>(266,841)</u>	<u>(1,513,102)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of assets	-	10,417	-	10,417	-
Cash payments for interest	(87,854)	(29,156)	(221,005)	(338,015)	-
Reduction of long-term debt	(1,813,000)	(420,000)	(1,341,601)	(3,574,601)	-
Acquisition and construction of capital assets	(3,402,429)	(409,045)	(2,070,828)	(5,882,302)	-
Other capital asset adjustments	(145,329)	-	-	(145,329)	-
Net cash (used in) capital and related financing activities	<u>(5,448,612)</u>	<u>(847,784)</u>	<u>(3,633,434)</u>	<u>(9,929,830)</u>	<u>-</u>
Cash flows from investing activities:					
(Increase) in temporary cash investments	(9,134)	(3,889)	(53,152)	(66,175)	(1,660)
Cash receipts from interest	38,817	42,624	27,253	108,694	8,402
Net cash provided by (used in) investing activities	<u>29,683</u>	<u>38,735</u>	<u>(25,899)</u>	<u>42,519</u>	<u>6,742</u>
Net increase (decrease) in cash and cash equivalents	1,645,858	978,351	1,334,771	3,958,980	(183,035)
Cash and cash equivalents, July 1, 2013	7,916,308	9,379,153	4,947,927	22,243,388	1,907,572
Cash and cash equivalents, June 30, 2014	<u>\$ 9,562,166</u>	<u>\$ 10,357,504</u>	<u>\$ 6,282,698</u>	<u>\$ 26,202,368</u>	<u>\$ 1,724,537</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 3,433,970	\$ 1,187,664	\$ 2,617,074	\$ 7,238,708	\$ (266,390)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	2,563,906	706,797	2,846,864	6,117,567	-
(Gain) on asset disposal	-	(10,417)	-	(10,417)	-
(Increase) in accounts receivable	(112,376)	(37,080)	(104,254)	(253,710)	-
(Increase) in due from other funds	(2,085)	-	-	(2,085)	-
(Increase) decrease in inventory of material and supplies	43,125	(44,047)	41,487	40,565	-
(Increase) decrease in prepaid expenses and other current assets	6,242	(200)	-	6,042	(6,065)
Decrease in deferred charges and other	5,012	-	-	5,012	-
Decrease in other receivables	1,802,561	-	-	1,802,561	-
Increase (decrease) in accounts payable	45,811	96,620	(363,769)	(221,338)	5,579
Increase in health claims payable	-	-	-	-	77,100
Increase in TVA notes payable	53,751	-	-	53,751	-
Increase in accrued expenses and compensated absences	13,028	9,816	1,649	24,493	-
Increase in net other post-retirement liability	182,071	67,159	232,216	481,446	-
Increase (decrease) in due to other funds	104,722	(5,009)	(3,208)	96,505	-
Increase in other current liabilities	129	1,103	-	1,232	-
(Decrease) in other non-current liabilities	(10,625)	(3,200)	(7,114)	(20,939)	-
Net cash provided by (used in) operating activities	<u>\$ 8,129,242</u>	<u>\$ 1,969,206</u>	<u>\$ 5,260,945</u>	<u>\$ 15,359,393</u>	<u>\$ (189,776)</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, 2014

	<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	\$ 5,538,556	\$ 5,538,556	\$ 5,600,504	\$ 61,948
Property taxes delinquent	190,000	240,000	252,287	12,287
Property taxes penalty & interest	35,000	45,000	55,058	10,058
In lieu of tax- CHA	40,000	40,000	42,721	2,721
In lieu of tax- Laurel Creek	600	600	632	32
In lieu of tax- Russell Stover	46,000	46,000	46,213	213
In lieu of tax- TVA	342,000	342,000	344,676	2,676
Local option sales tax	10,900,607	10,900,607	10,977,397	76,790
Wholesale beer tax	1,055,000	1,055,000	1,156,619	101,619
Wholesale liquor tax	315,000	315,000	353,111	38,111
Business tax	1,020,514	1,020,514	1,001,600	(18,914)
Cable TV Franchise tax	280,000	280,000	295,911	15,911
Total taxes	<u>19,763,277</u>	<u>19,823,277</u>	<u>20,126,729</u>	<u>303,452</u>
Licenses and permits:				
Beer permits	6,500	6,500	5,600	(900)
Beer license	12,000	12,000	12,650	650
Liquor license	30,000	30,000	32,282	2,282
Building permits	100,000	135,000	169,293	34,293
Electrical permits	45,000	45,000	52,037	7,037
Plumbing permits	12,000	12,000	19,525	7,525
Mechanical permits	20,000	20,000	32,235	12,235
Plan review fees	15,000	15,000	39,238	24,238
Fireworks permits	10,000	10,000	13,600	3,600
Miscellaneous permits	17,500	17,500	25,103	7,603
Total licenses and permits	<u>268,000</u>	<u>303,000</u>	<u>401,563</u>	<u>98,563</u>
Intergovernmental:				
State excise tax	42,000	42,000	47,559	5,559
State income tax	375,000	420,000	604,293	184,293
State beer tax	15,000	15,000	14,741	(259)
Mixed drink tax	145,000	145,000	151,271	6,271
Gasoline inspection fee	61,000	61,000	63,772	2,772
Telecommunications sales tax	-	-	3,175	3,175
Training supplement	67,400	67,400	72,600	5,200
Grants-other	-	85,000	86,787	1,787
Total intergovernmental	<u>705,400</u>	<u>835,400</u>	<u>1,044,198</u>	<u>208,798</u>
Charges for services:				
Clerk's fee	11,000	11,000	15,799	4,799
Recreation concessions	51,500	51,500	47,011	(4,489)
Recreational rentals/admissions	105,500	105,500	133,847	28,347
Daycamp fees	47,000	47,000	61,535	14,535
Miscellaneous	1,000	1,000	735	(265)
Total charges for services	<u>\$ 216,000</u>	<u>\$ 216,000</u>	<u>\$ 258,927</u>	<u>\$ 42,927</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, 2014

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Fines, forfeitures and penalties:				
Court fines and fees	\$ 365,000	\$ 365,000	\$ 341,465	\$ (23,535)
Parking violations	2,000	2,000	4,332	2,332
Other	31,500	31,500	26,201	(5,299)
Total fines and costs	<u>398,500</u>	<u>398,500</u>	<u>371,998</u>	<u>(26,502)</u>
Miscellaneous:				
Interest	21,540	21,540	28,167	6,627
Rent	15,175	15,175	15,475	300
Contributions	200	200	13,819	13,619
Admin charges to other funds	447,300	447,300	446,970	(330)
Other	32,600	44,600	43,075	(1,525)
Total miscellaneous	<u>516,815</u>	<u>528,815</u>	<u>547,506</u>	<u>18,691</u>
Total revenues	<u>\$ 21,867,992</u>	<u>\$ 22,104,992</u>	<u>\$ 22,750,921</u>	<u>\$ 645,929</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, 2014

	<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	\$ 1,094,831	\$ 1,094,831	\$ 1,092,825	\$ 2,006
Payroll taxes and fringes	406,711	406,711	394,087	12,624
Contractual services	95,500	95,500	71,993	23,507
Utilities	976,200	976,200	968,081	8,119
Supplies and maintenance	183,551	191,351	167,714	23,637
Fixed charges	12,720	12,720	3,709	9,011
Miscellaneous	28,000	28,000	28,452	(452)
	<u>2,797,513</u>	<u>2,805,313</u>	<u>2,726,861</u>	<u>78,452</u>
Total general government				
Public safety:				
Police:				
Salaries and wages	4,835,911	4,850,911	4,595,220	255,691
Payroll taxes and fringes	1,980,984	1,980,984	1,777,944	203,040
Supplies and maintenance	915,150	920,150	807,045	113,105
Fixed charges	140,800	165,800	153,475	12,325
Miscellaneous	11,500	76,500	74,769	1,731
	<u>7,884,345</u>	<u>7,994,345</u>	<u>7,408,453</u>	<u>585,892</u>
Total police				
Fire:				
Salaries and wages	2,775,681	2,775,681	2,718,259	57,422
Payroll taxes and fringes	1,186,040	1,186,040	1,113,824	72,216
Supplies and maintenance	363,561	363,561	283,051	80,510
Fixed charges	27,000	47,000	57,056	(10,056)
Miscellaneous	5,000	5,000	4,086	914
	<u>4,357,282</u>	<u>4,377,282</u>	<u>4,176,276</u>	<u>201,006</u>
Total fire				
	<u>\$ 12,241,627</u>	<u>\$ 12,371,627</u>	<u>\$ 11,584,729</u>	<u>\$ 786,898</u>
Total public safety				

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, 2014

	<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	\$ 806,798	\$ 826,798	\$ 809,162	\$ 17,636
Payroll taxes and fringes	326,530	326,530	296,669	29,861
Supplies and maintenance	107,696	107,696	82,001	25,695
Fixed charges	4,100	4,100	4,577	(477)
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>3,636</u>	<u>(636)</u>
Total planning and codes	<u>1,248,124</u>	<u>1,268,124</u>	<u>1,196,045</u>	<u>72,079</u>
Parks and maintenance:				
Salaries and wages	770,638	770,638	777,011	(6,373)
Payroll taxes and fringes	334,036	334,036	315,658	18,378
Supplies and maintenance	210,000	210,000	177,347	32,653
Fixed charges	18,600	30,600	30,843	(243)
Miscellaneous	<u>200</u>	<u>200</u>	<u>113</u>	<u>87</u>
Total parks and maintenance	<u>1,333,474</u>	<u>1,345,474</u>	<u>1,300,972</u>	<u>44,502</u>
Public works:				
Salaries and wages	1,709,606	1,715,606	1,691,962	23,644
Payroll taxes and fringes	752,360	752,360	707,725	44,635
Supplies and maintenance	471,452	471,452	443,036	28,416
Fixed charges	39,250	139,250	176,396	(37,146)
Miscellaneous	<u>3,250</u>	<u>3,250</u>	<u>3,564</u>	<u>(314)</u>
Total public works	<u>2,975,918</u>	<u>3,081,918</u>	<u>3,022,683</u>	<u>59,235</u>
Capital outlay:				
Capital outlay	<u>398,775</u>	<u>410,075</u>	<u>351,928</u>	<u>58,147</u>
Total capital outlay	<u>\$ 398,775</u>	<u>\$ 410,075</u>	<u>\$ 351,928</u>	<u>\$ 58,147</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, 2014

	<u>Original</u>		<u>Final</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Budget</u>		<u>Budget</u>			<u>Favorable</u>
						<u>(Unfavorable)</u>
Culture and recreation:						
Salaries and wages	\$ 884,756	\$	\$ 913,756	\$	\$ 874,903	\$ 38,853
Payroll taxes and fringes	345,773		345,773		300,915	44,858
Supplies and maintenance	381,821		381,821		324,324	57,497
Fixed charges	15,650		15,650		15,205	445
Miscellaneous	16,460		16,460		18,602	(2,142)
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	48,589		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	-
	<hr/>		<hr/>		<hr/>	<hr/>
Total culture and recreation	\$ 2,378,015	\$	\$ 2,407,015	\$	\$ 2,267,504	\$ 139,511

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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Total expenditures	\$ 23,373,446	\$ 23,689,546	\$ 22,450,722	\$ 1,238,824
Excess (deficiency) of revenues over (under) expenditures	<u>(1,505,454)</u>	<u>(1,584,554)</u>	<u>300,199</u>	<u>1,884,753</u>
Other financing sources (uses):				
Interfund transfers in	1,575,416	1,575,416	1,619,871	44,455
Interfund transfers (out)	(64,220)	(64,220)	(64,220)	-
Insurance recoveries	-	23,000	23,000	-
Sale of assets	<u>-</u>	<u>71,000</u>	<u>73,251</u>	<u>2,251</u>
Net other financing sources	<u>1,511,196</u>	<u>1,605,196</u>	<u>1,651,902</u>	<u>46,706</u>
Net change in fund balance	<u>\$ 5,742</u>	<u>\$ 20,642</u>	1,952,101	<u>\$ 1,931,459</u>
Fund balance, July 1, 2013			<u>9,219,787</u>	
Fund balance, June 30, 2014			<u>\$ 11,171,888</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 \$3,176,000 for utilities services from the Medical Center during the year ended June 30, 2014.

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 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 2014 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 \$248,000 for the year ended June 30, 2014.

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 \$3,286,000 in 2014.

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, 2014, the liability for accrued vacation leave is approximately \$1,422,000.

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 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, 2014 but were not available to finance expenditures for the year ended June 30, 2014. 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, 2014.

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, 2014. An interlocal agreement has been approved that transfers sole responsibility of Putnam County Emergency Management Agency to Putnam County, Tennessee. Under this 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, 2014.

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, 2014.

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

During the previous 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.

In addition, the GASB issued statement No. 65, *Items Previously Reported as Assets and Liabilities*. Beginning with fiscal year 2014, the City implemented the provisions of this statement, which establishes accounting standards 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. Implementation of these new Statements resulted in a restatement of beginning net position in the City's government-wide financial statements (see Note 10).

T. Subsequent Events

Subsequent events were evaluated through December 22, 2014, 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 \$845,000 for the year ended June 30, 2014.

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>Business-type Activities</u>	<u>Total Due From</u>
	<u>Governmental Activities</u>				
	<u>General Fund</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Electric</u>	
<u>Governmental Activities:</u>					
Major Governmental Funds					
General Fund		\$ 3,306	\$ 1,592	\$ 1,214	\$ 6,112
Capital Projects	\$ 766	-	-	-	766
Other Governmental Funds	1,660,302	-	-	-	1,660,302
<u>Business-type Activities:</u>					
Electric	225,197	-	-	-	225,197
Water Quality Control	42,417	-	-	871	43,288
Gas	27,026	-	-	-	27,026
Total Due To	<u>\$ 1,955,708</u>	<u>\$ 3,306</u>	<u>\$ 1,592</u>	<u>\$ 2,085</u>	<u>\$ 1,962,691</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:

	<u>Transfer from:</u>							<u>Total</u>
	<u>General</u>	<u>Animal Control</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
Capital Projects	-	\$ 486,020						486,020
General	-	-	\$ 100,000	\$ 6,769	\$ 1,064,455	\$ 181,806	\$ 266,841	1,619,871
Total:	\$ 64,220	\$ 486,020	\$ 100,000	\$ 6,769	\$ 1,064,455	\$ 181,806	\$ 266,841	\$ 2,170,111

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, 2013	Additions	Retirements	Amortization	Transfers & Reclasses	Balance June 30, 2014
<u>Government-type activities:</u>						
Capital assets not being depreciated						
Land	\$ 10,137,865	\$ 101,200	\$ (25,562)			\$ 10,213,503
Construction in progress	9,531,636	2,172,181	-		\$ (288,542)	11,415,275
Total capital assets not being depreciated	19,669,501	2,273,381	(25,562)		(288,542)	21,628,778
Capital assets, being depreciated						
Buildings	9,542,587	1,309,256	-		240,058	11,091,901
Improvements	2,274,284	22,779	-		-	2,297,063
Vehicles	9,380,963	256,782	(220,155)		65,832	9,483,422
Machinery and equipment	2,959,975	230,579	(296,677)		94,464	2,988,341
Software	324,981	-	(18,676)		-	306,305
Infrastructure	42,549,482	-	-		-	42,549,482
Total capital assets being depreciated	67,032,272	1,819,396	(535,508)		400,354	68,716,514
Less accumulated depreciation for:						
Buildings	(3,329,282)	(227,713)	-		-	(3,556,995)
Improvements	(1,012,973)	(115,819)	-		-	(1,128,792)
Vehicles	(7,351,875)	(637,360)	220,155		(65,832)	(7,834,912)
Machinery and equipment	(2,554,011)	(123,399)	285,778		(45,980)	(2,437,612)
Software	(312,481)	(4,167)	18,676		-	(297,972)
Infrastructure	(22,850,731)	(1,348,794)	-		-	(24,199,525)
Total accumulated depreciation	(37,411,353)	(2,457,252)	524,609		(111,812)	(39,455,808)
Total capital assets being depreciated, net	29,620,919	(637,856)	(10,899)		288,542	29,260,706
Total government-type activities capital assets, net	\$ 49,290,420	\$ 1,635,525	\$ (36,461)		\$ -	\$ 50,889,484
<u>Business-type activities:</u>						
Capital assets not being depreciated						
Land and easements	\$ 2,652,759					\$ 2,652,759
Construction in progress	12,382,210	\$ 752,335			\$ (9,699,339)	3,435,206
Total capital assets not being depreciated	15,034,969	752,335			(9,699,339)	6,087,965
Capital assets being depreciated						
Buildings and improvements	4,627,966	-			-	4,627,966
Plant and distribution system	144,583,321	4,967,023	\$ (462,635)		9,699,339	158,787,048
Machinery and equipment	11,832,542	166,223	(143,514)		-	11,855,251
Furniture and equipment	616,408	38,383	(518)		-	654,273
Plant acquisition adjustment	11,842,032	-	-	\$ (828,686)	-	11,013,346
Total capital assets being depreciated	173,502,269	5,171,629	(606,667)	(828,686)	9,699,339	186,937,884
Less accumulated depreciation for:						
Buildings and improvements	(2,221,862)	(114,200)	-	-	-	(2,336,062)
Plant and distribution system	(69,000,199)	(4,553,923)	572,825	-	-	(72,981,297)
Machinery and equipment	(7,165,506)	(488,893)	140,804	-	-	(7,513,595)
Furniture and equipment	(574,865)	(29,594)	518	-	-	(603,941)
Total accumulated depreciation	(78,962,432)	(5,186,610)	714,147	-	-	(83,434,895)
Total capital assets being depreciated, net	94,539,837	(14,981)	107,480	(828,686)	9,699,339	103,502,989
Total business-type activities capital assets, net	\$ 109,574,806	\$ 737,354	\$ 107,480	\$ (828,686)	\$ -	\$ 109,590,954

The City has active construction projects as of June 30, 2014. Total accumulated commitments for ongoing capital projects are comprised of the following:

Governmental activities:

Animal Shelter construction	\$ 1,026,778
CPAC Roof Project	119,600
Highlands Industrial/Business Park	<u>1,259,948</u>
Total commitments - governmental activities	<u>\$ 2,406,326</u>

Proprietary Fund activities:

Water Quality	<u>\$ 1,846,713</u>
Total commitments - Proprietary Fund activities	<u>\$ 1,846,713</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	7,152
Public safety	390,336
Public works	1,787,454
Parks & maintenance	33,326
Culture and recreation	<u>164,723</u>
Total depreciation expense - governmental activities	<u>\$ 2,457,252</u>

Business-type activities:

Cookeville Water Quality Control Department	\$ 2,750,343
Cookeville Electric Department	1,735,220
Cookeville Gas Department	<u>701,047</u>
Total depreciation expense - business-type activities	<u>\$ 5,186,610</u>

NOTE 6 - LONG-TERM LIABILITIES:

The following summarizes long-term liabilities transactions of the City of Cookeville during the year ended June 30, 2014:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Bonds and notes payable:					
General Obligation Bonds	\$ 6,365,000	\$ 4,300,000	\$ (710,000)	\$ 9,955,000	\$ 655,000
Notes payable	<u>9,261,669</u>	<u>62,750</u>	<u>(2,131,753)</u>	<u>7,192,666</u>	<u>1,146,666</u>
Total bonds and notes payable	<u>15,626,669</u>	<u>4,362,750</u>	<u>(2,841,753)</u>	<u>17,147,666</u>	<u>1,801,666</u>
Other liabilities:					
Compensated absences	<u>937,934</u>	<u>86,029</u>	<u>-</u>	<u>1,023,963</u>	<u>-</u>
Total other liabilities	<u>937,934</u>	<u>86,029</u>	<u>-</u>	<u>1,023,963</u>	<u>-</u>
Total governmental activities long-term liabilities:	<u>\$ 16,564,603</u>	<u>\$ 4,448,779</u>	<u>\$ (2,841,753)</u>	<u>\$ 18,171,629</u>	<u>\$ 1,801,666</u>
<u>Business-Type Activities:</u>					
Bonds and notes payable:					
Revenue bonds payable	\$ 5,025,000	\$ -	\$ (655,000)	\$ 4,370,000	\$ 645,000
Notes payable	<u>19,320,043</u>	<u>-</u>	<u>(2,837,744)</u>	<u>16,482,299</u>	<u>2,665,216</u>
Total bonds and notes payable	<u>24,345,043</u>	<u>-</u>	<u>(3,492,744)</u>	<u>20,852,299</u>	<u>3,310,216</u>
Other liabilities:					
Compensated absences	373,774	24,492	-	398,266	-
TVA heat pump notes payable	703,455	219,825	(166,074)	757,206	-
Water storage rights payable	<u>2,171,757</u>	<u>-</u>	<u>(81,857)</u>	<u>2,089,900</u>	<u>84,210</u>
Total other liabilities	<u>3,248,986</u>	<u>244,317</u>	<u>(247,931)</u>	<u>3,245,372</u>	<u>84,210</u>
Total business-type activities long-term liabilities:	<u>\$ 27,594,029</u>	<u>\$ 244,317</u>	<u>\$ (3,740,675)</u>	<u>\$ 24,097,671</u>	<u>\$ 3,394,426</u>

Bonds and notes payable at June 30, 2014, 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.	\$ 5,940,000
2.0% through 3.2% General Obligation Bonds, Series 2013, issued December 19, 2013, payable in varying amounts plus semi-annual interest through 2029.	4,015,000
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, 2014 is .28%.	354,000
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, 2014 is .28%.	624,000
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, 2014 is .28%.	2,162,000
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, 2014 is .28%.	2,138,000
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, 2014 is .28%.	1,748,000
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>166,666</u>
	<u>\$ 17,147,666</u>

Business-type Bonds and Notes Payable:

Gas Department revenue bonds, series 2009 interest rate 2.79%, due serially through 2015.	\$ 835,000
Revolving loan payable to State of Tennessee, interest rate 3.14%, due in monthly installments through 2017.	1,942,291
Revolving loan payable to State of Tennessee, interest rate 2.5%, due in monthly installments through 2031.	1,800,008
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, 2014 is .28%.	4,276,000
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%.	3,535,000
Notes payable to UCEMC related to various annexations, payable annually through 2017 without interest.	4,000,000
Notes payable to Tennessee Municipal Bond Fund, maximum borrowing of \$6,000,000, payable annually beginning in 2009 through 2024, variable interest rate.	<u>4,464,000</u>
	<u>\$ 20,852,299</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>
2015	\$ 655,000	\$ 342,985
2016	670,000	328,810
2017	685,000	312,990
2018	695,000	294,790
2019	715,000	275,203
2020	730,000	253,618
2021	750,000	227,638
2022	770,000	199,940
2023	795,000	170,465
2024	820,000	139,003
2025	845,000	105,410
2026	875,000	69,130
2027	305,000	30,400
2028	315,000	20,640
2029	330,000	10,560
Total	<u>\$ 9,955,000</u>	<u>\$ 2,781,582</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>
2015	\$ 1,146,666	\$ 22,555	\$ 2,665,216	\$ 121,000
2016	1,021,000	16,929	2,735,348	97,125
2017	1,063,000	14,070	2,808,116	72,465
2018	755,000	11,094	2,339,911	53,349
2019	786,000	8,979	1,292,440	47,328
2020	820,000	6,779	1,354,900	41,522
2021	442,000	4,482	578,432	35,476
2022	462,000	3,246	604,024	31,551
2023	481,000	1,952	631,676	27,502
2024	216,000	605	661,400	23,311
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>\$ 7,192,666</u>	<u>\$ 90,691</u>	<u>\$ 16,482,299</u>	<u>\$ 620,829</u>

Revenue Bonds

Year Ending June 30,	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
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>\$ 4,370,000</u>	<u>\$ 575,488</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, 2015 through 2033.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	94,320	49,975	144,295
2020-2024	513,870	207,605	721,475
2025-2029	592,110	129,365	721,475
2030-2033	<u>537,953</u>	<u>39,214</u>	<u>577,167</u>
	<u>\$2,089,900</u>	<u>\$651,692</u>	<u>\$ 2,741,592</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, 2014, 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, 2014, the City of Cookeville’s annual pension cost of \$2,868,403 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>
6/30/14	\$2,868,403	100.00%	\$0.00
6/30/13	\$2,760,217	100.00%	\$0.00
6/30/12	\$2,669,290	100.00%	\$0.00

D. Schedule of Funding Progress for the City of Cookeville

As of July 1, 2013, the most recent actuarial valuation date, the plan was 92.03% funded. The actuarial accrued liability for benefits was \$112.12 million, and the actuarial value of assets was \$103.19 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.93 million. The covered payroll (annual payroll of active employees covered by the plan) was \$16.90 million, and the ratio of the UAAL to the covered payroll was 52.86%.

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 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)
July 1, 2013	\$103,192	\$112,124	\$8,932	92.03%	\$16,899	52.86%
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%

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, 2014, totaled approximately \$161,000 for general liability and \$373,000 for worker's compensation. Liabilities for claims incurred but not reported as of June 30, 2014, are not calculated by an actuary. The plan administrator reported claims payable of approximately \$245,000 as of June 30, 2014 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, 2014, are not calculated by an actuary. The plan administrator reported health claims payable of approximately \$220,000 as of June 30, 2014. 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, 2014, the amount for health insurance claims and premiums totaled approximately \$3,600,000.

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 – RESTATEMENTS AND RECLASSIFICATIONS:

As mentioned in Note 1 to the financial statements, the City implemented GASB statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this statement require that bond issuance costs be expensed in the year they are incurred. Previously, bond issuance costs had been treated as an asset and amortized over the life of the related debt. In order to implement GASB statement No. 65, bond issuance costs previously reported as assets had to be removed from the financial statements. This resulted in a restatement of beginning net position in the City's Governmental Statement of Net Position in the amount of \$139,607. Assets of the Governmental Activities were reduced by the same amount.

In addition, in regards to proprietary funds, beginning unrestricted net position has been restated to properly reflect the amounts the Cookeville Electric Department had been overcharged for purchased power by the Tennessee Valley Authority in prior periods. The credit received in the current year for purchased power attributed to prior periods resulted in an increase to beginning net position totaling \$1,872,263.

NOTE 11 - 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, 2014
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, 2014 were as follows:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 1,950,296	\$ 498,820	\$ 2,449,116
Interest on Net OPEB	259,448	101,309	360,757
Adjustment	(239,450)	(93,501)	(332,951)
Contribution made	(595,675)	(25,182)	(620,857)
Change in Net OPEB, Obligation	1,374,619	481,446	1,856,065
Net OPEB Obligation, beginning	6,486,192	2,532,722	9,018,914
Net OPEB Obligation, ending	<u>\$ 7,860,811</u>	<u>\$ 3,014,168</u>	<u>\$ 10,874,979</u>

Three-Year Trend Information

Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
2014	\$ 2,476,922	25%	\$ 9,018,914
2013	2,297,104	25%	7,296,678
2012	2,585,108	25%	5,349,149

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)
7/1/2013	\$ -	\$ 31,238,898	\$ 31,238,898	0.00%	\$ 16,221,373	192.6%
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%

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

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

Notes to Financial Statements

Years Ended June 30, 2014 and 2013

NOTE A--REPORTING ENTITY

Cookeville Regional Medical Center Authority (the Authority) was established by a Private Act of the State of Tennessee legislature during 1999 (the Private Act) for the purpose of operating Cookeville Regional Medical Center (CRMC) and all other hospital, clinical and related healthcare facilities of the City of Cookeville, Tennessee. The Private Act effectively reconstituted the Board of Trustees of CRMC as that of the Authority and granted such powers to the Authority as permitted under the State of Tennessee Private Act Hospital Authority Act of 1996. The initial members of the Board of Trustees of the Authority, a quasi-municipal corporation independent of the City of Cookeville (the City), were the same as those of the Medical Center and were elected by the Cookeville City Council as provided in the Private Act. The Authority is considered a component unit of the City for the City's financial reporting purposes. The Authority consists of CRMC and its component units (collectively, the Medical Center) as disclosed below.

The City of Cookeville and the Authority entered into an agreement effective December 10, 1999 which specified the arrangements relative to the Private Act. The Private Act which created the Authority 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 as a department of the Medical Center.

The primary mission of the Medical Center is to provide inpatient and outpatient healthcare services to the citizens of Cookeville, Tennessee, Putnam County and surrounding areas.

Blended Component Units: The accompanying financial statements include the accounts of four blended component units as the governing bodies of each are essentially the same as that of CRMC. The CRMC Children's Center (the Children's Center) and Cookeville Regional Medical Group, Inc. began operations during the year ended June 30, 2005.

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

Notes to Financial Statements - Continued

Years Ended June 30, 2014 and 2013

The Children's Center was established to provide a quality early childhood program to employees of CRMC. In March 2012, the former CRMC MSO, Inc. (the MSO) was formally renamed Cookeville Regional Medical Group, Inc. (CRMG). The CRMG was established to provide physician services to the City of Cookeville and the surrounding areas. In January 2012, CRMC MSO Sub 1 (MSO Sub 1) was established to provide cardiology services. In August 2012, Cumberland River Hospital, Inc. in Celina, Tennessee was acquired by CRMC to extend the health network into surrounding counties.

In August 2012, CRMC purchased certain asset 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
Account payable	(466,035)
Accrued salaries and related liabilities	(611,380)
Other accrued expenses	(1,021,718)
	<u>\$ 6,371,040</u>

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The Medical Center utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis, 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.

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

Notes to Financial Statements - Continued

Years Ended June 30, 2014 and 2013

Cash and Cash Equivalents: The Medical Center considers all highly liquid investments with a maturity of three months or less when originally purchased, excluding amounts limited as to use and other amounts in short-term investment portfolios, to be cash equivalents. Cash and cash equivalents consist of amounts maintained in bank deposits and money market accounts which are insured by the Federal Deposit Insurance Corporation, state depository insurance funds or multiple financial institution collateral pools, or otherwise collateralized by securities held by the Medical Center or by its agents in the Medical Center's name. The fair value approximates cost due to the nature of the assets.

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

Investments: Investments consist of short-term repurchase agreements, certificates of deposit, mortgage-backed securities, and United States government agency 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.

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.

Derivative Instruments: The Medical Center records all derivatives as assets or liabilities on the statements of net position at estimated fair value. The Medical Center's derivative holdings consist of interest rate swap agreements (Note I). 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 statements of net position 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.

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

Notes to Financial Statements - Continued

Years Ended June 30, 2014 and 2013

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 to be included in property and equipment and the related amortization and accumulated amortization is included in depreciation and amortization expense and accumulated depreciation and amortization, respectively. The Medical Center has established a capitalization threshold for property and equipment of \$5,000, except for computer software and hardware, which has a threshold of \$10,000. The Medical Center reviews the carrying values of long-lived assets if facts and circumstances indicate that recoverability may have been impaired. Costs of maintenance and repairs are expensed as incurred. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

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

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.

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

Net 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 payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Current operations are charged with an estimated provision for bad debts based upon management's evaluation of collectability. Such evaluation includes historical experience, aging of the

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

Notes to Financial Statements - Continued

Years Ended June 30, 2014 and 2013

receivables and other factors which affect the collectability of the receivables. The estimated provision for bad debts is reported as a reduction in net patient service revenue.

The Medical Center's policy does not require collateral or other security for patient accounts receivable. The Medical Center routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies such as those related to Medicare, TennCare, Blue Cross, health maintenance organizations and commercial insurance carriers.

Net Position: Net position of the Medical Center is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the remaining balances of any outstanding borrowings used to finance the purchase or construction of those assets. 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 *net investment in capital assets* or *restricted*. The Medical Center first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. As of June 30, 2014 and 2013, there was no net position classified as permanently or temporarily restricted.

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

Charity Care: The Medical Center accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Medical Center. In assessing a patient's inability to pay, the Medical Center utilizes generally recognized poverty income levels. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, charges related to charity care are not included in net patient service revenue. In addition to these charity care services, the Medical Center provides a number of other services to benefit 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.

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

Notes to Financial Statements - Continued

Years Ended June 30, 2014 and 2013

Income Taxes: The Medical Center is classified as an organization exempt from federal income taxes as a quasi-municipal corporation and formerly as an enterprise fund of the City. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

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.

Performance Indicator: Increase (decrease) in net position reflected in the accompanying statements of revenue, expenses and changes in net position is a performance indicator.

Recently Issued or Effective Accounting Pronouncements: In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes reporting standards that reclassify items previously reported as assets or liabilities as deferred inflows or outflows and was adopted by the Medical Center in 2014. GASB Statement No. 65 further requires that costs associated with the issuance of long-term debt, other than insurance costs, be expensed in the period incurred, rather than deferred and amortized over the term of the related debt. As a result of the retroactive application of this guidance, certain amounts previously reported as of and for the year ended June 30, 2013, have been restated and a cumulative effect adjustment has been recorded to the net position as of July 1, 2012 of \$443,934. The effect of this application on previously reported financial statement amounts for the Medical Center reduced deferred financing cost reported at June 30, 2013 by \$373,931 and reduced interest expense for the year ended June 30, 2013 by \$70,003.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 provides guidance for improved accounting and financial reporting by state and local government entities related to pensions. It also replaces the requirements of GASB Statement No. 27 and Statement No. 50, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. Additionally, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Management Date*, which is effective concurrent with Statement No. 68. Among other requirements, the Medical Center will have to record a net pension liability that is based on fiduciary plan net position, recognize pension expense and provide explanatory disclosures in the notes to the financial statements. These Statements are required for fiscal years beginning after June 15, 2014 with early adoption encouraged. These Statements will be effective for the Medical Center in 2015 and management and its actuaries are currently evaluating its impact on the financial statements.

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

Notes to Financial Statements - Continued

Years Ended June 30, 2014 and 2013

Subsequent Events: The Medical Center has evaluated all events or transactions that occurred after June 30, 2014, through December 15, 2014, the date the financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that require recognition or disclosure in the June 30, 2014 financial statements, with the exception of the letter dated December 15, 2014 waiving a debt covenant violation existing as of June 30, 2014 (Note H).

Reclassifications: Certain items in the 2013 financial statements have been reclassified in order to conform with the 2014 financial statement presentation.

NOTE C--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 payers such as Medicare, TennCare, and private insurance carriers.

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

	<i>Year Ended June 30,</i>	
	<i>2014</i>	<i>2013</i>
Gross patient service charges	\$ 580,233,300	\$ 584,606,517
Less: Medicare contractual adjustments	(190,476,670)	(206,006,472)
TennCare contractual adjustments	(49,692,347)	(50,309,140)
Other contractual adjustments	(58,397,630)	(55,426,086)
Bad debt	(24,073,329)	(23,313,889)
Charity care	(5,799,719)	(2,111,253)
	<u>(328,439,695)</u>	<u>(337,166,840)</u>
Net patient service revenue	<u>\$ 251,793,605</u>	<u>\$ 247,439,677</u>

Net patient accounts receivable consist of the following:

	<i>June 30,</i>	
	<i>2014</i>	<i>2013</i>
Medicare	\$ 16,910,113	\$ 13,766,865
TennCare	5,359,571	7,737,128
Blue Cross and commercial	15,199,372	10,278,342
Patients, including self-insured	15,132,760	11,534,801
	<u>52,601,816</u>	<u>43,317,136</u>
Less: estimated allowance for uncollectible accounts	<u>(17,571,493)</u>	<u>(13,669,117)</u>
	<u>\$ 35,030,323</u>	<u>\$ 29,648,019</u>

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

Notes to Financial Statements - Continued

Years Ended June 30, 2014 and 2013

NOTE D--THIRD-PARTY PAYER AGREEMENTS

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

Amounts earned under these contractual arrangements are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. Activity with respect to audits and reviews of governmental programs and reimbursement has increased and is expected to increase in the future. No additional specific reserves or allowances have been established with regard to these increased audits and reviews as management is not able to estimate such amounts. Management believes that any adjustments from these increased audits and reviews will not have a material adverse impact on the financial statements. However, due to uncertainties in the estimation, it is at least reasonably possible that management's estimate will change in the future, although the amount of the change cannot be estimated. In addition, participation in these programs subjects the Medical Center to significant rules and regulations; failure to adhere to such could result in fines, penalties or expulsion from the programs.

The Medicare program pays for inpatient services on a prospective basis. Payments are based upon diagnostic related group assignments, which are determined by the patient's clinical diagnosis and medical procedures utilized.

The Medicare program reimburses for outpatient services under a prospective method utilizing an ambulatory payment classification system which classifies outpatient services based upon medical procedures and diagnosis codes.

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 \$146,000,000 and \$24,000,000, respectively, in 2014 and approximately \$135,000,000 and \$22,000,000, respectively, in 2013. Laws and regulations governing the Medicare and TennCare programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The filed cost reports are subject to audits, reviews, and investigations.

The Medical Center has also entered into reimbursement agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations.

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Notes to Financial Statements - Continued

Years Ended June 30, 2014 and 2013

The basis for reimbursement under these agreements includes prospectively determined rates per discharge, per diem rates, case rates and discounts from established charges.

Contractual adjustments under third-party reimbursement programs also include any differences between estimated settlements for prior years and subsequent tentative or final settlements. The adjustments resulting from tentative or final settlements to estimated reimbursement amounts resulted in an increase in revenue of approximately \$4,173,000 and a decrease in revenue of approximately \$730,000 for the years ended June 30, 2014 and 2013, respectively.

The American Recovery and reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for hospitals that implemented “meaningful use” certified electronic health records (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 in hospitals that first start receiving payments in federal fiscal year 2014 or 2015.

The Medical Center attested to achieving 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 in 2013. Compliance with meaningful use criteria is subject to audit by the federal government or its designee and incentive payments are subject to adjustment in a future period. There was no income from Medicare or Medicaid recognized in 2014. 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 approximately \$633,000 and \$1,586,000 during the years ended June 30, 2014 and 2013, respectively. Included in the purchase price allocation was a receivable for approximately \$2,800,000 relating to the EHR incentive payments and an accrued expense for approximately \$745,000 for EHR incentive payments due back to the seller. During 2014, Cumberland River Hospital paid \$745,000 to the seller (Note A).

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Notes to Financial Statements - Continued

Years Ended June 30, 2014 and 2013

NOTE E--INVESTMENTS AND ASSETS LIMITED AS TO USE

The Medical Center's investments (including assets limited as to use) are reported at estimated fair value based on quoted market prices. The Medical Center invests in U.S. government agency securities, mortgage-backed securities, certificates of deposit, and 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 statements of net position are as follows:

	<i>June 30,</i>	
	<i>2014</i>	<i>2013</i>
Carrying amount:		
Cash and cash equivalents	\$ 31,146,637	\$ 40,242,431
Investments	10,061,932	11,339,256
Total deposits and investments	<u>\$ 41,208,569</u>	<u>\$ 51,581,687</u>
Included in the following statements of net position captions:		
Cash and cash equivalents	\$ 16,728,403	\$ 22,633,750
Short-term investments	1,768,798	1,609,394
Long-term investments	8,293,134	9,729,862
Assets internally designated for capital acquisition	10,000,000	10,000,000
Assets designated by bond indenture agreement	4,418,234	7,608,681
	<u>\$ 41,208,569</u>	<u>\$ 51,581,687</u>

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Medical Center's investment policy limits the "average life" or repricing period of the portfolio as a whole to 5.5 years in order to minimize market value fluctuations.

The distribution of the Medical Center's investments and assets limited as to use by maturity as of June 30, 2014 is as follows:

	<i>Fair Value</i>	<i>Investment Maturities (in Years)</i>			
		<i>Less Than 1</i>	<i>1 - 5</i>	<i>6 - 10</i>	<i>More Than 10</i>
Undesignated	\$ 10,061,932	\$ 1,740,754	\$ 3,808,332	\$ -	\$ 4,512,846
Assets internally designated for capital acquisition	10,000,000	10,000,000	-	-	-
Assets designated by bond indenture agreements	4,418,234	4,418,234	-	-	-
Cash and cash equivalents	16,728,403	16,728,403	-	-	-
Total	<u>\$ 41,208,569</u>	<u>\$ 32,887,391</u>	<u>\$ 3,808,332</u>	<u>\$ -</u>	<u>\$ 4,512,846</u>

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Years Ended June 30, 2014 and 2013

Credit Risk: The Medical Center's investment policy requires that investments be made only in U.S. government agency 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, 2014, the Medical Center had investments with quality ratings by nationally recognized rating agencies (i.e., Moody's Investor Service and Standard and Poor's Rating Agency).

Custodial Credit Risk: The Medical Center's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Medical Center, and are held by either the counterparty or the counterparty's trust department or agent but not in the Medical Center's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Medical Center will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk: The Medical Center places limits on the portfolio composition of the following investment types: U.S. Treasury and agency securities, mortgage-backed securities, collateralized mortgage obligations, certificates of deposits, and repurchase agreements. No more than \$1,500,000 may be invested in any one security. At June 30, 2014, no more than \$1,500,000 is invested in any one investment security. As of June 30, 2014 and 2013, 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, and U.S. Treasury securities.

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

	<i>2014</i>	<i>2013</i>
Interest income, net of realized gains/losses	\$ 181,788	\$ 185,611
Unrealized gain on investments	50,676	49,458
	<u>\$ 232,464</u>	<u>\$ 235,069</u>

NOTE F--PROPERTY AND EQUIPMENT

The Authority's rights to use of the capital assets of the Medical Center, which belong to the City of Cookeville, are defined in the Private Act and in the agreement between the City and the Authority as discussed in Note A. A summary of property and equipment and schedule of activity is as follows:

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Notes to Financial Statements - Continued

Years Ended June 30, 2014 and 2013

	<i>Balance at June 30, 2013</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2014</i>
Land	\$ 16,074,556	\$ -	\$ -	\$ -	\$ 16,074,556
Land improvements	6,009,583	-	-	-	6,009,583
Building	172,169,539	28,160	-	12,370,276	184,567,975
Automobiles	180,122	-	-	-	180,122
Equipment	75,264,492	3,537,130	(1,817,800)	10,324,308	87,308,130
Equipment under capitalized leases	5,431,889	-	-	-	5,431,889
	<u>275,130,181</u>	<u>3,565,290</u>	<u>(1,817,800)</u>	<u>22,694,584</u>	<u>299,572,255</u>
Less: accumulated depreciation and amortization:					
Land improvements	2,348,430	267,917	-	-	2,616,347
Building	42,414,559	5,534,154	-	-	47,948,713
Automobiles	180,122	-	-	-	180,122
Equipment	58,563,697	9,017,010	(1,690,294)	-	65,890,413
Equipment under capitalized leases	5,474,323	41,757	-	-	5,516,080
	<u>108,981,131</u>	<u>14,860,838</u>	<u>(1,690,294)</u>	<u>-</u>	<u>122,151,675</u>
Construction in progress	18,989,623	8,635,448	-	(22,694,584)	4,930,487
	<u>\$ 185,138,673</u>	<u>\$ (2,660,100)</u>	<u>\$ (127,506)</u>	<u>\$ -</u>	<u>\$ 182,351,067</u>

	<i>Balance at June 30, 2012</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2013</i>
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	5,431,889	-	-	-	5,431,889
	<u>260,166,482</u>	<u>5,866,921</u>	<u>(2,476,939)</u>	<u>11,573,717</u>	<u>275,130,181</u>
Less: accumulated 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	5,431,889	42,434	-	-	5,474,323
	<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	20,075,003	10,488,337	-	(11,573,717)	18,989,623
	<u>\$ 181,763,070</u>	<u>\$ 3,732,064</u>	<u>\$ (356,461)</u>	<u>\$ -</u>	<u>\$ 185,138,673</u>

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Years Ended June 30, 2014 and 2013

Construction in progress at June 30, 2014 consists of construction on the pharmacy and other assets not yet placed in service. Estimated costs to complete planned projects amounts to approximately \$7,892,000 at June 30, 2014.

NOTE G--INVESTMENT IN JOINT VENTURE

During 2004, the Medical Center entered into a joint venture with an unrelated management company and several physicians to own and operate Upper Cumberland Physicians' Surgery Center (the Surgery Center) which began operations during the year ended June 30, 2004. The Medical Center has a 50% interest in the venture. The Medical Center recognizes its equity in the income/loss of the Surgery Center as part of other nonoperating revenue. Condensed financial information for the Surgery Center as of June 30, 2014 and 2013 is as follows (unaudited):

	<i>Year Ended June 30,</i>	
	<i>2014</i>	<i>2013</i>
Assets	\$ 2,332,000	\$ 2,421,000
Liabilities	\$ 826,000	\$ 991,000
Member's equity	1,506,000	1,430,000
	<u>\$ 2,332,000</u>	<u>\$ 2,421,000</u>

NOTE H--LONG-TERM DEBT

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

	<i>Balance at</i>			<i>Balance at</i>	<i>Amounts Due</i>
	<i>June 30, 2013</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2014</i>	<i>Within</i>
					<i>One Year</i>
Series 2009 Bonds	\$ 28,200,000	\$ -	\$ (655,000)	\$ 27,545,000	\$ 690,000
Series 2010-A Bonds	11,443,750	-	(519,720)	10,924,030	558,060
Series 2010-B Bonds	15,431,250	-	(700,280)	14,730,970	751,940
Build America Bonds Series 2010	28,590,000	-	(780,000)	27,810,000	830,000
Companion Instrument	1,715,940	-	(497,290)	1,218,650	483,574
	<u>\$ 85,380,940</u>	<u>\$ -</u>	<u>\$ (3,152,290)</u>	<u>\$ 82,228,650</u>	<u>\$ 3,313,574</u>

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Notes to Financial Statements - Continued

Years Ended June 30, 2014 and 2013

	<i>Balance at</i>		<i>Balance at</i>		<i>Amounts Due</i>
	<i>June 30, 2012</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2013</i>	<i>Within</i>
					<i>One Year</i>
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	2,225,466	-	(509,526)	1,715,940	497,285
	<u>\$ 88,345,466</u>	<u>\$ -</u>	<u>\$ (2,964,526)</u>	<u>\$ 85,380,940</u>	<u>\$ 3,152,285</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, 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 Interbank Offered Rate (LIBOR) plus 2%, plus .25%. The rate was 1.40% and 1.68% at June 30, 2014 and 2013, 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 I).

The Series 2009 Bonds and Series 2010 Bonds have maturity dates of December 30, 2016 and January 19, 2017, respectively, and 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 2.01% and 2.04% at June 30, 2014 and 2013, respectively. These Bonds also provide for a refundable tax credit paid to the Medical Center by the United States Treasury Department and the Internal Revenue Service in an amount equal to 35% of the total coupon interest payable on these taxable bonds. The Medical Center recognizes this refund as a reduction to interest expense in the financial statements. The Build American Bonds have a maturity date of December 1, 2034.

The debt service requirements at June 30, 2014 related to long-term debt are as follows:

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Notes to Financial Statements - Continued

Years Ended June 30, 2014 and 2013

<i>Year Ending June 30,</i>	<i>Principal Maturities or Sinking Fund Requirements</i>		<i>Interest</i>
2015	\$	3,313,574	\$ 3,162,274
2016		3,441,149	3,039,657
2017		50,303,927	1,726,915
2018		980,000	496,740
2019		1,030,000	476,056
2020-2024		5,900,000	2,036,645
2025-2029		7,300,000	1,359,195
2030-2034		8,950,000	527,052
2035		1,010,000	-
	\$	82,228,650	\$ 12,824,534

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, 2014 and the effect of the interest rate swap agreement (Note I).

The bond indentures related to the various bond issues contain covenants with which the Medical Center must comply. These requirements include maintenance of certain liquidity ratios and insurance coverage, limitations on additional indebtedness and guarantees, use of facilities and disposals of property, among other things. The Medical Center was not in compliance with one of the above covenants, as of June 30, 2014. In a letter dated December 15, 2014, the lenders indicated that remedies or rights afforded the financial institutions resulting from the covenant violation as of June 30, 2014 are waived.

NOTE I--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 H). 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 the 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 H). Amortization of the Companion Instrument is reported as interest expense in the financial statements.

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Notes to Financial Statements - Continued

Years Ended June 30, 2014 and 2013

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 \$2,654,793 and \$3,645,230 as of June 30, 2014 and 2013, respectively, and was accounted for in the statements of net position 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 ratings for each of these counterparties was Baa1 (Moody's) and Baa2 (Moody's), respectively, at June 30, 2014.

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 H with the Medical Center's aggregate debt service requirements.

NOTE J--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, 2014 are as follows:

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Notes to Financial Statements - Continued

Years Ended June 30, 2014 and 2013

<i>Year Ending June 30,</i>	<i>Operating Leases</i>
2015	\$ 621,627
2016	342,186
2017	62,823
2018	34,873
2019	32,673
Total future minimum lease payments	<u>\$ 1,094,182</u>

Total rental expense was \$1,818,064 and \$1,842,828 for the years ended June 30, 2014 and 2013, respectively.

NOTE K--PENSION PLANS

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

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

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 aggregate information related to the funding policy

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Years Ended June 30, 2014 and 2013

and schedule of pension plan funding progress. For the years ended June 30, 2014 and 2013, the Medical Center's annual pension costs were approximately \$3,160,000 and \$3,330,000, 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 were \$1,837,941 and \$2,132,822 for the years ended June 30, 2014 and 2013, respectively.

NOTE L--OTHER RECEIVABLES

Other current and long-term receivables at June 30, 2014 and 2013 include \$1,999,135 and \$1,356,753, 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.

NOTE M--COMMITMENTS AND CONTINGENCIES

Medical malpractice liability is limited under provisions of the Tennessee Governmental Tort Liability Act (T.C.A. 29-20-403, et seq.), which removed tort liability from governmental entities which, in the opinion of counsel for the Medical Center, includes the Medical Center. In addition to requiring claims to be made in conformance with this Act, special provisions include, but are not limited to, special notice of requirements imposed upon the claimant, a one year statute of limitations, and a provision requiring that the governmental entity purchase insurance or be self-insured within certain limits. This Act also prohibits a judgment or award exceeding the minimum amounts of insurance coverage set out in the Act (\$300,000 for bodily injury or death of any one person and \$700,000 in the aggregate for all persons in any one accident, occurrence or act) or the amount of insurance purchased by the governmental entity.

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Notes to Financial Statements - Continued

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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, 2014 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 can be 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 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 \$1,547,870 and \$1,714,401 at June 30, 2014 and 2013, respectively. Total expenses under this program amounted to approximately \$10,110,000 and \$11,100,000 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, approximately \$1,359,000 and \$1,225,000, respectively, was accrued and included in other accrued expenses on the statements of net position for estimated claims incurred but not reported.

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

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

Notes to Financial Statements - Continued

Years Ended June 30, 2014 and 2013

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, 2014 and 2013, the Medical Center recorded a reserve which is shown as a reduction in patient accounts receivable in the accompanying statements of net position. The reserve is based on the percentage success rate and the total dollar of potential claims that are under audit.

Healthcare Reform: In March 2010, Congress adopted comprehensive healthcare insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the Health Care Reform Legislation). The Health Care Reform Legislation, among other matters, is designed to expand access to healthcare coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. 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 healthcare policies. Changes to existing Medicaid coverage and payments are also expected to occur as a result of this legislation. While the full impact of the 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.

NOTE N--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, 2014, are as follows:

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

Notes to Financial Statements - Continued

Years Ended June 30, 2014 and 2013

<u>Year Ending June 30,</u>	
2015	\$ 13,886,360
2016	9,139,527
2017	4,262,610
2018	637,477
	<u>\$ 27,925,974</u>

NOTE O--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, 2014 and 2013, and contributions of \$148,309 during the year ended June 30, 2013. Operating expenses also include \$3,363,390 and \$3,805,917 in 2014 and 2013, respectively, for the purchase of utilities.

SUPPLEMENTAL SECTION

CITY OF COOKEVILLE, TENNESSEE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2014

	<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	\$ 268,489	\$ 872,957	\$ 294,624	\$ 125,428	\$ 1,557,505	\$ 505,984	\$ 3,624,987
Temporary cash investments	-	489,570	-	28,231	-	-	517,801
Accounts receivable	-	-	118,654	-	-	-	118,654
Taxes receivable	-	-	-	-	307,319	76,830	384,149
Less allowance for bad debts	-	-	(480)	-	(5,040)	(1,260)	(6,780)
Other receivables	99	1,424,452	88	47	11,795	6,355	1,442,836
Due from other funds	-	18	-	-	1,259	315	1,592
Total assets	<u>\$ 268,588</u>	<u>\$ 2,786,997</u>	<u>\$ 412,886</u>	<u>\$ 153,706</u>	<u>\$ 1,872,838</u>	<u>\$ 588,224</u>	<u>\$ 6,083,239</u>
<u>Liabilities</u>							
Accounts payable	\$ 13	\$ 1,629	\$ 23,811	\$ 1,444	\$ 207,836	\$ 1,041	\$ 235,774
Due to other funds	-	1,628,502	27,091	1,112	3,597	-	1,660,302
Unearned revenue	-	4,678	-	5,402	17,405	95,531	123,016
Other liabilities	<u>225,405</u>	<u>95,400</u>	<u>85</u>	<u>1,250</u>	<u>-</u>	<u>-</u>	<u>322,140</u>
Total liabilities	225,418	1,730,209	50,987	9,208	228,838	96,572	2,341,232
<u>Deferred Inflows of Resources</u>							
Unavailable revenue property taxes	-	-	-	-	<u>302,279</u>	<u>75,570</u>	<u>377,849</u>
Total deferred inflows of resources	-	-	-	-	302,279	75,570	377,849
Restricted fund balances	43,170	1,056,788	361,899	-	-	-	1,461,857
Committed fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,498</u>	<u>1,341,721</u>	<u>416,082</u>	<u>1,902,301</u>
Total fund balances	<u>43,170</u>	<u>1,056,788</u>	<u>361,899</u>	<u>144,498</u>	<u>1,341,721</u>	<u>416,082</u>	<u>3,364,158</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 268,588</u>	<u>\$ 2,786,997</u>	<u>\$ 412,886</u>	<u>\$ 153,706</u>	<u>\$ 1,872,838</u>	<u>\$ 588,224</u>	<u>\$ 6,083,239</u>

CITY OF COOKEVILLE, TENNESSEE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED June 30, 2014

		<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>
Revenues:								
Local taxes			\$ 981			\$ 303,848	\$ 75,962	\$ 380,791
Intergovernmental			2,572,455		\$ 77,100	2,400	74,955	2,726,910
Charges for services			-	\$ 1,495,252	46,012	-	-	1,541,264
Fines, forfeitures and penalties	\$ 39,013	-	-	-	-	-	-	39,013
Rent	-	-	-	-	2,700	-	-	2,700
Interest	907	4,419	1,145	861	8,588	1,979	-	17,899
Other	-	-	10,966	59,575	11,200	-	-	81,741
Total revenues	<u>39,920</u>	<u>2,577,855</u>	<u>1,507,363</u>	<u>183,548</u>	<u>328,736</u>	<u>152,896</u>	<u>4,790,318</u>	
Expenditures:								
General government	-	-	-	-	77,684	-	-	77,684
Public safety	63,859	-	-	163,891	-	-	-	227,750
Public works	-	2,666,147	1,516,826	-	-	-	-	4,182,973
Culture and recreation	-	-	-	-	-	90,990	-	90,990
Capital outlay	-	114,078	-	-	1,207,698	-	-	1,321,776
Total expenditures	<u>63,859</u>	<u>2,780,225</u>	<u>1,516,826</u>	<u>163,891</u>	<u>1,285,382</u>	<u>90,990</u>	<u>5,901,173</u>	
Excess (deficiency) of revenues over (under) expenditures		<u>(23,939)</u>	<u>(202,370)</u>	<u>(9,463)</u>	<u>19,657</u>	<u>(956,646)</u>	<u>61,906</u>	<u>(1,110,855)</u>
Other financing sources (uses):								
Operating transfers in	-	-	-	64,220	-	-	-	64,220
Operating transfers out	-	-	-	(486,020)	(100,000)	(6,769)	-	(592,789)
Sale of assets	-	23,000	-	-	-	-	-	23,000
Total other financing sources (uses)	<u>-</u>	<u>23,000</u>	<u>-</u>	<u>(421,800)</u>	<u>(100,000)</u>	<u>(6,769)</u>	<u>(505,569)</u>	
Net change in fund balances		<u>(23,939)</u>	<u>(179,370)</u>	<u>(9,463)</u>	<u>(402,143)</u>	<u>(1,056,646)</u>	<u>55,137</u>	<u>(1,616,424)</u>
Fund balances, July 1, 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>
Fund balances, June 30, 2014		<u>\$ 43,170</u>	<u>\$ 1,056,788</u>	<u>\$ 361,899</u>	<u>\$ 144,498</u>	<u>\$ 1,341,721</u>	<u>\$ 416,082</u>	<u>\$ 3,364,158</u>

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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, 2014

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Current property taxes	\$ 420,650	\$ 420,650	\$ 431,134	\$ 10,484
Delinquent property taxes	20,000	20,000	24,615	4,615
Penalty & Interest	5,000	5,000	7,297	2,297
In-lieu of taxes	700,000	700,000	700,000	-
Total taxes	<u>1,145,650</u>	<u>1,145,650</u>	<u>1,163,046</u>	<u>17,396</u>
Intergovernmental:				
State shared sales tax	2,050,000	2,050,000	2,220,066	170,066
Other intergovernmental	76,575	76,575	77,241	666
	<u>2,126,575</u>	<u>2,126,575</u>	<u>2,297,307</u>	<u>170,732</u>
Rent	26,184	26,184	26,172	(12)
Interest	15,500	15,500	24,970	9,470
Total revenues	<u>3,313,909</u>	<u>3,313,909</u>	<u>3,511,495</u>	<u>197,586</u>
Expenditures:				
Debt service - principal	2,791,752	2,791,752	2,841,753	(50,001)
Debt service - interest	937,999	937,999	364,639	573,360
Administrative expenditures	20,800	20,800	12,558	8,242
Total expenditures	<u>3,750,551</u>	<u>3,750,551</u>	<u>3,218,950</u>	<u>531,601</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(436,642)</u>	<u>(436,642)</u>	<u>292,545</u>	<u>729,187</u>
Net change in fund balance	<u>\$ (436,642)</u>	<u>\$ (436,642)</u>	292,545	<u>\$ 729,187</u>
Fund balance, July 1, 2013			<u>7,338,227</u>	
Fund balance, June 30, 2014			<u>\$ 7,630,772</u>	

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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, 2014

	<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	\$ 735	\$ (765)
Property taxes penalty & interest	250	250	246	(4)
Total taxes	<u>1,750</u>	<u>1,750</u>	<u>981</u>	<u>(769)</u>
Intergovernmental				
State gasoline & motor fuel	760,000	760,000	554,585	(205,415)
State - 3 cent tax	-	-	165,382	165,382
State - Gas 1989	-	-	89,106	89,106
TDOT Grant STP Funds	<u>1,895,848</u>	<u>1,895,848</u>	<u>1,763,382</u>	<u>(132,466)</u>
Total Intergovernmental	<u>2,655,848</u>	<u>2,655,848</u>	<u>2,572,455</u>	<u>(83,393)</u>
Interest	<u>1,800</u>	<u>1,800</u>	<u>4,419</u>	<u>2,619</u>
Total revenues	<u>2,659,398</u>	<u>2,659,398</u>	<u>2,577,855</u>	<u>(81,543)</u>
Expenditures:				
Paving	375,000	375,000	351,899	23,101
Sidewalk improvements	50,000	50,000	21,854	28,146
Intersection improvements	60,000	60,000	34,446	25,554
Street maintenance supplies	45,000	45,000	30,414	14,586
TDOT grant expense	2,658,500	2,658,500	2,212,807	445,693
Capital Expenditures	111,000	116,000	114,078	1,922
Other	<u>15,100</u>	<u>15,100</u>	<u>14,727</u>	<u>373</u>
Total expenditures	<u>3,314,600</u>	<u>3,319,600</u>	<u>2,780,225</u>	<u>539,375</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(655,202)</u>	<u>(660,202)</u>	<u>(202,370)</u>	<u>457,832</u>
Other financing sources:				
Sale of assets	<u>-</u>	<u>23,000</u>	<u>23,000</u>	<u>-</u>
Net other financing sources:	<u>-</u>	<u>23,000</u>	<u>23,000</u>	<u>-</u>
Net change in fund balance	<u>\$ (655,202)</u>	<u>\$ (637,202)</u>	<u>(179,370)</u>	<u>\$ 457,832</u>
Fund balance, July 1, 2013			<u>1,236,158</u>	
Fund balance, June 30, 2014			<u>\$ 1,056,788</u>	

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CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DRUG FUND
FOR THE YEAR ENDED June 30, 2014

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, forfeitures & penalties	\$ 60,000	\$ 60,000	\$ 39,013	\$ (20,987)
Interest	300	300	907	607
Total revenues	<u>60,300</u>	<u>60,300</u>	<u>39,920</u>	<u>(20,380)</u>
Expenditures:				
Investigative	4,000	14,000	14,000	-
Seized property expense	5,000	5,000	535	4,465
Equipment & materials	20,000	20,000	27,317	(7,317)
Computer equip & software	-	-	10,915	(10,915)
Travel Training	1,000	1,000	-	1,000
Rent	-	10,800	10,800	-
Other expenses	250	250	292	(42)
Capital outlay - vehicles	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total expenditures	<u>50,250</u>	<u>71,050</u>	<u>63,859</u>	<u>7,191</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,050</u>	<u>(10,750)</u>	<u>(23,939)</u>	<u>(13,189)</u>
Net change in fund balance	<u>\$ 10,050</u>	<u>\$ (10,750)</u>	<u>(23,939)</u>	<u>\$ (13,189)</u>
Fund balance, July 1, 2013			<u>67,109</u>	
Fund balance, June 30, 2014			<u>\$ 43,170</u>	

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CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SANITATION FUND
FOR THE YEAR ENDED June 30, 2014

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 1,435,500	\$ 1,454,500	\$ 1,495,252	\$ 40,752
Interest	1,800	1,800	1,145	(655)
Other revenue	500	500	10,966	10,466
Total revenues	<u>1,437,800</u>	<u>1,456,800</u>	<u>1,507,363</u>	<u>50,563</u>
Expenditures:				
Personnel	579,500	594,000	581,286	12,714
Taxes & fringes	251,540	251,540	238,192	13,348
Materials & supplies	19,000	19,000	14,042	4,958
Vehicle expense	360,600	401,600	391,858	9,742
Fixed charges	8,700	46,700	55,188	(8,488)
Other operating expense	109,465	109,465	102,213	7,252
Landfill services	24,000	24,000	30,043	(6,043)
Other equipment	96,000	107,000	104,004	2,996
Total expenditures	<u>1,448,805</u>	<u>1,553,305</u>	<u>1,516,826</u>	<u>36,479</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,005)</u>	<u>(96,505)</u>	<u>(9,463)</u>	<u>87,042</u>
Net change in fund balance	<u>\$ (11,005)</u>	<u>\$ (96,505)</u>	<u>(9,463)</u>	<u>\$ 87,042</u>
Fund balance, July 1, 2013			<u>371,362</u>	
Fund balance, June 30, 2014			<u>\$ 361,899</u>	

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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, 2014

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Putnam County Allocation	\$ 65,100	\$ 65,100	\$ 65,100	\$ -
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	<u>77,100</u>	<u>77,100</u>	<u>77,100</u>	-
Charges for services	54,000	54,000	46,012	(7,988)
Interest	1,000	1,000	861	(139)
Other revenue	15,000	15,000	59,575	44,575
Total revenues	<u>147,100</u>	<u>147,100</u>	<u>183,548</u>	<u>36,448</u>
Expenditures:				
Personnel	137,400	137,400	100,350	37,050
Taxes & fringes	34,285	34,285	12,369	21,916
Utility expense	27,000	27,000	21,118	5,882
Supplies & maintenance	42,950	42,950	22,402	20,548
Other expense	6,500	6,500	7,652	(1,152)
Total expenditures	<u>248,135</u>	<u>248,135</u>	<u>163,891</u>	<u>84,244</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(101,035)</u>	<u>(101,035)</u>	<u>19,657</u>	<u>120,692</u>
Other financing sources:				
Operating transfers in	64,220	64,220	64,220	-
Operating transfers out	<u>(486,020)</u>	<u>(486,020)</u>	<u>(486,020)</u>	<u>-</u>
Net other financing sources:	<u>(421,800)</u>	<u>(421,800)</u>	<u>(421,800)</u>	<u>-</u>
Net change in fund balance	<u>\$ (522,835)</u>	<u>\$ (522,835)</u>	(402,143)	<u>\$ 120,692</u>
Fund balance, July 1, 2013			<u>546,641</u>	
Fund balance, June 30, 2014			<u>\$ 144,498</u>	

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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, 2014

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Property taxes current	\$ 280,433	\$ 280,433	\$ 287,423	\$ 6,990
Property taxes delinquent	10,500	10,500	13,358	2,858
Property taxes penalty & interest	1,500	1,500	3,067	1,567
Total property taxes	<u>292,433</u>	<u>292,433</u>	303,848	11,415
Intergovernmental:				
Putnam County Allocation	-	-	2,400	2,400
Rental income	2,700	2,700	2,700	-
Interest	500	500	8,588	8,088
Other revenues	-	-	11,200	11,200
Total revenues	<u>295,633</u>	<u>295,633</u>	<u>328,736</u>	<u>33,103</u>
Expenditures:				
Industrial/Business park development:				
Construction	2,312,082	2,312,082	1,207,698	1,104,384
Other development expense	2,500	2,500	33,637	(31,137)
Lee Seminary Road Project:				
Other development expense	-	-	8,676	(8,676)
Bennett Road Consulting	-	-	11,145	(11,145)
Miscellaneous	36,250	36,250	24,226	12,024
Total expenditures	<u>2,350,832</u>	<u>2,350,832</u>	<u>1,285,382</u>	<u>1,065,450</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,055,199)</u>	<u>(2,055,199)</u>	<u>(956,646)</u>	<u>1,098,553</u>
Other financing sources (uses):				
Operating transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	-
Net other financing sources:	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	-
Net change in fund balance	<u>\$ (2,155,199)</u>	<u>\$ (2,155,199)</u>	(1,056,646)	<u>\$ 1,098,553</u>
Fund balance, July 1, 2013			<u>2,398,367</u>	
Fund balance, June 30, 2014			<u>\$ 1,341,721</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, 2014

	<u>Budgeted Amounts</u>		<u>Total Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Property taxes current	\$ 70,108	\$ 70,108	\$ 71,856	\$ 1,748
Property taxes delinquent	2,000	2,000	3,339	1,339
Property taxes penalty & interest	500	500	767	267
Total property taxes	<u>72,608</u>	<u>72,608</u>	<u>75,962</u>	<u>3,354</u>
Intergovernmental:				
TDOT Grant	2,088,356	2,088,356	66,021	(2,022,335)
Putnam County Allocation	20,623	20,623	6,025	(14,598)
Town of Monterey Allocation	31,650	31,650	-	(31,650)
City of Algood Allocation	10,313	10,313	2,909	(7,404)
Total Intergovernmental	<u>2,150,942</u>	<u>2,150,942</u>	<u>74,955</u>	<u>(2,075,987)</u>
Interest	<u>1,100</u>	<u>1,100</u>	<u>1,979</u>	<u>879</u>
Total revenues	<u>2,224,650</u>	<u>2,224,650</u>	<u>152,896</u>	<u>(2,071,754)</u>
Expenditures:				
Tennessee Central Heritage				
Rails with Trails project	2,348,856	2,348,856	86,799	2,262,057
Engineering/Surveying	-	-	4,110	(4,110)
Other expense	150	150	81	69
Total expenditures	<u>2,349,006</u>	<u>2,349,006</u>	<u>90,990</u>	<u>2,258,016</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(124,356)</u>	<u>(124,356)</u>	<u>61,906</u>	<u>186,262</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>\$ (131,125)</u>	<u>\$ (131,125)</u>	<u>55,137</u>	<u>\$ 186,262</u>
Fund balance, July 1, 2013			<u>360,945</u>	
Fund balance, June 30, 2014			<u>\$ 416,082</u>	

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

June 30, 2014

<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>
2014			\$ 6,914,677			\$ 6,914,677	
2013		\$ 6,750,768	-	\$ (14,393)	\$ (6,467,483)	268,892	
2012	\$ 402,283	-	-	354	(197,896)	204,741	\$ 204,741
2011	354,895	-	-		(49,260)	305,635	305,635
2010	44,944	-	-		(13,880)	31,064	31,064
2009	30,438	-	-	(1,211)	(7,855)	21,372	21,372
2008	22,374	-	-		(7,466)	14,908	14,908
2007	16,927	-	-		(6,199)	10,728	10,728
2006	17,375	-	-		(5,561)	11,814	11,814
2005	4,185	-	-		(92)	4,093	4,093
2004	21,047	-	-	-	-	21,047	21,047
	<u>\$ 914,468</u>	<u>\$ 6,750,768</u>	<u>\$ 6,914,677</u>	<u>\$ (15,250)</u>	<u>\$ (6,755,692)</u>	<u>\$ 7,808,971</u>	<u>\$ 625,402</u>

* 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, 2014

<u>Tax Year</u>	<u>Tax rate</u>	<u>Assessed Value</u>
2014	\$.90 per \$100	\$738,211,161
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

CITY OF COOKEVILLE, TENNESSEE
GENERAL LONG-TERM DEBT
SUMMARY OF BOND DEBT SERVICE REQUIREMENTS
CLASSIFIED BY MATURITY DATE
JUNE 30, 2014

<u>Fiscal Year Maturity</u>	<u>2010 General Obligation Bonds</u>	<u>2013 General Obligation Bonds</u>	<u>Total Bonds</u>	<u>Future Interest Requirements</u>
2015	\$ 430,000	\$ 225,000	\$ 655,000	\$ 342,985
2016	440,000	230,000	670,000	328,810
2017	450,000	235,000	685,000	312,990
2018	455,000	240,000	695,000	294,790
2019	470,000	245,000	715,000	275,203
2020	480,000	250,000	730,000	253,618
2021	495,000	255,000	750,000	227,638
2022	510,000	260,000	770,000	199,940
2023	525,000	270,000	795,000	170,465
2024	545,000	275,000	820,000	139,003
2025	560,000	285,000	845,000	105,410
2026	580,000	295,000	875,000	69,130
2027	-	305,000	305,000	30,400
2028	-	315,000	315,000	20,640
2029	-	330,000	330,000	10,560
	<u>\$ 5,940,000</u>	<u>\$ 4,015,000</u>	<u>\$ 9,955,000</u>	<u>\$ 2,781,582</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, 2014

<u>Fiscal Year Maturity</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>
2015	\$ 112,000	\$ 201,000	\$ 326,000	\$ 202,000	\$ 139,000	\$ 166,666	\$ 1,146,666	\$ 22,555
2016	118,000	208,000	339,000	210,000	146,000	-	1,021,000	16,929
2017	124,000	215,000	352,000	219,000	153,000	-	1,063,000	14,070
2018	-	-	367,000	227,000	161,000	-	755,000	11,094
2019	-	-	381,000	236,000	169,000	-	786,000	8,979
2020	-	-	397,000	246,000	177,000	-	820,000	6,779
2021	-	-	-	256,000	186,000	-	442,000	4,482
2022	-	-	-	266,000	196,000	-	462,000	3,246
2023	-	-	-	276,000	205,000	-	481,000	1,952
2024	-	-	-	-	216,000	-	216,000	605
	<u>\$ 354,000</u>	<u>\$ 624,000</u>	<u>\$ 2,162,000</u>	<u>\$ 2,138,000</u>	<u>\$ 1,748,000</u>	<u>\$ 166,666</u>	<u>\$ 7,192,666</u>	<u>\$ 90,691</u>

*Principal and interest requirements based on current debt and interest rate. The current interest rate at June 30, 2014 is .28% on the 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, 2014

<u>Fiscal Year</u> <u>Maturity</u>	<u>State of Tennessee</u> <u>3.14%</u> <u>Revolving</u>	<u>Tennessee</u> <u>Municipal</u> <u>Bond</u> <u>Fund*</u>	<u>State of Tennessee</u> <u>2.50%</u> <u>Revolving</u>	<u>Total Bonds</u> <u>and Notes</u> <u>Payable</u>	<u>Future</u> <u>Interest</u> <u>Requirements</u>
2015	\$ 593,040	\$ 629,000	\$ 88,176	\$ 1,310,216	\$ 108,501
2016	611,940	660,000	90,408	1,362,348	85,620
2017	631,428	693,000	92,688	1,417,116	62,004
2018	105,883	728,000	95,028	928,911	43,983
2019	-	764,000	97,440	861,440	39,113
2020	-	802,000	99,900	901,900	34,514
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>\$ 1,942,291</u>	<u>\$ 4,276,000</u>	<u>\$ 1,800,008</u>	<u>\$ 8,018,299</u>	<u>\$ 547,075</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, 2014 is .28%.

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE
DEBT SERVICE REQUIREMENTS - PROPRIETARY FUND
ELECTRIC DEPARTMENT
JUNE 30, 2014

Various Annexations - Non Interest Bearing

Principal Requirements
\$ 1,000,000
1,000,000
1,000,000
1,000,000
<u>4,000,000</u>
\$ 4,000,000

Tennessee Municipal Bond Fund - Notes and Bonds Payable

Fiscal Year Maturity	2008 Principal Requirements*	Revenue and Tax Bonds Series 2012 Principal	Total Notes and Bonds Payable	Interest Requirements*
2015	\$ 355,000	\$ 235,000	\$ 590,000	\$ 90,087
2016	373,000	240,000	613,000	84,342
2017	391,000	245,000	636,000	78,448
2018	411,000	250,000	661,000	72,404
2019	431,000	255,000	686,000	66,202
2020	453,000	260,000	713,000	58,546
2021	476,000	270,000	746,000	49,327
2022	499,000	275,000	774,000	39,820
2023	524,000	285,000	809,000	31,447
2024	551,000	290,000	841,000	24,231
2025	-	300,000	300,000	16,788
2026	-	310,000	310,000	10,494
2027	-	320,000	320,000	3,600
	<u>\$ 4,464,000</u>	<u>\$ 3,535,000</u>	<u>\$ 7,999,000</u>	<u>\$ 625,736</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, 2014 is .28%.

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE
DEBT SERVICE REQUIREMENTS - PROPRIETARY FUND
GAS DEPARTMENT
JUNE 30, 2014

Fiscal Year	Revenue Bond	Future
<u>Maturity</u>	Series 2009	Interest
	<u>2.79%</u>	<u>Requirements</u>
2015	\$ 410,000	\$ 17,577
2016	425,000	5,929
	<u>\$ 835,000</u>	<u>\$ 23,506</u>

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF INVESTMENTS

JUNE 30, 2014

	State of Tennessee Local Government <u>Investment Pool</u>
Governmental Activities:	
Major Funds	
General	\$ 2,376,520
Debt Service	3,079,940
Capital Projects	4
Non-major funds	<u>517,801</u>
Total Governmental Activities	<u>5,974,265</u>
Business-type Activities:	
Major Funds	
Cookeville Electric Department	2,435,817
Cookeville Gas Department	4,324,902
Cookeville Water Quality Control Department	<u>3,535,387</u>
Total Business-type Activities	<u>10,296,106</u>
Internal Service Fund:	
Employee Health Insurance Fund	<u>1,846,153</u>
Total Internal Service Fund	<u>1,846,153</u>
 Total Temporary Cash Investments	 <u>\$ 18,116,524</u>

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF UTILITY CUSTOMERS - UNAUDITED

JUNE 30, 2014

At June 30, 2014, the utility departments serviced the following number of customers:

<u>Department</u>	<u>Number of Customers</u>
Electric	17,595
Gas	9,703
Water	14,156
Sewer	13,980
Sanitation	1,021

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES - UNAUDITED
JUNE 30, 2014

Electric Department		Retail Rate 1-Jun-14 w/wholesale FCA \$0.02352
Residential	Customer Charge	\$10.00
Alternate Usage Blocks	Block1 kWh (1st 800 kwh)	\$0.09621
	Block2 kWh (additional kwh)	\$0.09135
GSA1	Customer Charge	\$20.00
	All kWh	\$0.10479
GSA2	Customer Charge	\$50.00
	1st 15,000 kWh	\$0.10541
	Additional kWh	\$0.06313
	kW, 0-50	\$0.00
	kW, 51-1,000	\$12.40
GSA3	Customer Charge	\$100.00
	All kWh	\$0.06683
	kW, 0-1,000	\$11.28
	kW, 1,001 - 5,000	\$11.26
SDE-General Power	Customer Charge	\$1,500.00
SGSB	Demand Charge	
	Summer Period (Jun-Sep)	\$22.16
	Winter Period (Dec-Mar)	\$15.67
	Transition Period (Oct,Nov,Apr,May)	\$10.79
	Energy Charge	
	Summer Period (Jun-Sep)	\$0.05293
	Winter Period (Dec-Mar)	\$0.04962
	Transition Period (Oct,Nov,Apr,May)	\$0.04777
SDE-Manufacturing	Customer Charge	\$1,500.00
SMSB	Demand Charge	
	Summer Period (Jun-Sep)	\$19.19
	Winter Period (Dec-Mar)	\$12.70
	Transition Period (Oct,Nov,Apr,May)	\$7.81
	Energy Charge	
	Summer Period (Jun-Sep)	\$0.04506
	Winter Period (Dec-Mar)	\$0.04120
	Transition Period (Oct,Nov,Apr,May)	\$0.03917
Outdoor Lighting	Customer Charge	\$2.50
	All kWh	\$0.06813

Charges for Outdoor Lighting for Individual Customers

	KWH	FAC Rental	1-Jun-14 Energy	Total
			\$0.06813	
100 WHPS	42	5.13	2.72	7.99
250 LED	20	12.03	1.36	13.39
250 WHPS	105	7.10	7.15	14.25
250 WHPS-FLOOD	105	11.09	7.15	18.24
400 WHPS	165	7.10	11.24	18.34
450 WHPS-FLOOD	165	11.09	11.24	22.33
175 WMV	70	4.21	4.77	8.98
400 WMV	155	5.49	10.56	16.05
250 WMHD	105	7.74	7.15	14.89
350 WMHD-FLOOD	140	8.14	9.54	17.68
350 WMHD-SHOE	140	9.84	9.54	19.38
400 WMHD	165	7.78	11.24	19.02
1000 WMHD	398	9.42	27.12	36.54

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES - UNAUDITED (CONTINUED)
JUNE 30, 2014

Gas Department

Residential Rate - Classes 22,60,13,and 61 at July 1, 2014

Monthly rate (inside): First 5,000 cu. ft. for \$.981 per 100 cu. ft.
Next 5,000 cu. ft. for \$.971 per 100 cu. ft.
All additional for \$.961 per 100 cu. ft.

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

Monthly rate (outside): First 5,000 cu. ft. for \$1.161 per 100 cu. ft.
Next 5,000 cu. ft. for \$1.148 per 100 cu. ft.
All additional for \$1.136 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, 2014

Monthly rate (inside): First 5,000 cu. ft. for \$1.031 per 100 cu. ft.
Next 10,000 cu. ft. for \$1.001 per 100 cu. ft.
All additional for \$.971 per 100 cu. ft.

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

Monthly rate (outside): First 5,000 cu. ft. for \$1.223 per 100 cu. ft.
Next 10,000 cu. ft. for \$1.186 per 100 cu. ft.
All additional for \$1.148 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, 2014

Monthly rate (inside): First 10,000 cu. ft. for \$1.001 per 100 cu. ft.
Next 20,000 cu. ft. for \$.981 per 100 cu. ft.
All additional for \$.961 per 100 cu. ft.

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

Monthly rate (outside): First 10,000 cu. ft. for \$1.186 per 100 cu. ft.
Next 20,000 cu. ft. for \$1.161 per 100 cu. ft.
All additional for \$1.136 per 100 cu. ft.

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

Interruptible Rate - Class 55

\$.6062 per 100 cu. ft. (inside)

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES - UNAUDITED (CONTINUED)
JUNE 30, 2014

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, 2014



AWWA Free Water Audit Software:
Reporting Worksheet

WAS v5.0
 American Water Works Association
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?	Click to access definition
+	Click to add a comment

Water Audit Report for: **City of Cookeville**
 Reporting Year: **2014** **7/2013 - 6/2014**

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 (n/a or 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

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

----- Enter grading in column 'E' and 'J' ----->

Volume from own sources:	+ ? 9	3,737.555	MG/Yr
Water imported:	+ ? n/a		MG/Yr
Water exported:	+ ? 9		MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	Value:	MG/Yr
+ ?		
+ ?		
+ ?		

Enter negative % or value for under-registration
 Enter positive % or value for over-registration

WATER SUPPLIED: 3,737.555 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	+ ? 9	2,595.733	MG/Yr
Billed unmetered:	+ ? n/a		MG/Yr
Unbilled metered:	+ ? n/a		MG/Yr
Unbilled unmetered:	+ ?	46.719	MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: 2,642.452 MG/Yr

Click here: ?
 for help using option buttons below

Pcnt:	Value:	MG/Yr
1.25%		

Use buttons to select percentage of water supplied OR value

Pcnt:	Value:	MG/Yr
0.25%		

Pcnt:	Value:	MG/Yr
1.00%	0.259	

WATER LOSSES (Water Supplied - Authorized Consumption)

Apparent Losses

Unauthorized consumption:	+ ?	9.344	MG/Yr
---------------------------	-----	-------	-------

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	+ ? 9	26.220	MG/Yr
Systematic data handling errors:	+ ? 8	0.259	MG/Yr

Apparent Losses: 35.822 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? **1,059.280** MG/Yr

WATER LOSSES: 1,095.103 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 1,141.822 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ? 10	388.2	miles
Number of active AND inactive service connections:	+ ? 9	17,517	
Service connection density:	?	45	conn./mile main

Are customer meters typically located at the curbside or property line? No
 Average length of customer service line: + ? 10 30.0 ft (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average operating pressure: + ? 6 81.1 psi

COST DATA

Total annual cost of operating water system:	+ ? 8	\$7,875,884	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ? 8	\$7.45	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ? 8	\$578.12	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 84 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

CITY OF COOKEVILLE, TENNESSEE
PRINCIPAL CITY OFFICIALS - UNAUDITED
JUNE 30, 2014

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

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS & STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2014

Grant/Contract Number	CFDA Number	Program	Grantor Agency	(Receivable) Deferred at 07/01/13	Receipts	Expenditures	(Receivable) Deferred at 06/30/14
Z13GHSO72	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	\$ (19,593)	\$ 20,834	\$ 1,241	\$ -
Z13GHSO73	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	(3,625)	3,625	-	-
Z13GHSO74	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	(9,771)	11,562	1,791	-
Z14GHSO75	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	-	20,843	24,681	(3,838)
Z14GHSO76	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	-	5,000	5,000	-
Z14GHSO74	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	-	11,910	14,100	(2,190)
Z14GHSO77	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	-	1,323	7,584	(6,261)
			<i>Total CFDA # 20.600</i>	<u>\$ (32,989)</u>	<u>\$ 75,097</u>	<u>\$ 54,397</u>	<u>\$ (12,289)</u>
10052537	16.607	Bulletproof Vest Partnership	U.S. Department of Justice	\$ (1,485)	\$ 1,485	\$ -	\$ -
10052537	16.607	Bulletproof Vest Partnership	U.S. Department of Justice	-	-	2,750	(2,750)
			<i>Total CFDA # 16.607</i>	<u>\$ (1,485)</u>	<u>\$ 1,485</u>	<u>\$ 2,750</u>	<u>\$ (2,750)</u>
070090	20.205	Rails with Trails Project	State of Tennessee, Department of Transportation Pass-through from Federal Highway Administration	\$ (6,776)	\$ 66,615	\$ 66,021	\$ (6,182)
STP-M-9204(9)	20.205	Surface Transportation Grant	State of Tennessee, Department of Transportation Pass-through from U.S. Department of Transportation	(11,021)	424,284	1,763,382	(1,350,119)
060010	20.205	Rail Trail Project	Rails to Trails Conservancy, Washington D.C.	606	-	-	606
			<i>Total CFDA # 20.205</i>	<u>\$ (17,191)</u>	<u>\$ 490,899</u>	<u>\$ 1,829,403</u>	<u>\$ (1,355,695)</u>
			TOTAL FEDERAL AWARDS	<u>\$ (51,665)</u>	<u>\$ 567,481</u>	<u>\$ 1,886,550</u>	<u>\$ (1,370,734)</u>
GG-08-23787-00	N/A	Internet Crimes Against Children	Nashville Police Department	\$ -	\$ -	\$ 25,000	\$ (25,000)
610750	N/A	Tennessee Agricultural Enhancement Program	State of Tennessee, Dept of Agriculture	(1,500)	1,500	-	-
			TOTAL STATE FINANCIAL ASSISTANCE	<u>\$ (1,500)</u>	<u>\$ 1,500</u>	<u>\$ 25,000</u>	<u>\$ (25,000)</u>
			TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE	<u>\$ (53,165)</u>	<u>\$ 568,981</u>	<u>\$ 1,911,550</u>	<u>\$ (1,395,734)</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.

COMPLIANCE AND INTERNAL CONTROL SECTION

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of City of Cookeville, Tennessee.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of City of Cookeville, Tennessee were disclosed during the audit.
4. No significant deficiencies in internal control over the major federal award program were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for City of Cookeville, Tennessee expresses an unmodified opinion on the major federal program.
6. No audit findings relating to Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs were:

<u>Program Name</u>	<u>CFDA Number</u>
Surface Transportation Grant	20.205

8. The threshold of distinguishing Types A and B programs was \$300,000.
9. City of Cookeville, Tennessee was determined to be a high-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM AUDIT

None



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, 2014, 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 22, 2014. 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 22, 2014
Cookeville, Tennessee



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the City Council
City of Cookeville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Cookeville, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Cookeville, Tennessee's major federal programs for the year ended June 30, 2014. The City of Cookeville, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Cookeville, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Cookeville, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Cookeville, Tennessee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the City of Cookeville, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Cookeville, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Cookeville, Tennessee's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Duncan, Wheeler : Wilkerson, P.C.

Cookeville, Tennessee
December 22, 2014