OFFICIAL STATEMENT

NEW ISSUE Rating: Moody's: "Aa2"
BOOK-ENTRY-ONLY (See "MISCELLANEOUS-Rating")

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS - Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "LEGAL MATTERS - Tax Matters" herein).

$2,800,000

CITY OF COOKEVILLE, TENNESSEE

General Obligation Bonds, Series 2017

Dated: November 15, 2017 Due: June 1 (as indicated below)

The $2,800,000 General Obligation Bonds, Series 2017 (the "Bonds") shall be issued by the City of Cookeville, Tennessee (the "City") as book-entry-only Bonds in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") except as otherwise described herein. DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2018 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of U.S. Bank National Association, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.

Bonds maturing June 1, 2023 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2022.

Due (June 1)	Amount	Interest Rate	Yield	CUSIPs**	Due (June 1)	Amount	Interest Rate	Yield		CUSIPs**
2018	$ 250,000	3.00%	1.02%	216291 ZZ0	2022	$ 230,000	3.00%	1.47%		216291 A53
2019	445,000	3.00	1.12	216291 A20	2023	235,000	2.00	1.61	c	216291 A61
2020	445,000	3.00	1.20	216291 A38	2024	235,000	2.00	1.75	c	216291 A79
2021	230,000	3.00	1.30	216291 A46	2025	240,000	2.25	1.87	c	216291 A87

$490,000 2.50% Term Bond Due June 1, 2027 @ 2.10% c 216291 B29

c = Yield to call on June 1, 2022.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued by the City, subject to the approval of the legality thereof by Waller Lansden Dortch & Davis, LLP, Nashville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from Dan Rader, Esq., counsel to the City. It is expected that the Bonds will be available for delivery through the facilities of DTC, New York, New York, on or about November 15, 2017.

Cumberland Securities Company, Inc.
Financial Advisor

October 25, 2017

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate (as defined herein), and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer or the Underwriter. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

** These CUSIP numbers have been assigned by S&P CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The City is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

CITY OF COOKEVILLE, TENNESSEE

OFFICIALS

Ricky Shelton	*Mayor*
Larry Epps	*Vice Mayor*
Mike Davidson	*City Manager*
Brenda Imel	*Finance Director*
Cathy McClain	*City Clerk*
Dan Rader	*City Attorney*

CITY COUNCIL

Dwight Henry

Charles Womack

Jim Woodford

UNDERWRITER

Hutchinson, Shockey, Erley & Co.
Chicago, Illinois

BOND REGISTRAR AND PAYING AGENT

U.S. Bank National Association
Nashville, Tennessee

BOND COUNSEL

Waller Lansden Dortch & Davis, LLP
Nashville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Official Statement*.

Issuer	City of Cookeville, Tennessee (the "City", "Municipality" or "Issuer"). See APPENDIX B contained herein.
The Bonds	$2,800,000 General Obligation Bonds, Series 2017 (the "Bonds").
Security	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.
Purpose	The Bonds are being issued for the purpose of (i) the acquisition, construction and equipping of buildings and facilities, including a facility to serve as a police headquarters for the City, (ii) the acquisition of land, site preparation and construction of facilities of roads, streets, bridges, sidewalks, greenways and cost incurred in any wetland/stream mitigation including the extension of Bennett Road north to Highway 70 (Tennessee Avenue) and other miscellaneous projects, (iii) the acquisition of public safety and or public works equipment, including but not limited to a fire truck (iv) payment of legal, fiscal, administrative, architectural, design and engineering costs incident to all of the foregoing (iv) improvements and/or renovations to existing public facilities (v) reimbursement to the appropriate fund of the City for prior expenditures for the foregoing cost, if applicable, and (vi) payment of cost incident to the Bonds authorized herein, and that the design, renovation and construction of these facilities will protect the health and safety of the citizens of the City; and
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after June 1, 2022, at the redemption price of par plus accrued interest. See section entitled "SECURITIES OFFERED - Optional Redemption".
Tax Matters	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled "LEGAL MATTERS-Tax Matters" and APPENDIX A (form of opinion) included herein.
Bank Qualification	The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled "LEGAL MATTERS - Tax Matters" for additional information.
Rating	Moody's: "Aa2". See the section entitled "MISCELLANEOUS - Rating" for more information.
Registration and Paying Agent	U.S. Bank National Association, Nashville, Tennessee (the "Registration Agent").
Bond Counsel	Waller Lansden Dortch & Davis, LLP, Nashville, Tennessee.

Financial Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled “MISCELLANEOUS - Financial Advisor; Related Parities; Others”, herein.
Underwriter	Hutchinson, Shockey, Erley & Co., Chicago, Illinois.
Book-Entry-Only	The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION – Book–Entry-Only System”.
General	The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See the section entitled SECURITIES OFFERED herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of the Depository Trust Company, New York, New York.
Disclosure	In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the City will provide the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State Information Depository (“SID”) established in Tennessee, if any, annual financial statements and other pertinent credit information, including the Comprehensive Annual Financial Reports. For additional information, see the section entitled “MISCELLANEOUS - Continuing Disclosure” for additional information.
Other Information	The information in the *Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the City, or the OFFICIAL STATEMENT, contact Ricky Shelton, Mayor, 45 East Broad St., Cookeville, TN 38501, Telephone: 931-520-5241; or the City's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

GENERAL FUND BALANCES

Summary of Changes In Fund Balances

(In Thousands)

For the Fiscal Year Ended June 30

	2012	**2013**	**2014**	**2015**	**2016**
Beginning Fund Balance	$ 9,019,763	$ 9,227,710	$ 9,219,787	$11,171,888	$12,385,588
Revenues	21,796,550	22,507,484	22,750,921	24,209,358	25,206,263
Expenditures	23,258,757	22,807,509	22,450,722	23,713,978	24,444,694
Excess of Revenues Over (under) Expenditures	(1,462,207)	(300,025)	300,199	495,380	761,569
Other Financing Sources:					
Other Sources	612,360	129,168	96,251	886,830	120,802
Transfers In	1,372,014	1,602,154	1,619,871	1,710,490	1,690,621
Transfers Out	(314,220)	(1,439,220)	(64,220)	(1,879,000)	(80,000)
Ending Fund Balance	**$ 9,227,710**	**$ 9,219,787**	**$11,171,888**	**$12,385,588**	**$14,878,580**

Source: Comprehensive Annual Financial Reports of the City of Cookeville, Tennessee.

$2,800,000
CITY OF COOKEVILLE, TENNESSEE
General Obligation Bonds, Series 2017

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto is furnished in connection with the offering by the City of Cookeville, Tennessee (the “City”, “Municipality” or “Issuer”) of its $2,800,000 General Obligation Bonds, Series 2017 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated,* as amended, and other applicable provisions of the law and pursuant to resolutions (the “Resolution”) adopted by the City Council of the City (the “Council”) on September 21, 2017.

The Bonds are being issued for the purpose of (i) the acquisition, construction and equipping of buildings and facilities, including a facility to serve as a police headquarters for the City, (ii) the acquisition of land, site preparation and construction of facilities of roads, streets, bridges, sidewalks, greenways and cost incurred in any wetland/stream mitigation mitigation including the extension of Bennett Road north to Highway 70 (Tennessee Avenue) and other miscellaneous projects, (iii) the acquisition of public safety and or public works equipment, including but not limited to a fire truck (iv) payment of legal, fiscal, administrative, architectural, design and engineering costs incident to all of the foregoing (iv) improvements and/or renovations to existing public facilities (v) reimbursement to the appropriate fund of the City for prior expenditures for the foregoing cost, if applicable, and (vi) payment of cost incident to the bonds authorized herein, and that the design, renovation and construction of these facilities will protect the health and safety of the citizens of the City; and

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from the date of issuance of November 15, 2017. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2018. The Bonds are issuable in registered book-entry form only and in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the Mayor and shall be attested by the City Clerk. No Bond shall be valid until it has been authenticated by the manual signature of an authorized representative of the Registration Agent and the date of authentication noted thereon.

SECURITY

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.

The City, through its governing body, shall annually levy and collect a tax on all taxable property within the City, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the City and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of direct appropriations from the General Fund of the City or other available funds of the City to the payment of debt service on the Bonds.

The Bonds are not obligations of the State of Tennessee (the "State") or any political subdivision thereof other than the City.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Under the Internal Revenue Code of 1986, as amended (the “Code”), in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain “qualified tax-exempt obligations,” as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be “qualified tax-exempt obligations” within the meaning of the Code.

OPTIONAL REDEMPTION

Bonds maturing June 1, 2023, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2022 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the City Council of the City, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

MANDATORY REDEMPTION

Subject to the credit hereinafter provided, the City shall redeem Bonds maturing June 1, 2027 on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed with a maturity shall be selected in the same manner as described above for optional redemption.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

Maturity	Redemption Date	Principal Amount of Bonds Redeemed
June 1, 2027	June 1, 2026	$245,000
	June 1, 2027*	$245,000

*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the City may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the City on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The City shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the City nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the City pursuant to written instructions from an authorized representative of the City (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, U.S. Bank National Association, Nashville, Tennessee, its successor or the City will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as described below

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book entry system maintained by DTC (the "Book Entry Only System"). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

Payments of Principal and Interest. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC’s records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds f or their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE FINANCIAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the City determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the City will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to beneficial owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City, the Bond Counsel, the Registration Agent, the Financial Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the City, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect

Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be applied by the City as follows:

(a) Any accrued interest, if any, shall be deposited to the Bond Fund of the City to be used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds; and

(b) The balance of the proceeds from the sale of the Bonds shall be deposited to the Construction Fund to be used to pay (i) the acquisition, construction and equipping of buildings and facilities, including a facility to serve as a police headquarters for the City, (ii) the acquisition of land, site preparation and construction of facilities of roads, streets, bridges, sidewalks, greenways and cost incurred in any wetland/stream mitigation including the extension of Bennett Road north to Highway 70 (Tennessee Avenue) and other miscellaneous projects, (iii) the acquisition of public safety and or public works equipment, including but not limited to a fire truck, (iv) improvements and/or renovations to existing public facilities, (v) payment of legal, fiscal, administrative, architectural, design and engineering costs incident to all of the foregoing, (vi) reimbursement to the appropriate fund of the City for prior expenditures for the foregoing cost, if applicable,; and (vii) payment of the costs related to the issuance and sale of the bonds referenced herein.

DISCHARGE AND SATISFACTION OF BONDS

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Government Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving or such notice); or

3. By delivering such Bonds to the Registration Agent for cancellation by it;

and if the City shall also pay or cause to be paid all other sums payable hereunder by the City with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such escrow agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the City to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Government Obligations (defined herein) deposited as aforesaid.

Except as otherwise provided in this section, neither Government Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Government Obligations deposited with the Registration Agent, to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received by the Registration Agent. For the purposes hereof, Government Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, including obligation of Federal agencies to the extent unconditionally guaranteed by the United States of America, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the City, including, but not limited to, the right to require the City to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the City to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

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LEGAL MATTERS

LITIGATION

There are no claims against the City, including claims in litigation, which, in the opinion of the City, would have a material adverse effect on the City's financial position. There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the City to sell or issue the Bonds.

TAX MATTERS

Federal Tax Treatment

In the opinion of Waller Lansden Dortch & Davis, LLP, Bond Counsel, to be delivered at the time of the original issuance of the Bonds, based on existing laws, regulations and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. The Internal Revenue Code of 1986, as amended (the "Code") imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on certain obligations, such as the Bonds. The City has covenanted to comply with certain guidelines designated to assure that interest on the Bonds will not become includable in gross income. The opinion of Bond Counsel assumes compliance with these covenants.

Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the Code's alternative minimum tax provisions; however, interest on the Bonds will be included in the adjusted current earnings of certain corporations.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors as to collateral federal income tax consequences.

An amount equal to the excess of the purchase price of a Bond over its stated redemption price at maturity constitutes premium on such Bond. A purchaser of a Bond must amortize any premium over such Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

Although Bond Counsel will render its opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences.

State Tax Treatment

Under existing law, the Bonds and the income therefrom is exempt from all state, county and municipal taxation in the State of Tennessee (a) Tennessee excise taxes on interest on the Bonds during the period of the Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

Qualified Tax-Exempt Obligations

Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations." as defined in Section 265 of the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the Municipality as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

Related Tax Matters

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the Municipality as a taxpayer and the bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Series Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in Congress and the states that, if enacted, could alter or amend the federal and state tax matters referred to in this section or affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal or state tax legislation.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the City will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the City since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and City Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the City concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Waller Lansden Dortch & Davis, LLP, Nashville, Tennessee, bond counsel. Bond counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, bond counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled “LEGAL MATTERS - Tax Matters.” The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled MISCELLANEOUS – “Competitive Public Sale”, “Additional Information” and “Continuing Disclosure.”

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MISCELLANEOUS

RATING

Moody's Investor Services, Inc. ("Moody's") has given the Bonds the rating of "Aa2".

There is no assurance that such rating will continue for any given period of time or that the ratings may not be suspended, lowered or withdrawn entirely by Moody's, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of Moody's and any explanation of the significance of such rating should be obtained from Moody's.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on October 25, 2017. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated October 18, 2017.

The successful bidder for the Bonds was Hutchinson, Shockey, Erley & Co., Chicago, Illinois (the "Underwriters") who contracted with the City, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $2,868,556.20 (consisting of the par amount of the Bonds, plus a reoffering premium of $83,326.20 and less an underwriter's discount of $14,770.00) or 102.448% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

Financial Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as financial advisor (the "Financial Advisor") to the City for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Financial Advisor has not been engaged by the City to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the City, including without limitation any of the City's financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the City, any of its affiliated or constractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Finaincial Advisor as to its accuracy or completeness or otherwise. The Financial Advisor is not a public accounting firm and has not been engaged by the City to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

U.S. Bank National Association. U.S. Bank National Association (the "Bank") provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the City in other normal commercial banking capacities, it will be compensated separately for such services.

Official Statements. Certain information relative to the location, economy and finances of the Issuer is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the City and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Waller Lansden Dortch & Davis, LLP has represented the Bank on legal matters unrelated to the City and may do so again in the future.

Other. Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company's role as serving as the City's Dissemination Agent. If the City chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

DEBT RECORD

There is no record of default on principal or interest payments of the Issuer. Additionally, no agreements or legal proceedings of the Issuer relating to securities have been declared invalid or unenforceable.

ADDITIONAL DEBT

The City has not authorized any additional debt. However, the City has ongoing capital needs that may or may not require the issuance of additional debt. The City may also authorize the issuance of additional refundings of outstanding debt as savings opportunities arise.

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CONTINUING DISCLOSURE

The City will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2017 (the "Annual Reports"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The City will provide notice in a timely manner to the MSRB of a failure by the City to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Reports (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Reports or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. For Fiscal Year Ending June 30, 2012 the City failed to disclose the required electric system information with the City's other required information until 5 months after the deadline. All the required electric system information was filed on November 22, 2013. The City's audit and required information for Fiscal Year Ending June 30, 2012 was filed on time on June 10, 2013. The City does not deem any of the foregoing omissions to be material, and therefore, in the judgment of the City, for the past five years, the City has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the City for the fiscal year, prepared in accordance with generally accepted auditing standards, provided, however, if the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-9;

1. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-10 and B-11;

2. Information about the Bonded Debt Service Requirements – General Obligation Debt Service Fund as of the end of such fiscal year as show on page B-12;

3. Information about the Bonded Debt Service Requirements – Water and Sewer Fund as of the end of such fiscal year as show on page B-13;

4. Information about the Bonded Debt Service Requirements – Electric System Debt Service Fund as of the end of such fiscal year as show on page B-14;

5. The fund balances and retained earnings for the fiscal year as shown on page B-16;

6. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-17;

11. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-23;

12. Property tax rates and tax collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-23; and

13. The ten largest taxpayers as shown on page B-24.

Any or all of the items listed above may be incorporated by reference from other documents, including OFFICIAL STATEMENTS in final form for debt issues of the City or related public entities, which have been submitted to each of the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is an OFFICIAL STATEMENT, in final form, it will be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The City will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.

2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the City shall determine the materiality of such event as soon as possible after learning of its occurrence.

3. The following are the Listed Events:

    a. Principal and interest payment delinquencies;

    b. Non-payment related defaults, if material;

    c. Unscheduled draws on debt service reserves reflecting financial difficulties;

    d. Unscheduled draws on credit enhancements reflecting financial difficulties;

    e. Substitution of credit or liquidity providers, or their failure to perform;

    f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

g. Modifications to rights of Bondholders, if material;

h. Bond calls, if material, and tender offers;

i. Defeasances;

j. Release, substitution, or sale of property securing repayment of the securities, if material;

k. Rating changes;

l. Bankruptcy, insolvency, receivership or similar event of the obligated person;

m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Termination of Reporting Obligation. The City's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default. In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the City and the purchasers of any of the Bonds. Any statements or information printed in this PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The City has deemed this OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12.

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CERTIFICATION OF ISSUER

On behalf of the City, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ Ricky Shelton
City Mayor

ATTEST:

/s/ Cathy McClain
City Clerk

APPENDIX A

FORM OF LEGAL OPINION

November 15, 2017

City of Cookeville
Cookeville, Tennessee

Cumberland Securities Company, Inc.
Knoxville, Tennessee

Hutchinson, Shockey, Erley & Company
Chicago, IL 60606

Re: $2,800,000 General Obligation Bonds, Series 2017

Ladies and Gentlemen:

We have acted as bond counsel to the City of Cookeville, Tennessee (the "City") in connection with the issuance of $2,800,000 General Obligation Bonds, Series 2017, dated November 15, 2017 (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify such facts by independent investigation.

Based on the foregoing, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and are valid and binding obligations of the City.

2. The resolution of the City Council of the City authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the City enforceable in accordance with its terms.

3. The Bonds constitute general obligations of the City for the payment of which the City has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable primarily from unlimited *ad valorem* taxes to be levied on all taxable property within the corporate limits of the City.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations but is included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross

income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. Except as set forth in this Opinion 4 and Opinion 6 below, we express no other opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxation in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and(b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

6. The Bonds are "qualified tax-exempt" obligations within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolution authorizing the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or changes in law that may hereafter occur.

Yours very truly,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

The City of Cookeville, Tennessee (the "City") lies along the western foothills of the Cumberland Mountains in the central portion of the State of Tennessee. The City is the County Seat of Putnam County (the "County"). The County is bordered to the north by Jackson and Overton Counties, to the east by Cumberland County, to the south by Dekalb and White Counties and to the west by Smith County. The City is located 79 miles east of Nashville. The other municipalities in the County include Algood, Baxter and Monterey.

GENERAL

Cookeville was designated a Micropolitan Statistical Area (the "mSA") that had a population of 106,042 according to the 2010 US Census. A mSA is defined by the U.S. Census Bureau as a non-urban community that is anchored by a town of no more than 50,000 residents. The mSA includes Jackson, Overton and Putnam Counties. The population according to the 2010 U.S. Census for the County was 72,321 and was 30,435 for the City.

	Population		
U.S. Census	**Cookeville**	**Putnam County**	**Tennessee**
2010	30,435	72,321	6,346,105
2013*	31,135	73,553	6,497,269
2014*	32,395	74,467	6,549,352
2015*	32,464	74,553	6,595,000
2016*	32,622	75,931	6,651,194

*Estimate

TRANSPORTATION

Transportation for the County is provided by a variety of sources. The County is served by Interstate 40, U.S. Highways 70 and 111, and State Highways 42,135, and 136. Twenty motor freight carriers maintain routes throughout the County. Nashville and Eastern Railroad provide the County's rail services. The nearest port facility is 15 miles away in Gainesboro on the Cumberland River. Private air service is provided for the City by the Upper Cumberland Regional Airport about 9 miles away which has a 6,700-foot runway. The closest full-service commercial airport is located 74 miles away at the Nashville International Airport.

EDUCATION

The *Putnam County School System* serves the County with nineteen total schools, which include ten elementary schools, four middle schools, three high schools and two K-12 schools. The fall 2015 enrollment was 11,265 students with 733 teachers.

Source: Tennessee Department of Education.

Cookeville Higher Education Campus. Cookeville Higher Education Campus (the "CHEC") is a 14.9-acre campus within the Cookeville city limits. CHEC is a partnership formed in 2015 to offer a wider array of programs to Cookeville's students and to expand student access and opportunities to advance their educations and careers. The campus is home to Volunteer State Community College, Tennessee College of Applied Technology Livingston and Tennessee Technological University. The Tennessee Governor in February 2014 launched the nation's first-ever effort to provide free community college to all state residents. Financial Aid, including the Tennessee Promise, is available to all students enrolled and taking classes at the community college partners at the CHEC.

Tennessee Technological University. Tennessee Technological University is a public, co-educational and comprehensive university located in Cookeville. Since Tennessee Tech was established in 1912 as the University of Dixie, the university has become an 87-building complex situated on 235 acres. Tennessee Tech is known as Tennessee's technological university, but houses six strong academic divisions -- the College of Agricultural and Human Sciences, College of Arts and Sciences, College of Business, College of Education, College of Engineering, and the School of Interdisciplinary Studies and Extended Education. Student enrollment in the fall of 2016 was 10,492. The campus is only a little more than an hour from three of the state's metro areas -- 82 miles east of Nashville, 109 miles west of Knoxville and 96 miles north of Chattanooga.

Source: Tennessee Tech University.

Volunteer State Community College. The Volunteer State Community College is a public two-year community college in Gallatin, Tennessee, serving a twelve-county region including the counties of Clay, Jackson, Macon, Overton, Pickett, Putnam, Robertson, Smith, Sumner, Trousdale and Wilson. Fall 2015 enrollment was 8,075. Off-Campus operations include two Degree-Granting Centers, five major teaching sites, high-school dual enrollment sites and various allied health and business sites in Davidson, Macon, Robertson, Overton and Wilson Counties.

Source: Volunteer State Community College.

Tennessee College of Applied Technology at Livingston. The Tennessee Technology Center at Livingston is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Livingston serves the north central region of the state including Overton, Clay, Fentress, Pickett, Putnam, and Jackson Counties. The Technology Center at Livingston began operations in 1967, and the main campus is located in Overton County. Fall 2014 enrollment was 2,956 students.

Source: Tennessee Technology Center at Livingston.

MEDICAL FACILITIES

Cookeville Regional Medical Center. Cookeville Regional Medical Center (the "CRMC"), founded in 1921 by a local surgeon. CRMC has 247 staffed beds, employs a staff of more than 2,000, has more than 200 on its active and courtesy medical staffs, and is a national award-winning, state-of-the-art regional medical center that serves the entire 14-county Upper Cumberland region. The Heart and Vascular Center has recently been ranked the best performing hospital in Tennessee and among the top 10% of all hospitals nationwide for coronary interventional procedures from HealthGrades, the leading independent healthcare ratings organization. In 2013 CRMC was ranked #1 in the state for Overall Cardiac Services for Two Years in a Row, #1 for Cardiology Services, #1 for Coronary Interventional Procedures for Three Years in a Row, #1 for Overall Orthopedic Services for Two Years in a Row and #1 for Joint Replacement.

CRMC has a dedicated Electrophysiology (EP) Lab to expand services offered through the hospital's Heart and Vascular Center. Cardiac Electrophysiology is a sub-specialty of cardiology that deals with the electricity of the heart and treats heart arrhythmias such as atrial fibrillation and other rhythm disturbances. Cookeville Regional offers a full range of EP services. EP services at Cookeville Regional include cardiac mapping, cardioversion, radio frequency catheter ablation, cryoablation, ICD implantation, pacemaker insertion, defibrillator threshold testing and transesophageal echocardiogram. Since 1994, The Heart and Vascular Center at Cookeville Regional has provided much-needed cardiac and vascular services in the Upper Cumberland. Since its opening, the center has grown and expanded to include not only comprehensive diagnostic tests and treatments, but also interventional procedures such as angioplasty, stent placement, pacemakers, electrophysiology and arrhythmia procedures, implantable cardioverter defibrillator implantation and cardiothoracic surgery (including beating-heart and minimally invasive heart surgeries, and heart valve repair and replacement).

Source: CRMC Health System.

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MANUFACTURING AND COMMERCE

The following is a list of the major employers in the County:

Major Employers in Putnam County

Company	Product	Approximate Employment
Tennessee Technological University	Higher Education	2,400
Cookeville Regional Medical Center	Hospital	1,600
Putnam County Board of Education	Education	1,200
Perdue	Food Processing	947
Wal-Mart	Retail	665
Averitt Express	Trucking	660
Cummins Filtration	Air/Water/Oil Filters	610
FICOSA North America	Automotive Mirrors	461
Academy Sports & Outdoors	Transportation & Distribution	450
State of Tennessee	Government	440
City of Cookeville	Government	380
Frontier Communications	Telecommunications	350
SunTrust Bank	Customer Call Center	350
Flowserve	Hydraulic Valves	333
Tutco, Inc.	Heating Elements	300
TTI Floorcare	Vacuum Cleaners	285
The Identity Group	Ink Marking Devices	250
US Stamp & Sign	Stamps, Signs etc	240
Putnam County Government	Government	230
Bank of Putnam County	Bank	230
Transtar – DACCO, Inc.	Auto. Transmission Parts	225
ATC Automation	Special Automated Machinery	220
IWC	Food Distribution	179
Federal Government	Government	225
Kroger Company	Grocery Store	180
Institutional Wholesale Supply	Food Distributor	179
Aphena Pharma Solutions	Pharmaceutical Packaging	170
G&L Manufacturing	Titanium & Stainless Steel	115
Fixtur-World, Inc.	Architectural Millwork	110

Source: Cookeville-Putnam County Chamber of Commerce and Middle Tennessee Industrial Development Association - 2017.

EMPLOYMENT INFORMATION

The City of Cookeville's unemployment for August 2017 was at 4.1% with 13,220 persons employed out of a labor force of 13,780. For the month of August 2017, the unemployment rate for Putnam County stood at 3.7% with 32,560 persons employed out of a labor force of 33,800.

The Cookeville mSA's unemployment for August 2017 was at 3.8% with 45,850 persons employed out of a labor force of 47,660.

Unemployment

	Annual Average **2012**	Annual Average **2013**	Annual Average **2014**	Annual Average **2015**	Annual Average **2016**
National	8.1%	7.4%	6.2%	5.3%	4.9%
Tennessee	8.0%	7.8%	6.7%	5.8%	4.8%
Cookeville	**7.4%**	**8.4%**	**7.3%**	**6.4%**	**5.4%**
Index vs. National	91	114	118	121	110
Index vs. State	93	108	109	110	113
Putnam County	**7.6%**	**7.9%**	**6.9%**	**6.0%**	**5.0%**
Index vs. National	94	107	111	113	102
Index vs. State	95	101	103	103	104
Cookeville mSA	**8.0%**	**8.3%**	**7.3%**	**6.5%**	**5.3%**
Index vs. National	99	112	118	123	108
Index vs. State	100	106	109	112	110

Source: Tennessee Department of Employment Security, CPS Labor Force Estimates Summary.

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ECONOMIC DATA

Per Capita Personal Income

	2011	2012	2013	2014	2015
National	$42,453	$44,267	$44,462	$46,414	$48,112
Tennessee	$37,452	$38,771	$38,806	$40,233	$42,094
Putnam County	**$33,187**	**$34,487**	**$34,228**	**$35,001**	**$36,215**
Index vs. National	78	78	77	75	75
Index vs. State	89	89	88	87	86
Cookeville mSA	**$30,976**	**$32,125**	**$32,188**	**$32,950**	**$34,089**
Index vs. National	73	73	72	71	71
Index vs. State	83	83	83	82	81

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Social and Economic Characteristics

	National	Tennessee	Putnam County	Cookeville
Median Value Owner Occupied Housing	$178,600	$142,100	$144,600	$160,600
% High School Graduates or Higher Persons 25 Years Old and Older	86.70%	85.50%	83.9%	86.2%
% Persons with Income Below Poverty Level	13.50%	16.70%	19.7%	33.7%
Median Household Income	$53,889	$45,219	$35,343	$28,275

Source: U.S. Census Bureau State & County QuickFacts - 2015.

RECREATION

Burgess Falls State Park and Natural Area. Burgess Falls is a natural area on the Putnam and White County border and is located approximately thirteen miles southwest of Cookeville. The park offers fishing, limited boating, hiking and picnic facilities with a pavilion. Park visitors can visit the large Native Butterfly Garden located adjacent to the upper parking lot. Burgess Falls lies on the rugged dissected eastern edge of the Eastern Highland Rim resulting in the occurrence of sheer bluffs, narrow ridges, waterfalls, and diverse forest communities. The Falling Water River drops approximately 250 feet, providing numerous waterfalls, breathtaking scenery and overlooks. The park is home to over 300 species trees and plants and an abundance of wildlife.

The City of Cookeville acquired the land in the early 1920's, and constructed a dam and powerhouse in order to produce electricity for the city. The dam and powerhouse produced electricity until 1944, at which time it became obsolete due to TVA's massive new dams and powerhouses. Today, the Burgess Falls Dam still stands.

Source: Tennessee State Parks.

Cane Creek Park. Cookeville's largest park and the "Finest Municipal Park in the Upper Cumberland" hosts well over 100,000 visitors yearly. The park contains a concession stand, three picnic shelters, basketball and volleyball courts, play equipment, hiking and walking trails, boat rentals, an 18-hole Disc Golf Course, mountain bike trails and a lake to fish.

Source: City of Cookeville.

Center Hill Dam and Lake. Center Hill Dam is located in Dekalb County on the Caney Fork River. It is a concrete gravity and earth-fill type dam. The overall length of Center Hill Dam is approximately 3,950 feet and was completed in 1948. The Caney Fork River flows into the Cumberland River, which connects to the Cumberland River and ultimately the Tennessee River. Regionally, Center Hill Dam prevents the Cumberland River from flooding Carthage and Nashville. It aids in river navigation on the Cumberland River, and it provides electrical power. Center Hill Dam has three 45,000kw water powered turbines that produce enough electricity to supply a community of approximately 125,000 people.

Center Hill Lake is a 64-mile-long reservoir consisting of 415 miles of shoreline with 18,200 acres under water. The lake is in Dekalb, Putnam, White and Warren Counties. Center Hill Lake is owned and managed by the federal government through the US Army Corps of Engineers. There are three waterfalls and many excellent places to hike, swim, and camp. The majority of the drinking water in DeKalb and Putnam Counties comes from Center Hill Lake.

Source: Tennessee State Parks.

Cookeville Performing Arts Center. The Cookeville Performing Arts Center is a 456-seat live performance theatre owned by the City of Cookeville and operated by the Department of Leisure Services. The facility was built with Model Cities grant money and opened in August 1979. The Performing Arts Center staff produces the state, regional, and national award-winning BACKSTAGE, an annual series of contemporary plays with variable seating and staging arrangements.

Source: City of Cookeville.

RECENT DEVELOPMENTS

Academy Sports + Outdoors. Academy Sports + Outdoors opened a new distribution center in Cookeville to create 700 new jobs over the next 5 years. Construction on the 1.6 million square-foot facility began in 2014 and was operational in 2016. The retailer estimates it will invest $100 million in Cookeville over the next five years. Academy Sports + Outdoors currently operates ten stores in Tennessee. The company is headquartered in Katy, Texas with a distribution facility there as well as a second distribution center in Jeffersonville, Georgia.

Ficosa North America. Ficosa began adding on to its new construction plant in 2017. The new state-of-the-art, 270,000 square-foot facility opened in October of 2016 at the Highlands Business Park in Cookeville, however, after a few months it was determined that it was too small. A 4,800 square-foot addition was added to the facility. The automotive supplier has invested over $58 million in the Putnam County facility and created 480 jobs. Ficosa's existing Tennessee plant in nearby Crossville produces mirror assemblies for Nissan, Ford, Volkswagen, Fiat Chrysler, General Motors and other auto manufacturers. The company will transfer the existing jobs to the new Cookeville facility, which will increase production capacity and allow components currently made in China and Mexico to be made in Tennessee.

Ficosa has its headquarters in Barcelona, and it is one of the top-tier global providers dedicated to research, development, production and sales of safety, communication and efficiency systems for the automotive industry. Founded in 1949 and committed to innovation, development and human values, Ficosa currently has nearly 8700 employees in 18 countries in Europe, North and South America and Asia.

Powerhouse Ten, LLC. Powerhouse Ten, a solar energy company, has announced plans to construct a 1,000-kilowatt solar facility in the Highlands Business Park in 2017. Powerhouse Ten has agreements in place with TVA to sell power back to TVA.

Shoppes at Eagle Point. The 250,000 square-foot retail facility has begun grading in 2017, after a delay from when it was announced in 2014. Some of the new-to-market stores that are scheduled to locate in the facility are Publix, Academy Sports, and Panera Bread among others. The new development is anticipated to bring in $1.6 million in sales tax revenue annually.

Willow Tree Shopping Center. Fimiani Development Corp. in 2017 purchased the 110,000 square-foot Willow Tree Shopping Center for $4.225 million. The Florida-based corporation, Fimiani will begin renovating the facility with the current 75 percent occupancy remaining open for business. Plans are to have the facility fully occupied by the end of 2019. The facility's close proximity to the historic downtown and central business district, Tennessee Tech University and Cookeville Regional Medical Center makes it an appealing location for retailers.

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CITY OF COOKEVILLE, TENNESSEE

Summary of Bonded Indebtedness

AMOUNT ISSUED		PURPOSE	FINAL MATURITY	INTEREST RATE(S)	Estimated As of June 30, 2017 (1) OUTSTANDING
$ 4,500,000		Loan Agreement, Series 2005	May 25, 2020	Variable	$ 1,145,000
3,200,000		Loan Agreement, Series 2007	May 25, 2023	Variable	1,507,000
2,350,000		Loan Agreement, Series 2008	May 25, 2024	Variable	1,310,000
7,200,000	(4)	General Obligation Industrial and Business Park Bonds, Series 2010B (Taxable Build America Bonds)	June 01, 2026	Fixed	4,620,000
4,300,000		General Obligation Bonds, Series 2013	June 01, 2029	Fixed	3,325,000
500,000		Capital Outlay Notes, Series 2014	Oct. 2017	Fixed	166,667
9,815,000		General Obligation Bonds, Series 2015	June 1, 2031	Fixed	9,065,000
2,816,877	(3)	Water Storage Rights Loan, Series 2003 (Revenue Only)	2033	Variable	1,829,940
10,500,000	(3)	Loan Agreement, Series 2000	May 25, 2020	Variable	2,294,000
9,588,755	(3)	State Revolving Loan Agreement (3.14%)	2017	Fixed	105,883
2,074,887	(3)	State Revolving Loan Agreement (2.50%)	2031	Fixed	1,528,736
6,000,000	(3)	Loan Agreement, Series 2009	May 25, 2024	Variable	3,345,000
4,000,000	(3)	Electric System Revenue and Tax Bonds, Series 2012	Dec. 01, 2026	Fixed	2,815,000
5,000,000	(3)	Note Payable to Upper Cumberland Electric Membership Cooperative (Revenue Only)	2018	Fixed	1,000,000
$ 71,845,519		**TOTAL BONDED DEBT**			$ 34,057,226
$ 2,800,000		General Obligation Bonds, Series 2017	June 01, 2027	Fixed	$ 2,800,000
(39,980,519)		Less: Revenue Supported Debt			(12,918,559)
$ 34,665,000		**NET TOTAL DEBT**			**$ 23,938,667**

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. Also, does not include the Series 2009 Bonds, the Series 2010-A Bonds, the Series 2010-B Bonds and the Series 2010 Build America Bonds issued for the Cookeville Regional Medical Center and payable from Hospital Revenues. The current outstanding amount of the Hospital Bonds as of June 30, 2017 is estimated to be $72,095,000. For more information, see the notes to the Financial Statements herein.

(2) The City budgets to account for interest rate risk.

(3) Revenue supported debt.

(4) The original federal subsidy of 35.0% on the General Obligation Industrial and Business Park Bonds, Series 2010B (Build America Bonds) ("BAB's") has been reduced by 6.9% for the federal fiscal year ending September 30, 2017 as a result of the sequestration by the Budget Control Act of 2011. After October 1, 2017, the sequestration rate will be 6.6%. After October 1, 2018 the sequestration rate will be subject to change.

Debt Record

There is no record of a default on bond principal and interest from information available.

CITY OF COOKEVILLE, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the GENERAL PURPOSE FINANCIAL STATEMENTS which are included herein and the table should be read in conjunction with those statements.

	Fiscal Year Ending June 30,				Unaudited	After Issuance
INDEBTEDNESS	**2013**	**2014**	**2015**	**2016**	**2017**	**2017**
TAX SUPPORTED						
General Obligation Bonds & Notes	$ 15,626,668	$ 17,147,666	$ 15,846,000	$ 23,553,333	$ 21,138,667	$ 23,938,667
TOTAL TAX SUPPORTED	$ 15,626,668	$ 17,147,666	$ 15,846,000	$ 23,553,333	$ 21,138,667	$ 23,938,667
REVENUE SUPPORTED						
Electric Revenue and Tax Notes	$ 13,812,000	$ 11,999,000	$ 10,409,000	$ 8,796,000	$ 7,160,000	$ 7,160,000
Gas Revenue and Tax Notes	1,255,000	835,000	425,000	-	-	$ -
Water & Sewer Rev & Tax Bonds	9,278,043	8,018,299	6,708,083	5,345,735	5,758,559	$ 5,758,559
TOTAL REVENUE SUPPORTED	$ 24,345,043	$ 20,852,299	$ 17,542,083	$ 14,141,735	$ 12,918,559	$ 12,918,559
TOTAL DEBT	$ 39,971,711	$ 37,999,965	$ 33,388,083	$ 37,695,068	$ 34,057,226	$ 36,857,226
Less: Revenue Supported Debt	$ (24,345,043)	$ (20,852,299)	$ (17,542,083)	$ (14,141,735)	$ (12,918,559)	$ (12,918,559)
Less: Debt Service Fund	$ (7,338,227)	$ (7,501,304)	$ (8,944,189)	$ (9,944,933)	$ (9,944,933)	$ (9,944,933)
NET DIRECT DEBT	$ 8,288,441	$ 9,646,362	$ 6,901,811	$ 13,608,400	$ 11,193,734	$ 13,993,734
OVERLAPPING DEBT (1)	$ 88,052,332	$ 85,992,949	$ 81,679,126	$ 74,870,173	$ 70,827,369	$ 70,827,369
NET DIRECT & OVERLAPPING DEBT	$ 96,340,773	$ 95,639,311	$ 88,580,937	$ 88,478,573	$ 82,021,103	$ 82,021,103
PROPERTY TAX BASE						
Estimated Actual Value	$ 2,299,293,903	$ 2,383,865,486	2,448,281,410	$ 2,574,304,049	$ 2,673,439,616	$ 2,673,439,616
Appraised Value	2,299,293,903	2,353,352,008	2,416,943,408	2,434,776,770	2,434,776,770	2,434,776,770
Assessed Value	731,036,522	749,970,300	768,253,980	768,253,980	852,541,716	852,541,716

(1) OVERLAPPING DEBT Includes the City's share of Putnam County's Net Direct Debt.

Source: General Purpose Financial Statements and City Officials.

	Fiscal Year Ending June 30,				Unaudited	After Issuance
DEBT RATIOS	2013	2014	2015	2016	2017	2017
TOTAL DEBT to Estimated Actual Value	1.74%	1.59%	1.36%	1.46%	1.27%	1.38%
TOTAL DEBT to Appraised Value	1.74%	1.61%	1.38%	1.55%	1.40%	1.51%
TOTAL DEBT to Assessed Value	5.47%	5.07%	4.35%	4.91%	3.99%	4.32%
NET DIRECT DEBT to Estimated Actual Value	1.13%	1.29%	0.90%	1.77%	1.31%	1.64%
NET DIRECT DEBT to Appraised Value	0.36%	0.41%	0.29%	0.56%	0.46%	0.57%
NET DIRECT DEBT to Assessed Value	1.13%	1.29%	0.90%	1.77%	1.31%	1.64%
OVERLAPPING DEBT to Estimated Actual Value	3.83%	3.61%	3.34%	2.91%	2.65%	2.65%
OVERLAPPING DEBT to Appraised value	3.83%	3.65%	3.38%	3.08%	2.91%	2.91%
OVERLAPPING DEBT to Assessed Value	12.04%	11.47%	10.63%	9.75%	8.31%	8.31%
NET DIRECT & OVERLAPPING DEBT to Estimated Actual Value	4.19%	4.01%	3.62%	3.44%	3.07%	3.07%
NET DIRECT & OVERLAPPING DEBT to Appraised Value	4.19%	4.06%	3.66%	3.63%	3.37%	3.37%
NET DIRECT & OVERLAPPING DEBT to Assessed Value	13.18%	12.75%	11.53%	11.52%	9.62%	9.62%
PER CAPITA RATIOS						
POPULATION (1)	31,971	32,395	32,464	32,622	32,622	32,622
PER CAPITA PERSONAL INCOME (2)	$ 34,228	$ 35,001	$ 36,215	$ 36,215	$ 36,215	$ 36,215
Estimated Actual Value to POPULATION	$ 71,918	$ 73,587	$ 75,415	$ 78,913	$ 81,952	$ 81,952
Assessed Value to POPULATION	$ 22,866	$ 23,151	$ 23,665	$ 23,550	$ 26,134	$ 26,134
Total Debt to POPULATION	$ 1,250	$ 1,173	$ 1,028	$ 1,156	$ 1,044	$ 1,130
Net Direct Debt to POPULATION	$ 259	$ 298	$ 213	$ 417	$ 343	$ 429
Overlapping Debt to POPULATION	$ 2,754	$ 2,655	$ 2,516	$ 2,295	$ 2,171	$ 2,171
Net Direct & Overlapping Debt to POPULATION	$ 3,013	$ 2,952	$ 2,729	$ 2,712	$ 2,514	$ 2,514
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.65%	3.35%	2.84%	3.19%	2.88%	3.12%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	0.76%	0.85%	0.59%	1.15%	0.95%	1.18%
Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	8.05%	7.58%	6.95%	6.34%	6.00%	6.00%
Net Direct & Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	8.80%	8.43%	7.53%	7.49%	6.94%	6.94%

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census.

(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the U. S. Department of Commerce.

CITY OF COOKEVILLE, TENNESSEE

Bonded Debt Service Requirements

F.Y.	Estimated as of June 30, 2017									Total Bonded					
Ended	**General Obligation Debt**					**General Obligation Bonds, Series 2017**			% 2017	**Debt Service Requirements (1)**					% All
		Gross Interest	Treasury	Estimated					Principal			Treasury	Estimated		Principal
6/30	Principal	(2) & (3)	Rebate	Sequester	TOTAL	Principal	Interest (4)	TOTAL	Repaid	Principal	Interest	Rebate	Sequester	TOTAL	Repaid
2018	$ 2,181,667	$ 768,416	$ (68,891)	$ 4,685	$ 2,885,877	$ 250,000	$ 40,861	$ 290,861	8.93%	$ 2,431,667	$ 809,276	$ (68,891)	$ 4,685	$ 3,176,737	10.16%
2019	2,076,000	692,386	(63,715)	4,333	2,709,004	445,000	67,550	512,550		2,521,000	759,936	(63,715)	4,333	3,221,554	
2020	2,135,000	614,161	(57,875)	3,936	2,695,222	445,000	54,200	499,200		2,580,000	668,361	(57,875)	3,936	3,194,422	
2021	1,792,000	529,013	(51,407)	3,496	2,273,102	230,000	40,850	270,850		2,022,000	569,863	(51,407)	3,496	2,543,952	
2022	1,842,000	460,199	(44,391)	3,019	2,260,827	230,000	33,950	263,950	57.14%	2,072,000	494,149	(44,391)	3,019	2,524,777	48.57%
2023	1,901,000	387,838	(36,804)	2,503	2,254,536	235,000	27,050	262,050		2,136,000	414,888	(36,804)	2,503	2,516,586	
2024	1,671,000	311,649	(28,627)	1,947	1,955,968	235,000	22,350	257,350		1,906,000	333,999	(28,627)	1,947	2,213,318	
2025	1,495,000	245,686	(19,758)	1,344	1,722,272	240,000	17,650	257,650		1,735,000	263,336	(19,758)	1,344	1,979,922	
2026	1,535,000	186,088	(10,252)	697	1,711,533	245,000	12,250	257,250		1,780,000	198,338	(10,252)	697	1,968,783	
2027	980,000	122,256	-	-	1,102,256	245,000	6,125	251,125	100.00%	1,225,000	128,381	-	-	1,353,381	85.25%
2028	1,010,000	96,465	-	-	1,106,465	-	-	-		1,010,000	96,465	-	-	1,106,465	
2029	1,040,000	69,010	-	-	1,109,010	-	-	-		1,040,000	69,010	-	-	1,109,010	
2030	730,000	40,700	-	-	770,700	-	-	-		730,000	40,700	-	-	770,700	
2031	750,000	20,625	-	-	770,625	-	-	-		750,000	20,625	-	-	770,625	100.00%
	$ 21,138,667	$ 4,544,493	$ (381,719)	$ 25,957	$ 25,327,398	$ 2,800,000	$ 322,836	$ 3,122,836		$ 23,938,667	$ 4,867,329	$ (381,719)	$ 25,957	$ 28,450,233	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements herein.

(2) The City budgets to account for interest rate risk.

(3) The original federal subsidy of 35.0% on the General Obligation Industrial and Business Park Bonds, Series 2010B (Build America Bonds) ("BAB's") has been reduced by 6.9% for the federal fiscal year ending September 30, 2017 as a result of the sequestration by the Budget Control Act of 2011. After October 1, 2017, the sequestration rate will be 6.6%. After October 1, 2018 the sequestration rate will be subject to change.

(4) Average Coupon 2.5027%.

CITY OF COOKEVILLE, TENNESSEE

Bonded Debt Service Requirements - Water and Sewer System

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1) & (2) Principal	Interest	TOTAL	% All Principal Repaid
2018	$ 1,020,595	$ 204,342	$ 1,224,937	17.72%
2019	955,760	162,410	1,118,170	
2020	998,931	118,950	1,117,881	
2021	202,253	76,952	279,205	
2022	207,715	71,571	279,286	58.79%
2023	213,319	66,043	279,362	
2024	219,080	60,366	279,446	
2025	224,989	54,536	279,525	
2026	231,071	48,547	279,618	
2027	237,306	42,397	279,703	78.34%
2028	243,720	36,079	279,799	
2029	250,304	29,591	279,895	
2030	257,072	22,926	279,998	
2031	219,840	16,223	236,063	
2032	136,342	11,699	148,041	97.56%
2033	140,262	7,887	148,149	100.00%
	$ 5,758,559	$ 1,030,519	$ 6,789,078	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements herein.

(2) The City budgets to account for interest rate risk.

CITY OF COOKEVILLE, TENNESSEE

Bonded Debt Service Requirements - Electric System

F.Y. Ended 6/30	**Total Bonded Debt Service Requirements** (1) & (2) Principal	Interest	TOTAL	% All Principal Repaid
2018	$ 1,661,000	$ 228,575	$ 1,889,575	23.20%
2019	686,000	202,892	888,892	
2020	713,000	174,800	887,800	
2021	746,000	144,104	890,104	
2022	774,000	112,033	886,033	63.97%
2023	809,000	80,004	889,004	
2024	841,000	47,942	888,942	
2025	300,000	16,788	316,788	
2026	310,000	10,494	320,494	
2027	320,000	3,600	323,600	100.00%
	$ 7,160,000	$ 1,021,231	$ 8,181,231	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements herein.

(2) The City budgets to account for interest rate risk.

FINANCIAL INFORMATION

INTRODUCTION

As required by generally accepted accounting principles (GAAP), all City funds and account groups are organized according to standards established by the Government Accounting Standards Board (GASB). The City's financial reporting system is designed to provide timely, accurate feedback on the City's overall financial position and includes, at a minimum, quarterly reports to the City Council. All City financial statements are audited annually by independent certified public accountants.

The City's General Purpose Financial Statements, which is an extract of the Comprehensive Annual Financial Report included herein.

BASIS OF ACCOUNTING AND PRESENTATION

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as a net current asset. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general ruling include: (1) sick pay which is not accrued, and (2) principal and interest on general long-term debt which is recognized when due.

BUDGETARY PROCESS

The Finance Director in a timely manner is required to submit to the City Council a proposed operating budget for the fiscal year which begins on the following July 1. A public hearing is conducted by the City Council to obtain citizen comment on the proposed budget. Prior to June 30th, the budget must be adopted. All annual appropriations lapse at the end of the fiscal year.

Amendments which revise the total expenditures of any fund may occur at any time during the fiscal year. The Finance Director may, on her own authority, transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the City Council.

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FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The City maintains fund balances, net assets or retained earnings in most major operating funds. Additionally, several reserves have been established to address specific needs of the City.

The table below depicts fund balances and retained earnings for the last five fiscal years ending June 30:

	For the year ended June 30				
Fund Type	**2012**	**2013**	**2014**	**2015**	**2016**
Governmental Funds:					
General	$ 9,227,710	$ 9,219,787	$11,171,888	$12,385,588	$14,878,580
Debt Service	7,176,074	7,338,227	7,630,772	9,068,260	10,255,731
Capital Projects	238,329	(345,137)	2,088,939	549,581	7,653,816
Other Governmental	4,989,888	4,980,582	3,364,158	3,067,306	2,914,417
Total	**$21,632,001**	**$21,193,459**	**$24,255,757**	**$25,070,735**	**$35,702,544**
Proprietary Net Assets:					
Electric	$ 40,510,044	$ 41,103,053	$ 45,295,575	$ 45,344,758	$47,019,710
Gas	20,632,400	21,461,839	22,482,539	22,461,111	22,153,361
Water	53,663,881	55,880,834	58,043,773	58,689,849	63,089,972
Total	**$114,806,325**	**$118,445,726**	**$125,821,887**	**$126,495,718**	**$132,263,043**

Source: Comprehensive Financial Audit Reports of the City.

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CITY OF COOKEVILLE, TENNESSEE

Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - General Fund
For the Fiscal Year Ended June 30

	2012	2013	2014	2015	2016
Revenues:					
Taxes	$ 18,962,209	$ 19,836,855	$ 20,126,729	$ 21,304,551	$ 22,472,110
Licenses and Permits	363,048	335,770	401,563	626,091	457,066
Intergovernmental	821,459	978,826	1,044,198	1,088,689	1,061,806
Charges for Services	238,302	261,868	258,927	271,527	294,030
Fines and Forfeits	387,666	380,677	371,998	327,225	294,926
Use of money and property	19,175	15,475	15,475	15,575	19,975
Miscellaneous	1,004,691	698,013	532,031	575,700	606,350
Total Revenues	$ 21,796,550	$ 22,507,484	$ 22,750,921	$ 24,209,358	$ 25,206,263
Operating Expenses:					
General Government	$ 2,499,181	$ 2,628,896	$ 2,726,861	$ 2,971,595	$ 3,017,083
Public Safety	11,033,528	11,398,478	11,584,729	12,091,321	12,747,015
Planning and Codes	1,085,128	1,114,555	1,196,045	1,194,248	1,266,616
Parks and Maintenance	1,125,147	1,252,439	1,300,972	1,366,388	1,380,188
Public Works	2,648,232	2,751,711	3,022,683	2,974,170	2,996,999
Culture and Recreation	2,038,337	2,166,759	2,267,504	2,341,155	1,654,996
Community Support	-	-	-	-	736,710
Capital Outlay	2,829,204	1,494,671	351,928	775,101	645,087
Debt Service	-	-	-	-	-
Total Operating Expenses	$ 23,258,757	$ 22,807,509	$ 22,450,722	$ 23,713,978	$ 24,444,694
Revenues Over (Under) Expenditures	$ (1,462,207)	$ (300,025)	$ 300,199	$ 495,380	$ 761,569
Non-Operating Revenues (Expenses):					
Transfer In	$ 1,372,014	$ 1,602,154	$ 1,619,871	$ 1,710,490	$ 1,690,621
Transfer Out	(314,220)	(1,439,220)	(64,220)	(1,879,000)	(80,000)
Proceeds of Bonds & Notes	500,000	-	-	500,000	-
Insurance Recoveries	40,131	33,499	23,000	13,137	10,692
Proceeds from Sale of Capital Assets	72,229	95,669	73,251	373,693	110,110
Total Non-Operating	$ 1,670,154	$ 292,102	$ 1,651,902	$ 718,320	$ 1,731,423
Net Change of Fund Balances	$ 207,947	$ (7,923)	$ 1,952,101	$ 1,213,700	$ 2,492,992
Fund Balance beginning of year	$ 9,019,763	$ 9,227,710	$ 9,219,787	$ 11,171,888	$ 12,385,588
Prior Year Adjustments	-	-	-	-	-
Retained Earnings - June 30	**$ 9,227,710**	**$ 9,219,787**	**$ 11,171,888**	**$ 12,385,588**	**$ 14,878,580**

Source: Comprehensive Annual Financial Reports for the City of Cookeville, Tennessee.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by State statute and local policies. Generally, such policies limit investment instruments to direct U.S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. The City is not authorized to invest in reverse repurchase agreements or derivative products. No investment may be made for a period greater that two years without written permission of the State Director of Local Finance.

As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the City. For reporting purposes, all investments are stated at cost, which approximates market value.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

State Taxation of Property; Classifications of Taxable Property; Assessment Rates

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

(a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
(b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
(c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and

(d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

(a) Public Utility Property, to be assessed at 55% of its value;
(b) Industrial and Commercial Property, to be assessed at 30% of its value; and
(c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of $7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

County Taxation of Property

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated,* the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its value upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

Assessment of Property

County Assessments; County Board of Equalization. The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January 1 for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

State Assessments of Public Utility Property; State Board of Equalization. The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the

State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an one-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

Valuation for Property Tax Purposes

County Valuation of Property. The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State Board of Equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole *(i.e.,* the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the *"Certified Tax Rate")* which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

Tax Freeze for the Elderly Homeowners

The Tennessee Constitution was amended by the voters in November 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is $500 for the year in which he becomes eligible, his property taxes will remain at $500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

Tax Collection and Tax Lien

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

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CITY OF COOKEVILLE, TENNESSEE
PROPERTY VALUATION AND PROPERTY TAX

Fiscal Year **Tax Year**	**2013-2014** **2013**	**2014-2015** **2014**	**2015-2016** **2015**	**2016-2017** **2016**	**2017-2018** **2017**	
Estimated Actual Values (1)						
Residential & Farms	$ 1,173,963,838	$ 1,219,759,927	$ 1,290,994,989	$ 1,297,913,200	$ 1,324,785,020	
Commercial & Industrial	932,093,497	948,206,544	994,703,839	1,059,412,400	1,098,130,800	
Personal Tangible Property	204,375,297	211,488,321	224,969,959	247,275,906	251,236,880	
Public Utilities	73,432,855	68,826,619	63,635,262	68,838,110	68,838,110	
Total Assessor's Appraised Values	$ 2,383,865,486	$ 2,448,281,410	$ 2,574,304,049	$ 2,673,439,616	$ 2,742,990,810	
Assessed Values (1)						
Residential & Farms (25%)	$ 289,734,275	$ 301,036,750	$ 305,255,775	$ 324,546,025	$ 331,196,255	
Commercial & Industrial (40%)	368,065,080	374,427,800	376,316,360	423,764,960	439,252,320	
Personal Tangible Property (30%)	60,527,788	62,746,611	64,421,661	74,182,896	75,371,064	
Public Utilities (30%-55%)	31,643,157	30,042,819	27,776,792	30,047,835	30,047,835	
Total Assessed Values	$ 749,970,300	$ 768,253,980	$ 773,770,588	$ 852,541,716	$ 875,867,474	
Appraisal Ratio	98.72%	98.72%	94.58%	100.00%	100.00%	
Property Tax Rate	$0.900	$0.900	$0.900	$0.840	$0.840	
Taxes Levied	$ 6,750,768	$ 6,914,611	$ 6,964,347	$ 7,163,938	$ 7,358,258	estimated
Collections						
Current Fiscal Year	$ 6,467,483	$ 6,677,725	$ 6,769,656	*$ 6,998,774*	*In Progress*	
Percent Collected Current FY	95.80%	96.57%	97.20%	97.69%		
Amount Uncollected as of 6/30/2017	$ 27,164	$ 34,472	$ 38,283	*$ 158,446*	*In Progress*	
Percent Uncollected	0.004%	0.005%	0.006%	2.210%		

Ten Largest Taxpayers

For the fiscal year ending June 30, 2017 (tax year 2016), the ten largest taxpayers in the City are as follows:

	Taxpayer	Business Type	Assessment	Taxes Paid
1.	Fleetguard / Cummins	Automotive Filtration	$10,610,596	$ 89,129
2.	Wal-Mart	Retail	5,514,400	46,321
3.	Sam's Club	Retail	3,967,920	33,331
4.	Flowserve Corp.	Hydraulic Valve	3,856,940	32,398
5.	McNabb/Saxony Apartments	Apartment Complex	3,332,920	27,997
6.	Apcom Inc.	Manufacturer	3,270,361	27,471
7.	Lowe's Home Center	Retail	2,997,440	25,179
8.	HLM Investments	Premier Medical Center	2,862,120	24,042
9.	Carmike Cinemas	Movie Theatre	2,615,760	21,972
10.	Progressive Savings Bank	Financial Services	2,599,240	21,834
	TOTAL		**$41,627,697**	**$349,674**

Source: The City.

For the fiscal year ending June 30, 2016 (tax year 2015), the ten largest taxpayers in the City are as follows:

	Taxpayer	Business Type	Assessment	Taxes Paid
1.	Fleetguard / Cummins	Automotive Filtration	$ 8,867,373	$ 79,806
2.	Wal-Mart	Retail	4,263,760	38,374
3.	Sam's Club	Retail	3,380,440	30,424
4.	Saxony Apartments	Apartment Complex	3,320,000	29,880
5.	Lowe's Home Center	Retail	2,997,440	26,977
6.	Flowserve Corp.	Hydraulic Valve	2,985,965	26,874
7.	Carmike Cinemas	Movie Theatre	2,664,760	23,983
8.	Putnam Properties	Rental Properties	2,612,800	23,515
9.	HLM Investments	Premier Medical Center	2,479,800	22,318
10.	G&L Mfg Inc.	Tubing Manufacturer	2,346,347	21,117
	TOTAL		**$35,918,685**	**$323,268**

Source: The City.

LOCAL OPTION SALES TAX

	2012	2013	2014	2015	2016
Rate (% of retail sales)	2.75%	2.75%	2.75%	2.75%	2.75%
Total Amount to City (General Fund)	$10,411,198	$10,635,378	$10,977,397	$11,729,943	$12,518,652

Source: Comprehensive Financial Audit Reports of the City.

PENSION PLANS

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.

As of July 1, 2015, the most recent actuarial valuation date, the plan was 89.76% funded. The actuarial accrued liability for benefits was $120.306 million, and the actuarial value of assets was $107.99 million, resulting in an unfunded actuarial accrued liability (UAAL) of $12.32 million. The covered payroll (annual payroll of active employees covered by the plan) was $19.32 million, and the ratio of the UAAL to the covered payroll was 63.76%.

The schedules of funding progress 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 pay as you go basis. 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, level dollar for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Actuarial Valuation Date	Actuarial Value of Plan 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)
July 1, 2015	$107,990	$120,306	$12,316	89.76%	$19,317	63.76%
July 1, 2014	$106,177	$115,305	$9,128	92.10%	$17,871	51.07%
July 1, 2013	$ 92,555	$109,915	$17,359	84.18%	$16,899	102.72%

For additional information on the funding status, trend information and actuarial status of the City's retirement programs, please refer to the appropriate Notes to Financial Statements located in the General Purpose Financial Statements of the City attached herein.

UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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.

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the City recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City’s future cash flows. Recognition of the liability accumulated for prior years will be phased in over 30 years, commencing with the 2009 liability.

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 a 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, 2015
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, 2016 were as follows:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	$2,254,827	$522,014	$2,776,841
Interest on Net OPEB	371,193	140,036	511,229
Adjustment	(372,952)	(140,699)	(513,651)
Contribution made	(718,201)	(21,466)	(739,667)
Change in Net OPEB, Obligation	1,534,867	499,885	2,034,752
Net OPEB Obligation, beginning	9,279,854	3,500,880	12,780,734
Net OPEB Obligation, ending	**$10,814,721**	**$4,000,765**	**$14,815,486**

TREND INFORMATION

Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
2016	$2,774,419	27%	$14,815,486
2015	2,590,632	27%	12,780,734
2014	2,476,922	25%	10,874,979

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)
July 1, 2015	$ 0.00	$34,077,025	$34,077,025	0.0%	$16,221,373	210.1%
July 1, 2014	$ 0.00	$32,183,786	$32,183,786	0.0%	$15,522,845	207.3%
July 1, 2013	$ 0.00	$31,238,898	$31,238,898	0.0%	$16,221,373	192.6%

For more information see the Notes to the General Purpose Financial Statements located herein.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

THE CITY OF COOKEVILLE, TENNESSEE

CITY OF COOKEVILLE, TENNESSEE

FINANCIAL STATEMENTS

Year Ended

June 30, 2016

DW&W

DUNCAN, WHEELER
& WILKERSON, P.C.
Certified Public Accountants

Carthage: 302 North Main Street ☐ P.O. Box 337 ☐ Carthage, TN 37030 ☐ 615-735-1139 ☐ Fax 615-735-2420
Cookeville: 228 East Broad Street ☐ Suite 200 ☐ Cookeville, TN 38501 ☐ 931-528-1545 ☐ Fax 931-526-3597

CITY OF COOKEVILLE, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2016

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INTRODUCTORY SECTION

CITY OF COOKEVILLE, TENNESSEE

OFFICIALS OF THE CITY OF COOKEVILLE, TENNESSEE

June 30, 2016

Name	Title
Elected Officials:	
Ricky Shelton	Mayor
Larry Epps	Vice - Mayor
Dwight Henry	City Council
Charles Womack	City Council
Jim Woodford	City Council
Management:	
Mike Davidson	City Manager
Brenda Imel	Finance Director

FINANCIAL SECTION

DW&W

DUNCAN, WHEELER
& WILKERSON, P.C.
Certified Public Accountants

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 and the aggregate remaining fund information of the City of Cookeville, Tennessee (the "City"), as of and for the year ended June 30, 2016, 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 whose statements reflect total assets and deferred outflows of resources of $289,933,525 and total revenues of $284,561,336. 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

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Cookeville: 228 East Broad Street □ Suite 200 □ Cookeville, TN 38501 □ 931-528-1545 □ Fax 931-526-3597

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, as of June 30, 2016, 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 and required supplementary information as listed in the table of contents on pages V through XIX and pages 70 through 72 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 and other auditors 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, combining nonmajor and individual fund financial statements and the remaining information listed in the supplementary 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 and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining nonmajor and individual fund financial statements, including the schedule of expenditures of federal awards and state financial assistance, and remaining information listed in the supplementary section of the table of contents 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 and individual fund financial statements and remaining information listed in the supplementary section of the table of contents, including the schedule of expenditures of federal awards and state financial assistance, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and miscellaneous information 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 29, 2016 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 29, 2016
Cookeville, Tennessee

Management's Discussion and Analysis
Annual Financial Statements
For the Fiscal Year Ended June 30, 2016

As management of the City of Cookeville (City), 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, 2016. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures 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 and deferred outflows of the City of Cookeville exceeded its liabilities and deferred inflows at June 30, 2016 by $180,426,877 (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 ($147,068,557) and unrestricted resources available to continue City operations into the next fiscal year ($33,358,320).

- The government's total net position increased this year by $6,886,286. Net position of the governmental activities increased by $1,190,147 and those of the City's business type activities (utilities) increased by $5,696,139.

- As of June 30, 2016, the City of Cookeville's governmental funds reported combined ending fund balances of $35,702,544, an increase of $10,631,809 in comparison with the prior year. Approximately 48% of this total amount, $17,135,484 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 $14,871,395 or 60.8% of total general fund expenditures.

- The City of Cookeville's total debt increased by $4,306,985 (12.9 percent) during the current fiscal year. The City retired (principal payments) $5,508,015 of previously outstanding debt. New debt was issued during the year of $9,815,000.

- 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 $2,254,827 for governmental activities and $522,014 for business type activities. The actuarially determined net other post-employment benefits liability at June 30, 2016 is $14,815,486. Additional information is available on pages 41-42.

- As required by the Governmental Accounting Standards Board, the City has adopted GASB Statement No. 68 related to Pension Plans. Employees of the City are members of the Political Subdivision Pension Plan, an agent multiple-employer defined benefit pension plan administered by Tennessee Consolidated Retirement System (TCRS). The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. The employees make no contribution. The contribution rate for the year ended June 30, 2016 was 16.04%. The actuarially determined net pension liability at June 30, 2016 is $12,316,930.

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 73-74 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 $180,426,877 at fiscal year end June 30, 2016.

By far, the largest portion of the City of Cookeville's net position (73 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:

Summary of Net Position

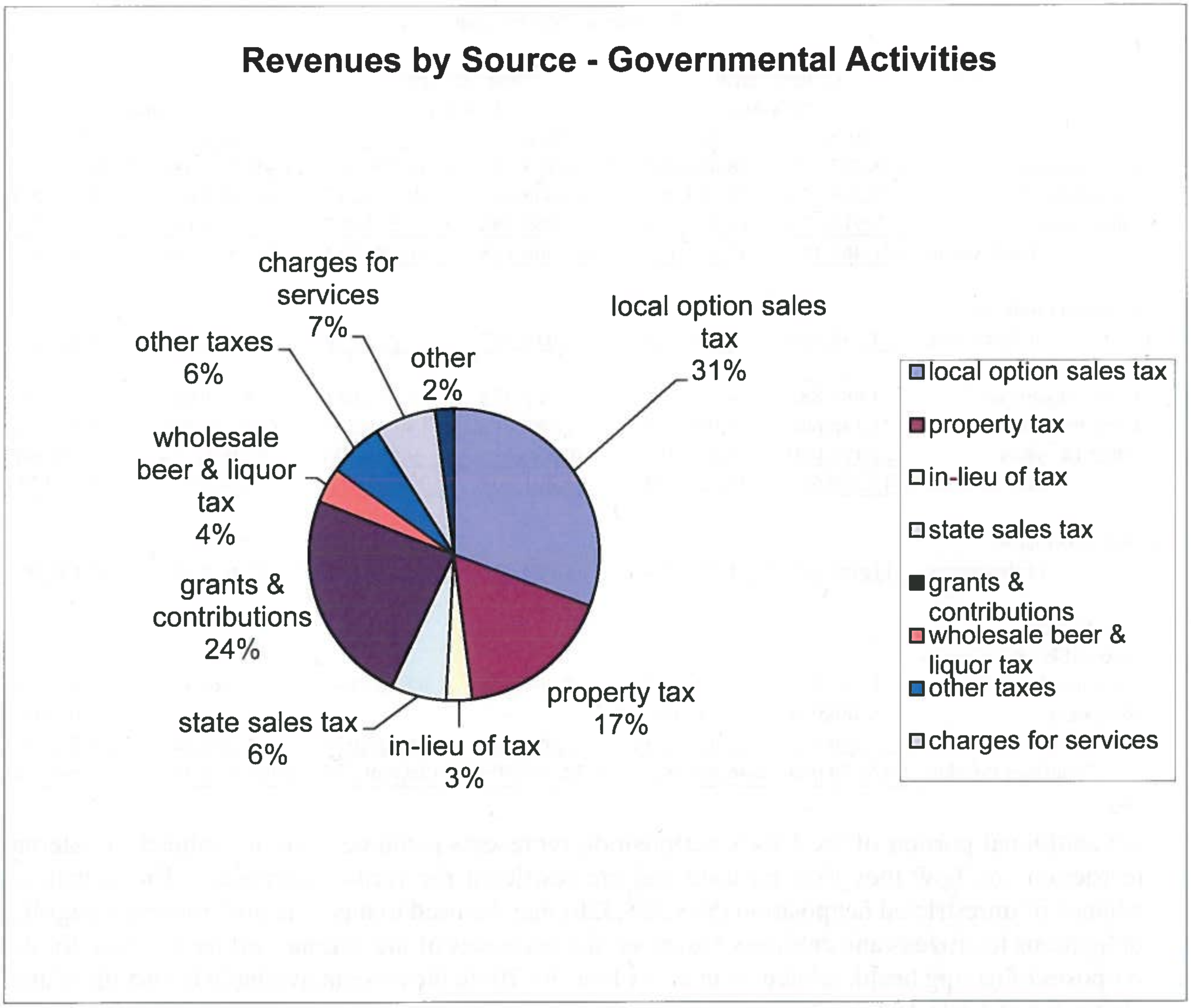
	Governmental Activities		Business-type Activites		Totals	
	2016	2015	2016	2015	2016	2015
Current Assets	$48,287,479	$38,084,705	$ 46,403,865	$ 48,500,419	$ 94,691,344	$ 86,585,124
Capital Assets	49,279,523	50,553,305	114,606,311	110,349,217	163,885,834	160,902,522
Other Assets	3,918,179	3,795,114	2,355,962	2,533,097	6,274,141	6,328,211
Total Assets:	101,485,181	92,433,124	163,366,138	161,382,733	264,851,319	253,815,857
Deferred Outflows of Resources:	4,738,599	2,080,776	2,014,457	923,318	6,753,056	3,004,094
Current Liabilities	4,985,882	4,949,724	9,225,954	9,767,081	14,211,836	14,716,805
Long-term Debt	21,138,666	13,988,334	11,088,619	14,141,735	32,227,285	28,130,069
Other Liabilities	21,175,089	17,183,297	10,886,635	9,599,590	32,061,724	26,782,887
Total Liabilities:	47,299,637	36,121,355	31,201,208	33,508,406	78,500,845	69,629,761
Deferred Inflows of Resources:	11,053,175	11,711,724	1,623,478	1,937,875	12,676,653	13,649,599
Net Position						
Invested in capital assets Net of related debt	31,115,917	35,094,967	100,464,576	92,807,134	131,580,493	127,902,101
Restricted	15,488,064	14,043,009	-	-	15,488,064	14,043,009
Unrestricted	1,266,987	(2,457,155)	32,091,333	34,052,636	33,358,320	31,595,481
Total Net Position:	$47,870,968	$46,680,821	$132,555,909	$126,859,770	$180,426,877	$173,540,591

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 ($33,358,320) 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, 2016, the amount available for health related claims was $2,803,104.

At June 30, 2016, 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 $1,190,147 for governmental activities and increased $5,696,139 for business-type activities. The City's overall financial position improved during the fiscal year 2016.

Governmental activities. Governmental activities increased the City of Cookeville's net position by $1,190,147 thereby accounting for 17 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, 2016.

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues						
Charges for services	$ 2,791,590	$ 3,062,757	$ 74,427,479	$ 79,765,716	$ 77,219,069	$ 82,828,473
Operating Grants & Contributions	1,289,191	1,501,506			1,289,191	1,501,506
Capital Grants & Contrib	8,459,661	9,959,164			8,459,661	9,959,164
General revenues						
Local option sales tax	12,518,652	11,729,943			12,518,652	11,729,943
Property tax	7,030,829	7,025,965			7,030,829	7,025,965
In-lieu of tax	1,164,238	1,151,933			1,164,238	1,151,933
State sales tax	2,506,658	2,345,700			2,506,658	2,345,700
Wholesale beer tax	1,136,016	1,154,088			1,136,016	1,154,088
Wholesale liquor tax	462,500	414,235			462,500	414,235
Other taxes	2,509,776	2,133,427			2,509,776	2,133,427
Other revenues	847,252	916,955	114,790	119,059	962,042	1,036,014
Transfers	(2,521,812)	1,603,721	2,521,812	(1,603,721)	-	-
Total Revenues	38,194,551	42,999,394	77,064,081	78,281,054	115,258,632	121,280,448
Expenses:						
General government	3,498,492	3,466,264			3,498,492	3,466,264
Economic development	4,877,778	11,132,632			4,877,778	11,132,632
Planning & codes	1,303,105	1,223,659			1,303,105	1,223,659
Public safety	13,533,798	13,277,002			13,533,798	13,277,002
Parks & maintenance	1,446,818	1,446,631			1,446,818	1,446,631
Public works	7,642,716	8,057,478			7,642,716	8,057,478
Culture & recreation	3,441,337	1,897,915			3,441,337	1,897,915
Community support	741,710	739,855			741,710	739,855
Interest on debt	518,650	396,909			518,650	396,909
Electric	-	-	49,172,549	51,058,146	49,172,549	51,058,146
Gas	-	-	8,587,658	10,715,841	8,587,658	10,715,841
Water Quality Control	-	-	13,607,735	11,724,339	13,607,735	11,724,339
Total Expenses	37,004,404	41,638,345	71,367,942	73,498,326	108,372,346	115,136,671
Change in Net Position	1,190,147	1,361,049	5,696,139	4,782,728	6,886,286	6,143,777
Beginning Net Position	46,680,821	45,319,772	126,859,770	122,077,042	173,540,591	167,396,814
Ending Net Position	$47,870,968	$46,680,821	$132,555,909	$126,859,770	$180,426,877	$173,540,591

Revenues and expenses decreased approximately 11% for the governmental activities. Economic Development expenses decreased $6,254,854 from the prior year. The City announced two major economic development initiatives in the prior year. Academy Sports and Outdoors has completed construction on a new 1.6 million square foot distribution center on a site in Cookeville. They are currently operating with approximately 400 new jobs with the final phase of operations/employment projected for early 2017. The company expects to hire 700 full-time equivalent employees by December 31, 2020. The City was awarded and received a FastTrack Economic Development Grant from the State of Tennessee and the City used the grant funds to reimburse the company for its initial land cost. The FastTrack grant revenue and expenditures were recognized in Fiscal Year 2016. FICOSA North America has just completed construction on a new facility at the Highlands Business Park. Grand opening is scheduled for October 2016. The automotive supplier is in operations start-up phase and will employ approximately 900 when complete. Pursuant to the Incentive Agreement with FICOSA, a financial incentive by the City of $1.25 million was required and expensed in fiscal year 2015.

Business-type activities. Business-type activities increased the City of Cookeville's net position by $5,696,139 accounting for 83 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.

The electric operations continue to be positive. Net assets increased by $1,674,952 with operating revenues of $51,911,840 and operating expenses of $49,068,597. Non-operating expenses totaled $33,815 and transfers to the general government were $1,134,476. The electric department receives power from TVA at five substation sites located throughout the city. These substation sites then distribute power to the electric department's customers. During the year the electric department continued work on a project at the South Substation with a fiscal year budget of $2,600,000. The electric department also completed a $112,000 Hunter Avenue distribution project. The department purchased a new SCADA system totaling $96,800. The department also started the process of changing out their radio system to a digital system with the intention of completing the changeover in fiscal year 2017.

Net assets increased $4,400,123 for the water/sewer department. Operating revenues were $14,118,166 and operating expenses were $13,414,021. The water/sewer department had non-operating expenses totaling $128,169 with this being primarily interest expense on long-term debt. Net transfers from the general government totaled $3,824,147. The City completed the water and sewer infrastructure in the Highlands Business Park, with the exception of a sewer line under Interstate 40 which will be completed by the end of 2016. The general government, as the developer, transferred $4,105,009 in infrastructure assets to the Water Quality Control department in the fiscal year. The department routinely performs leak surveys to locate water leaks in their distribution system and repairs them as soon as they are found. The department completed the installation of the water and sewer requirements to serve the Academy Sports project. The department completed construction on the Water Treatment Plant Lagoon Clean-Out Project. The department completed work on installing sanitary sewer lines in the southeast part of Cookeville. 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 several of the planned capital expansion costs while issuing as little debt as feasible. The department maintained the rate structure during the year and did not increase rates. 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 52.8% of the water sold by the department and accounts for approximately 38.3% of the water department's water sales revenue. The utility districts continue to repair water leaks within their systems. The utility districts increased the amount of water purchased from the department during the year. The department's water supply is from Center Hill Lake. The department is required to pay the Army Corps of Engineers for water storage rights in Center Hill Lake and for dam repairs currently ongoing. During fiscal year 2016, the department paid $1,499,719 to the Corps for a portion of the dam repair project. At June 30th, the amount due the Corps for water storage right was $1,919,060. 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 decreased by $307,750. Operating revenues were $8,397,473 and operating expenses were $8,572,351. Non-operating income totaled $34,987 and transfers to the general government were $167,859. 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 325 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 decreased 25.8% in fiscal year 2016 as compared to fiscal year 2015. Typically 75% of the annual gas usage comes from the winter months of November through March. The average temperature for the winter months in fiscal year 2016 was 49.4 degrees which was 7.2 degrees warmer than the previous year. Heating Degree Day (HDD) is a measurement designed to measure the demand for energy needed to heat a building. The HDD for the period November, 2015 through March, 2016 was 2,521 compared to 3,435 for the previous winter. Expenses decreased 19.9% in fiscal year 2016 which was related to the reduction in gas purchased for fiscal year 2016 and the purchase price of gas averaged a reduction of 6.5% during the winter consumption months. During the fiscal year, the department made the final payment on its outstanding debt and at June 30, 2016 had no debt.

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

Summary Comparison of Charges for Services for Fiscal Years 2016 and 2015

	FY 2016	FY 2015	Amount Change	% Change
Electric Department	$ 51,911,840	$ 54,132,753	$ (2,220,913)	-4.1%
Gas Department	8,397,473	11,316,093	(2,918,620)	-25.8%
Water Quality Control Department	14,118,166	14,316,870	(198,704)	-1.4%
Charges for Services-Business-type Activities	$ 74,427,479	$ 79,765,716	$ (5,338,237)	-6.7%

Summary Comparison of Expenses for Fiscal Years 2016 and 2015

	FY 2016	FY 2015	Amount Change	% Change
Electric Department	$ 49,172,549	$ 51,058,146	$ (1,885,597)	-3.7%
Gas Department	8,587,658	10,715,841	(2,128,183)	-19.9%
Water Quality Control Department	13,607,735	11,724,339	1,883,396	16.1%
Expenses-Business-type Activities	$ 71,367,942	$ 73,498,326	$ (2,130,384)	-2.9%

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, 2016, the City of Cookeville's governmental funds reported combined ending fund balances of $35,702,544, an increase of $10,631,809 in comparison to prior year. There is $7,014,679 in restricted fund balances which must be used for specific purposes: $966,807 restricted for street maintenance, $133,989 restricted for police drug enforcement programs, $524,156 restricted for sanitation operations and $5,389,727 restricted for capital projects. There is $10,255,731 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, 2016, the unassigned fund balance of the general fund was $14,871,395 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 61 percent of total general fund expenditures during fiscal year 2016.

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% of the general fund revenues. The sales tax collections for fiscal year 2016 were $12,518,652 which is the highest amount ever collected by the city. This was a 7% or $788,709 increase from June 2015 to June 2016. The City continues to budget conservatively assuming sales tax collections will grow, but at modest amounts. The city's total property tax rate for fiscal year 2016 (2015 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 $6,169,539 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 debt service fund has a total fund balance of $10,255,731, all of which is committed for the payment of principal and interest on outstanding debt. $.06 cents of the city property tax rate along with the city's share of state sales tax is allocated to the debt service fund. Property tax and state sales tax totaled $2,977,797 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 fiscal year 2016. 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 $1,187,471. Interest rates were much lower than budgeted on the City's variable rate debt. Interest rates were budgeted at 5% and the actual rates were closer to 1%. In 2010, the city issued $7.2 million in G.O. Taxable Build America Bonds to finance the City's half of the Highlands Industrial/Business Park. These bonds are scheduled to receive a subsidy from the U.S. Treasury equal to 35% of the interest payments due on the bonds. However, as a result of Congressional sequestration of federal funds, the historical 35% interest rate subsidy was reduced by 6.9% for the interest payments made in fiscal year 2016. Future subsidies are expected to be reduced by 6.9%. 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. In fiscal year 2016, general obligation bonds were issued in the amount of $9,815,000. Proceeds are being used to finance new road construction.

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 of 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 November, 2015 in the amount of $9,815,000. The proceeds are for the costs incurred in the extension of Bennett Road north from I-40 to Highway 70. The City issued General Obligation Bonds in December 2013. The proceeds were for various projects. Some final improvements to Dogwood Park remain to be completed. As of June 30, 2016, unspent bond proceeds totaled $5,389,727.

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, 2016 was $49,279,523 and $114,606,311 respectively. The net investment decreased 2.5% for governmental and increased about 4% for business-type activities.

This year's major capital asset additions included:

- Bennett Road extension project as construction in progress, being paid for with bond proceeds and grants through the Tennessee Department of Transportation. $3,989,000
- The Heart of the City Playground was donated to the City in December 2015. $493,000
- Water & Sewer infrastructure at the Highlands Industrial/Business Park was completed, financed by general obligation bond issues with City as the developer. These assets were transferred from the governmental funds to the proprietary funds. $4,106,000
- Completion of the project to install sanitary sewer lines in the southeast part of Cookeville. $1,297,000
- Completion of the cured in place project in the TTU watershed area. $1,023,000
- Electric south substation on-going project. $2,306.000

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

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Amount Change	% Change
	2016	2015		
Non-depreciable assets:				
Land	$ 10,494,338	$ 10,372,587	$ 121,751	1.2%
Construction in progress	3,941,376	3,783,562	157,814	4.2%
Depreciable assets:				
Buildings	9,236,224	9,268,657	(32,433)	-0.3%
Improvements	1,484,096	1,083,748	400,348	36.9%
Vehicles	1,082,151	1,430,240	(348,089)	-24.3%
Machinery & equipment	678,890	686,710	(7,820)	-1.1%
Software	-	4,166	(4,166)	-100.0%
Easement	26,313	-	26,313	
Infrastructure	22,336,135	23,923,635	(1,587,500)	-6.6%
Total	$ 49,279,523	$ 50,553,305	$ (1,273,782)	-2.5%

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Business-type Activities		Amount Change	% Change
	2016	2015		
Non-depreciable assets:				
Land	$ 3,857,353	$ 3,857,353	$ -	0.0%
Construction in progress	3,633,660	2,291,609	1,342,051	58.6%
Depreciable assets:				
Building & Improvements	2,145,505	2,255,840	(110,335)	-4.9%
Plant & distribution systems	90,636,414	87,202,905	3,433,509	3.9%
Machinery & equipment	4,863,606	4,518,284	345,322	7.6%
Furniture & equipment	113,798	38,566	75,232	195.1%
Plant acquisition adjustment	9,355,975	10,184,660	(828,685)	-8.1%
Total	$ 114,606,311	$ 110,349,217	$ 4,257,094	3.9%

Long-term Liabilities. At the end of the fiscal year, the Primary Government had total long-term liabilities of $41,549,410. Of this amount, $24,453,103 relates to governmental activities while the remaining $17,096,307 relates to business type activities. Of the $24,453,103 of long-term liabilities of governmental activities, $23,553,333 was debt related to a bond or note issuance and is backed by the full faith and credit of the City of Cookeville. In November 2015, the City issued $9,815,000 in general obligation bonds. The proceeds are being used to construct a new road mentioned earlier that will connect Highway 70 to a new I40 interchange being constructed by TDOT. The bonds had interest rates ranging from 2.0% to 2.75% over the life of the issue and mature June 1, 2031. The bonds were rated by Moody's Investors Service as Aa3 and were sold at a premium in the amount of $184,550.

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Bonds & notes payable	$ 23,553,333	$ 15,846,000	$ 14,141,735	$ 17,542,083	$ 37,695,068	$ 33,388,083
Compensated Absences	899,770	1,012,160	403,425	402,520	1,303,195	1,414,680
Other debt	-	-	2,551,147	2,723,619	2,551,147	2,723,619
	24,453,103	16,858,160	17,096,307	20,668,222	41,549,410	37,526,382
Less:						
Amounts due within one year	(2,414,667)	(1,857,666)	(3,142,238)	(3,486,979)	(5,556,905)	(5,344,645)
Total Long term liabilities	$ 22,038,436	$ 15,000,494	$ 13,954,069	$ 17,181,243	$ 35,992,505	$ 32,181,737

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 Authority, a 247-bed acute care hospital providing quality care to the 14 county Upper Cumberland region.

The city's current population is 31,154 but it is the regional center for employment, shopping, dining, education, health care and recreational/cultural activities for the approximately 200,000 people that live in the surrounding counties. The city, county and chamber of commerce are actively recruiting new industry and commercial growth for the Upper Cumberland Area. The unemployment rate for Putnam County improved from 6.8% in June 2015 to 5.4% in June 2016.

The City has partnered with Putnam County and purchased approximately 350 acres along Interstate 40 to develop the Highlands Industrial/Business Park. Construction has been completed on the infrastructure to include roads, sidewalks, and utilities. The first occupant of the Business Park, FICOSA, an automotive supplier, has invested $58 million in a newly completed facility and will be employing 900 people when operations are fully implemented in the coming year. The City and County are efforting to bring additional occupants to the Highlands Industrial/Business Park in the next fiscal year.

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 is anticipated that this interchange will be completed in late 2017. As mentioned previously, Academy Sports and Outdoors has located a new distribution facility in Cookeville. The new interchange was a critical component in Academy's decision to locate in Cookeville. The new interchange will also serve the Highlands Industrial/Business Park. Also, as part of the interchange project, the City is constructing a new 2.75 mile road that will connect Interstate 40 to Highway 70. The construction of this road (Bennett Road) is being funded by a City bond issue and a $4 million local interstate connector grant from the State of Tennessee.

All of these factors were considered in adopting the general fund budget for fiscal year 2017. The City has budgeted a 2.2% increase in revenues and a 1% increase in operating expenditures for fiscal year 2017 over the 2016 budget.

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, 2016

	Primary Government			Component Units		Total Reporting Entity
	Governmental Activities	Business- Type Activities	Total	CRMC*	PBA	
Assets						
Current assets:						
Cash	$ 28,046,698	$ 24,189,012	$ 52,235,710	$ 38,264,178	$ 106,736	$ 90,606,624
Sinking fund cash	-	762,697	762,697	-	-	762,697
Temporary cash investments	7,845,481	9,709,896	17,555,377	282	-	17,555,659
Accounts receivable, net of allowance	139,263	8,646,157	8,785,420	27,681,579	6,395	36,473,394
Taxes receivable, net of allowance	7,129,748	-	7,129,748	-	-	7,129,748
Other receivables	4,921,516	-	4,921,516	1,005,697	-	5,927,213
Due from other funds	20,699	(20,699)	-	-	-	-
Inventories	-	1,936,443	1,936,443	8,283,907	-	10,220,350
Prepaid expenses and other current assets	184,074	1,180,359	1,364,433	4,490,899	792	5,856,124
Total current assets	48,287,479	46,403,865	94,691,344	79,726,542	113,923	174,531,809
Noncurrent assets:						
Notes receivable, net of allowance	-	630,947	630,947	-	-	630,947
Water storage rights	-	1,690,126	1,690,126	-	-	1,690,126
Equity interest in joint venture	3,918,179	-	3,918,179	932,552	-	4,850,731
Long-term investments	-	-	-	14,463,323	-	14,463,323
Net pension asset	-	-	-	10,278,101	-	10,278,101
Other assets	-	34,889	34,889	10,839,408	-	10,874,297
Capital assets:						
Land and construction in progress	14,435,714	7,491,013	21,926,727	17,049,644	-	38,976,371
Other capital assets, net of accumulated depreciatior	34,843,809	107,115,298	141,959,107	149,965,201	105,285	292,029,593
Total noncurrent assets	53,197,702	116,962,273	170,159,975	203,528,229	105,285	373,793,489
Total assets	101,485,181	163,366,138	264,851,319	283,254,771	219,208	548,325,298
Deferred Outflows of Resources						
Interest rate swap	-	-	-	541,008	-	541,008
Pension outflows	4,738,599	2,014,457	6,753,056	6,137,746	-	12,890,802
Total deferred outflows of resources	4,738,599	2,014,457	6,753,056	6,678,754	-	13,431,810
Liabilities						
Current liabilities:						
Accounts payable	1,726,625	5,927,791	7,654,416	6,802,580	28,513	14,485,509
Health claims payable	271,787	-	271,787	-	-	271,787
Current portion of long-term debt	2,414,667	3,053,116	5,467,783	3,383,825	-	8,851,608
Current portion of water storage rights payable	-	89,122	89,122	-	-	89,122
Accrued expenses	497,183	55,415	552,598	12,962,195	6,600	13,521,393
Deferred revenue	75,620	45,333	120,953	-	-	120,953
Estimated amounts due to third-party payors	-	-	-	5,196,434	-	5,196,434
Other current liabilities	-	55,177	55,177	-	45,539	100,716
Total current liabilities	4,985,882	9,225,954	14,211,836	28,345,034	80,652	42,637,522
Noncurrent liabilities:						
Compensated absences	899,770	403,425	1,303,195	-	-	1,303,195
TVA heat pump notes payable	-	632,087	632,087	-	-	632,087
Water storage rights payable	-	1,829,938	1,829,938	-	-	1,829,938
Net other post-employment liability	10,814,721	4,000,765	14,815,486	-	-	14,815,486
Net pension liability	8,735,969	3,580,961	12,316,930	-	-	12,316,930
Other non-current liabilities	724,629	439,459	1,164,088	-	-	1,164,088
Long-term debt, less current portion	21,138,666	11,088,619	32,227,285	72,095,000	-	104,322,285
Interest rate swap, at fair value	-	-	-	541,008	-	541,008
Total noncurrent liabilities	42,313,755	21,975,254	64,289,009	72,636,008	-	136,925,017
Total liabilities	47,299,637	31,201,208	78,500,845	100,981,042	80,652	179,562,539
Deferred Inflows of Resources						
Pension inflows	3,963,524	1,623,478	5,587,002	9,101,734	-	14,688,736
Unavailable property taxes	7,089,651	-	7,089,651	-	-	7,089,651
Total deferred inflows of resources	11,053,175	1,623,478	12,676,653	9,101,734	-	21,778,387
Net position						
Net investment in capital assets	31,115,917	100,464,576	131,580,493	91,536,020	105,285	223,221,798
Restricted for:						
Drug Fund	133,989	-	133,989	-	-	133,989
Highways and streets	966,807	-	966,807	-	-	966,807
Debt service	9,944,933	-	9,944,933	-	-	9,944,933
Sanitation	524,156	-	524,156	-	-	524,156
Equity interest in joint venture	3,918,179	-	3,918,179	10,278,101	-	14,196,280
Unrestricted	1,266,987	32,091,333	33,358,320	78,036,628	33,271	111,428,219
Total net position	$ 47,870,968	$ 132,555,909	$ 180,426,877	$ 179,850,749	$ 138,556	$ 360,416,182

*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, 2016

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Function/program activities					
Primary government:					
Governmental activities:					
General government	$ 3,498,492	$ 132,824	$ 7,963		$ (3,357,705)
Economic development	4,877,778	-	17,154	$ 4,827,500	(33,124)
Planning and codes	1,303,105	388,998	-	-	(914,107)
Public safety	13,533,798	436,129	300,690	-	(12,796,979)
Parks & maintenance	1,446,818	-	-	-	(1,446,818)
Public works	7,642,716	1,558,918	954,041	1,785,713	(3,344,044)
Culture and recreation	3,441,337	274,721	9,343	1,846,448	(1,310,825)
Community support	741,710	-	-	-	(741,710)
Interest on long-term debt	518,650	-	-	-	(518,650)
Total governmental activities	37,004,404	2,791,590	1,289,191	8,459,661	(24,463,962)
Business-type activities:					
Electric	49,172,549	51,911,840	-	-	2,739,291
Gas	8,587,658	8,397,473	-	-	(190,185)
Water quality control	13,607,735	14,118,166	-	-	510,431
Total business-type activities	71,367,942	74,427,479	-	-	3,059,537
Total primary government	$ 108,372,346	$ 77,219,069	$ 1,289,191	$ 8,459,661	$ (21,404,425)
Component units:					
CRMC*	$ 281,407,605	$ 284,561,336			$ 3,153,731
PBA	181,646	221,392			39,746
Total component units	$ 281,589,251	$ 284,782,728			$ 3,193,477

*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, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	CRMC*	PBA
Change in net position:					
Net (expense) revenue	$ (24,463,962)	$ 3,059,537	$ (21,404,425)	$ 3,153,731	$ 39,746
General revenues:					
Taxes:					
Property tax	7,030,829	-	7,030,829	-	-
In lieu of tax	1,164,238	-	1,164,238	-	-
Business tax	1,419,973	-	1,419,973	-	-
State sales tax	2,506,658	-	2,506,658	-	-
Franchise tax	301,192	-	301,192	-	-
Local option sales tax	12,518,652	-	12,518,652	-	-
Wholesale beer tax	1,136,016	-	1,136,016	-	-
Wholesale liquor tax	462,500	-	462,500	-	-
State income tax	525,414	-	525,414	-	-
Mixed drink tax	166,209	-	166,209	-	-
Other taxes	96,988	-	96,988	-	-
Interest revenue	81,659	114,790	196,449	-	5
Investment income	123,065	-	123,065	327,997	-
Gain (loss) on sale of assets	112,127	-	112,127	(94,179)	456
Federal subsidy	72,269	-	72,269	-	-
Other, net	458,132	-	458,132	235,562	-
Transfers	(2,521,812)	2,521,812	-	-	-
Total general revenues	25,654,109	2,636,602	28,290,711	469,380	461
Change in net position	1,190,147	5,696,139	6,886,286	3,623,111	40,207
Net position - beginning	46,680,821	126,859,770	173,540,591	176,227,638	98,349
Net position - ending	$ 47,870,968	$ 132,555,909	$ 180,426,877	$ 179,850,749	$ 138,556

*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, 2016

Assets	**General**	**Debt Service**	**Capital Projects**	**Other Governmental Funds**	**Total Governmental Funds**
Cash	$ 11,360,672	$ 6,949,910	$ 6,385,608	$ 2,306,511	$ 27,002,701
Temporary cash investments	2,384,136	3,089,810	4	519,461	5,993,411
Accounts receivable	-	-	-	140,049	140,049
Taxes receivable	6,513,143	340,889	-	767,000	7,621,032
Other receivables	2,012,999	211,963	1,699,503	806,637	4,731,102
Less: allowance for bad debts	(473,448)	(5,488)	-	(13,134)	(492,070)
Due from other funds	862,557	4,088	-	2,490	869,135
Prepaid expenses	7,185	-	-	176,592	183,777
Total assets	$ 22,667,244	$ 10,591,172	$ 8,085,115	$ 4,705,606	$ 46,049,137
Liabilities					
Accounts payable	$ 1,075,083	$ 40	$ 421,299	$ 228,316	$ 1,724,738
Accrued expenses	456,042	-	-	-	456,042
Due to other funds	7,449	-	-	548,121	555,570
Unearned revenue	-	-	10,000	55,620	65,620
Other liabilities	250,492	-	-	204,480	454,972
Total liabilities	1,789,066	40	431,299	1,036,537	3,256,942
Deferred Inflows of Resources					
Unavailable property taxes	5,999,598	335,401	-	754,652	7,089,651
Total deferred inflows of resources	5,999,598	335,401	-	754,652	7,089,651
Fund Balances					
Nonspendable	7,185	-	-	176,592	183,777
Restricted	-	-	5,389,727	1,624,952	7,014,679
Committed	-	10,255,731	-	1,112,873	11,368,604
Unassigned	14,871,395	-	2,264,089	-	17,135,484
Total fund balances	14,878,580	10,255,731	7,653,816	2,914,417	35,702,544
Total liabilities, deferred inflows of resources and fund balances	$ 22,667,244	$ 10,591,172	$ 8,085,115	$ 4,705,606	$ 46,049,137

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, 2016

Total fund balance - total governmental funds		$ 35,702,544
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	93,397,946	
Less: accumulated depreciation	(44,118,423)	49,279,523
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Equity interest in joint venture		3,918,179
Interest payable is not payable from current financial resources and therefore is not reported in the governmental funds.		(41,141)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Governmental bonds payable	(18,195,000)	
Governmental notes payable	(5,358,333)	
Unamortized bond premium	(269,657)	
Net pension liability	(8,735,969)	
Net other post-employment liability	(10,814,721)	
Compensated absences	(899,770)	(44,273,450)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		
Add: deferred outflows of resources related to pensions	4,738,599	
Less: deferred inflows of resources related to pensions	(3,963,524)	775,075
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.		2,510,238
Net position of governmental activities		$ 47,870,968

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, 2016

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 22,472,110	$ 1,171,139		$ 390,151	$ 24,033,400
Licenses and permits	457,066	-		-	457,066
Intergovernmental	1,061,806	2,578,927	$ 1,785,713	7,138,536	12,564,982
Charges for services	294,030	-	-	1,606,958	1,900,988
Fines, forfeitures and penalties	294,926	-	-	92,463	387,389
Rent	19,975	26,172	-	-	46,147
Interest	39,565	31,657	1,292	9,145	81,659
Other	566,785	-	-	63,465	630,250
Total revenues	25,206,263	3,807,895	1,787,005	9,300,718	40,101,881
Expenditures:					
Current					
General government	3,017,083	-	129	-	3,017,212
Economic development	-	-	-	4,877,778	4,877,778
Public safety	12,747,015	-	-	269,411	13,016,426
Planning and codes	1,266,616	-	-	-	1,266,616
Parks and maintenance	1,380,188	-	-	-	1,380,188
Public works	2,996,999	-	506,566	2,138,311	5,641,876
Culture and recreation	1,654,996	-	-	1,510,090	3,165,086
Community support	736,710	-	-	5,000	741,710
Capital outlay	645,087	-	4,047,771	627,610	5,320,468
Debt service	-	2,620,424	127,854	-	2,748,278
Total expenditures	24,444,694	2,620,424	4,682,320	9,428,200	41,175,638
Excess (deficiency) of revenues over (under) expenditures	761,569	1,187,471	(2,895,315)	(127,482)	(1,073,757)
Other financing sources (uses):					
Interfund transfers in	1,690,621	-	-	80,000	1,770,621
Interfund transfers (out)	(80,000)	-	-	(107,424)	(187,424)
Proceeds of bonds and notes	-	-	9,815,000	-	9,815,000
Premium on issuance of debt	-	-	184,550	-	184,550
Insurance recoveries	10,692	-	-	-	10,692
Sale of assets	110,110	-	-	2,017	112,127
Net other financing sources	1,731,423	-	9,999,550	(25,407)	11,705,566
Net change in fund balances	2,492,992	1,187,471	7,104,235	(152,889)	10,631,809
Fund balances, July 1, 2015	12,385,588	9,068,260	549,581	3,067,306	25,070,735
Fund balances, June 30, 2016	$ 14,878,580	$ 10,255,731	$ 7,653,816	$ 2,914,417	$ 35,702,544

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, 2016

Net change in fund balances - total governmental funds		$ 10,631,809
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Expenditures for capital assets	5,138,789	
Less: current year depreciation	(2,800,298)	2,338,491
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, contributions and transfers) is to decrease net assets.		(3,612,273)
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	(9,815,000)	
Principal payments	2,107,667	(7,707,333)
Governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement activities for:		
Bond premium additions	(184,550)	
Less: current year amortization	13,038	(171,512)
Some items reported in the statement of activities do not provide/require current financial resources and therefore are not reported as revenues/expenses in governmental funds.		
Equity in current year earnings of joint venture		123,065
Change in accrued interest on long-term debt		(15,215)
Change in net other post-employment liability		(1,534,867)
Change in accrued compensated absences		112,390
Change in net pension liability		1,191,693
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.		(166,101)
Change in net position of governmental activities		$ 1,190,147

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

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Business-type Activities/Enterprise Funds				
	Cookeville Electric Department	Cookeville Gas Department	Cookeville Water Quality Control Department	Totals	Governmental Activities Internal Service Fund
Assets and Deferred Outflows of Resources					
Current assets:					
Cash	$ 7,855,897	$ 9,255,354	$ 7,077,761	$ 24,189,012	$ 1,043,997
Sinking fund cash	762,697	-	-	762,697	-
Temporary cash investments	2,683,865	4,338,571	2,687,460	9,709,896	1,852,070
Accounts receivable, net of allowance	6,317,694	515,621	1,812,842	8,646,157	-
Deposits with TDOT	-	143,550	633,907	777,457	-
Inventory of material and supplies	830,370	571,782	534,291	1,936,443	-
Due from other funds	87,781	-	-	87,781	-
Prepaid expenses and other current assets	397,340	3,061	2,501	402,902	190,711
Total current assets	18,935,644	14,827,939	12,748,762	46,512,345	3,086,778
Noncurrent assets:					
Capital assets, non-depreciable	3,911,454	1,437,133	2,142,426	7,491,013	
Capital assets, depreciable	63,550,070	21,127,316	114,632,761	199,310,147	
Less: accumulated depreciation	(21,576,749)	(13,584,600)	(57,033,500)	(92,194,849)	
	45,884,775	8,979,849	59,741,687	114,606,311	
Notes receivable	630,947	-	-	630,947	
Water storage rights	-	-	1,690,126	1,690,126	
Other assets	34,889	-	-	34,889	
Total noncurrent assets	46,550,611	8,979,849	61,431,813	116,962,273	
Deferred outflows of resources:					
Pension outflow	904,416	280,470	829,571	2,014,457	
Total deferred outflows of resources	904,416	280,470	829,571	2,014,457	
Total assets and deferred outflows of resources	$ 66,390,671	$ 24,088,258	$ 75,010,146	$ 165,489,075	$ 3,086,778
Liabilities, Deferred Inflows of Resources and Net Position					
Current liabilities:					
Accounts payable	$ 5,208,255	$ 427,139	$ 292,397	$ 5,927,791	$ 1,887
Health claims payable	-	-	-	-	271,787
Due to other funds	226,271	116,666	58,409	401,346	-
Current portion of long-term debt	1,636,000	-	1,417,116	3,053,116	-
Current portion of water storage rights payable	-	-	89,122	89,122	-
Accrued expenses	16,046	-	39,369	55,415	-
Unearned revenue	-	45,333	-	45,333	10,000
Other current liabilities	11,062	9,014	35,101	55,177	-
Total current liabilities	7,097,634	598,152	1,931,514	9,627,300	283,674
Noncurrent liabilities:					
Compensated absences	158,967	66,008	178,450	403,425	
TVA heat pump notes payable	632,087	-	-	632,087	
Water storage rights payable	-	-	1,829,938	1,829,938	
Net other post-retirement liability	1,516,195	578,432	1,906,138	4,000,765	
Net pension liability	1,667,996	436,839	1,476,126	3,580,961	
Long-term debt, less current portion	7,160,000	-	3,928,619	11,088,619	
Other non-current liabilities	381,459	58,000	-	439,459	
Total noncurrent liabilities	11,516,704	1,139,279	9,319,271	21,975,254	
Deferred inflows of resources:					
Pension inflow	756,623	197,466	669,389	1,623,478	
Total deferred inflows of resources	756,623	197,466	669,389	1,623,478	
Total liabilities and deferred inflows of resources	19,370,961	1,934,897	11,920,174	33,226,032	283,674
Net position:					
Net investment in capital assets	37,088,775	8,979,849	54,395,952	100,464,576	-
Unrestricted	9,930,935	13,173,512	8,694,020	31,798,467	2,803,104
Total net position	47,019,710	22,153,361	63,089,972	132,263,043	2,803,104
Total liabilities, deferred inflows, and net position	$ 66,390,671	$ 24,088,258	$ 75,010,146	$ 165,489,075	$ 3,086,778

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, 2016

	Business-type Activities/Enterprise Funds				
	Cookeville Electric Department	Cookeville Gas Department	Cookeville Water Quality Control Department	Totals	Governmental Activities Internal Service Fund
Operating revenues:					
Charges for services	$ 50,893,115	$ 8,165,641	$ 13,557,685	$ 72,616,441	$ 4,552,998
Other operating revenue	1,018,725	231,832	560,481	1,811,038	57,784
Total operating revenues	51,911,840	8,397,473	14,118,166	74,427,479	4,610,782
Operating expenses:					
Purchased utilities	41,109,157	6,106,289	-	47,215,446	-
Operating expenses	2,863,335	976,415	4,524,883	8,364,633	-
Maintenance expenses	930,325	70,653	629,720	1,630,698	-
Depreciation and amortization	2,847,675	692,408	3,130,381	6,670,464	-
Utilities	-	-	1,789,955	1,789,955	-
Administrative and general expenses	972,282	726,586	3,339,082	5,037,950	572,420
Health claims	-	-	-	-	4,283,475
Facilities rental	345,823	-	-	345,823	-
Total operating expenses	49,068,597	8,572,351	13,414,021	71,054,969	4,855,895
Operating income	2,843,243	(174,878)	704,145	3,372,510	(245,113)
Nonoperating revenues (expenses):					
Interest revenue	40,239	38,904	35,647	114,790	7,826
Interest expense	(74,054)	(3,917)	(163,816)	(241,787)	-
Total nonoperating revenues (expenses)	(33,815)	34,987	(128,169)	(126,997)	7,826
Capital asset transfer	-	-	4,105,009	4,105,009	
Interfund transfers (out)	(1,134,476)	(167,859)	(280,862)	(1,583,197)	-
Income before contributions	1,674,952	(307,750)	4,400,123	5,767,325	(237,287)
Capital contributions	-	-	-	-	-
Change in net position	1,674,952	(307,750)	4,400,123	5,767,325	(237,287)
Total net position, July 1, 2015	45,344,758	22,461,111	58,689,849	126,495,718	3,040,391
Total net position, June 30, 2016	$ 47,019,710	$ 22,153,361	$ 63,089,972	$ 132,263,043	$ 2,803,104

Reconciliation of changes in net position to statement of activities:

Total changes in net position of business-type activities	$ 5,767,325
Net income (loss) of internal service fund related to business-type activities	(71,186)
Changes in business-type net position included in the statement of activities	$ 5,696,139

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, 2016

	Business-type Activities/Enterprise Funds				Governmental Activities Internal Service Fund
	Cookeville Electric Department	Cookeville Gas Department	Cookeville Water Quality Control Department	Totals	
Cash flows from operating activities:					
Cash receipts from customers	$ 50,788,740	$ 8,117,315	$ 13,443,837	$ 72,349,892	$ 4,552,998
Cash receipts from customer service charges	534,726	145,666	562,971	1,243,363	-
Other operating cash receipts	584,745	77,940	-	662,685	57,784
Cash payments to suppliers of goods and services	(40,803,896)	(5,840,036)	-	(46,643,932)	-
Cash payments to employees for services	(2,419,499)	(823,897)	(971,588)	(4,214,984)	-
Cash payments for interfund services used	(479,972)	(326,103)	(620,085)	(1,426,160)	-
Cash payments for maintenance expenses	(871,465)	(70,653)	(629,720)	(1,571,838)	-
Cash payments for claims	-	-	-	-	(4,452,294)
Utilities and other operating cash payments	(1,299,454)	(549,723)	(8,211,708)	(10,060,885)	(572,419)
Net cash provided by (used in) operating activities	6,033,925	730,509	3,573,707	10,338,141	(413,931)
Cash flows from noncapital financing activities:					
Interfund transfers (out)	(1,134,476)	(167,859)	(280,862)	(1,583,197)	-
Net cash (used in) noncapital financing activities	(1,134,476)	(167,859)	(280,862)	(1,583,197)	-
Cash flows from capital and related financing activities:					
Proceeds from sale of assets	-	8,225	-	8,225	-
Cash payments for interest	(74,539)	(4,903)	(166,144)	(245,586)	-
Reduction of long-term debt	(1,613,000)	(425,000)	(1,448,979)	(3,486,979)	-
Acquisition and construction of capital assets	(4,267,147)	(316,141)	(2,718,474)	(7,301,762)	-
Other capital asset adjustments	573,108	-	-	573,108	-
Net cash (used in) capital and related financing activities	(5,381,578)	(737,819)	(4,333,597)	(10,452,994)	-
Cash flows from investing activities:					
(Increase) decrease in temporary cash investments	(62,397)	(9,926)	951,034	878,711	(4,319)
Cash receipts from interest	40,240	37,847	34,766	112,853	7,836
Net cash provided by (used in) investing activities	(22,157)	27,921	985,800	991,564	3,517
Net increase (decrease) in cash and cash equivalents	(504,286)	(147,248)	(54,952)	(706,486)	(410,414)
Cash and cash equivalents, July 1, 2015	9,122,880	9,402,602	7,132,713	25,658,195	1,454,411
Cash and cash equivalents, June 30, 2016	$ 8,618,594	$ 9,255,354	$ 7,077,761	$ 24,951,709	$ 1,043,997
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	$ 2,843,243	$ (174,878)	$ 704,145	$ 3,372,510	$ (245,113)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	2,847,675	692,408	3,130,381	6,670,464	-
(Gain) on asset disposal	-	(8,225)	-	(8,225)	-
(Increase) decrease in accounts receivable	96,324	(47,041)	(54,222)	(4,939)	-
Decrease in due from other funds	35,866	-	-	35,866	-
Decrease in inventory of material and supplies	119,064	343,903	16,895	479,862	-
(Increase) in prepaid expenses and other current assets	(34,326)	-	-	(34,326)	-
Decrease in other assets	4,178	-	-	4,178	-
(Increase) in deferred outflows	(484,827)	(153,983)	(452,329)	(1,091,139)	-
(Increase) decrease in other receivables	79,061	-	-	79,061	(190,414)
Increase (decrease) in accounts payable	151,917	(78,002)	(251,054)	(177,139)	599
Increase in net pension	431,820	119,892	384,459	936,171	-
Increase in health claims payable	-	-	-	-	20,997
(Decrease) in TVA notes payable	(85,841)	-	-	(85,841)	-
Increase (decrease) in accrued expenses and compensated absences	(590)	7,851	(21,805)	(14,544)	-
Increase in net other post-retirement liability	184,628	81,368	233,889	499,885	-
Increase (decrease) in due to other funds	(11,573)	(36,619)	13,839	(34,353)	-
(Decrease) in deferred inflows	(149,141)	(34,765)	(130,491)	(314,397)	-
Increase in other non-current liabilities	6,447	18,600	-	25,047	-
Net cash provided by (used in) operating activities	$ 6,033,925	$ 730,509	$ 3,573,707	$ 10,338,141	$ (413,931)

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, 2016

	Original Budget	Final Budget	Actual	Variance-Favorable (Unfavorable)
Revenues:				
Taxes :				
Property taxes current	$ 5,798,934	$ 5,838,934	$ 5,960,052	$ 121,118
Property taxes delinquent	202,063	202,063	159,454	(42,609)
Property taxes penalty & interest	48,586	48,586	50,033	1,447
In lieu of tax- CHA	40,000	40,000	50,814	10,814
In lieu of tax- Laurel Creek	600	600	703	103
In lieu of tax- Russell Stover	46,000	46,000	46,406	406
In lieu of tax- Academy LTD	-	-	722	722
In lieu of tax- TVA	360,000	360,000	365,593	5,593
Local option sales tax	11,913,442	12,313,442	12,518,652	205,210
Wholesale beer tax	1,125,000	1,125,000	1,136,016	11,016
Wholesale liquor tax	325,000	325,000	462,500	137,500
Business tax	1,111,950	1,111,950	1,419,973	308,023
Cable TV Franchise tax	285,000	285,000	301,192	16,192
Total taxes	21,256,575	21,696,575	22,472,110	775,535
Licenses and permits:				
Beer permits	6,170	6,170	6,883	713
Beer license	12,309	12,309	12,004	(305)
Liquor license	38,033	38,033	28,635	(9,398)
Building permits	190,000	190,000	197,232	7,232
Electrical permits	57,000	57,000	52,515	(4,485)
Plumbing permits	19,000	19,000	34,005	15,005
Mechanical permits	24,700	24,700	32,990	8,290
Plan review fees	43,700	43,700	49,508	5,808
Fireworks permits	11,833	11,833	13,600	1,767
Miscellaneous permits	21,817	21,817	29,694	7,877
Total licenses and permits	424,562	424,562	457,066	32,504
Intergovernmental:				
State excise tax	45,000	45,000	79,161	34,161
State income tax	430,000	460,000	525,414	65,414
State beer tax	15,000	15,000	15,212	212
Mixed drink tax	155,000	155,000	166,209	11,209
Gasoline inspection fee	61,015	61,015	63,381	2,366
Telecommunications sales tax	3,000	3,000	2,615	(385)
Training supplement	72,600	72,600	72,000	(600)
Grants-other	62,050	150,050	137,814	(12,236)
Total intergovernmental	843,665	961,665	1,061,806	100,141
Charges for services:				
Clerk's fee	12,323	12,323	18,609	6,286
Recreation concessions	56,981	56,981	50,528	(6,453)
Recreational rentals/admissions	125,026	125,026	144,758	19,732
Daycamp fees	56,209	56,209	79,335	23,126
Miscellaneous	845	845	800	(45)
Total charges for services	$ 251,384	$ 251,384	$ 294,030	$ 42,646

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, 2016

	Original Budget	Final Budget	Actual	Variance-Favorable (Unfavorable)
Revenues:				
Fines, forfeitures and penalties:				
Court fines and fees	$ 335,151	$ 335,151	$ 267,590	$ (67,561)
Parking violations	3,679	3,679	1,038	(2,641)
Other	30,057	30,057	26,298	(3,759)
Total fines and costs	368,887	368,887	294,926	(73,961)
Miscellaneous:				
Interest	12,130	12,130	39,565	27,435
Rent	15,175	15,175	19,975	4,800
Contributions	250	10,250	10,306	56
Admin charges to other funds	465,996	465,996	462,790	(3,206)
Other	31,007	31,007	93,689	62,682
Total miscellaneous	524,558	534,558	626,325	91,767
Total revenues	$ 23,669,631	$ 24,237,631	$ 25,206,263	$ 968,632

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, 2016

	Original Budget	Final Budget	Actual	Variance-Favorable (Unfavorable)
Expenses:				
General government:				
Salaries and wages	$ 1,173,780	$ 1,173,780	$ 1,167,266	$ 6,514
Payroll taxes and fringes	472,005	472,005	467,554	4,451
Contractual services	104,200	119,200	122,232	(3,032)
Utilities	1,040,400	1,040,400	1,001,737	38,663
Supplies and maintenance	191,700	206,700	200,577	6,123
Fixed charges	15,120	15,120	15,886	(766)
Miscellaneous	29,000	39,000	41,831	(2,831)
Total general government	3,026,205	3,066,205	3,017,083	49,122
Public safety:				
Police:				
Salaries and wages	5,250,000	5,250,000	4,916,800	333,200
Payroll taxes and fringes	2,296,016	2,296,016	2,106,986	189,030
Supplies and maintenance	900,450	903,123	710,253	192,870
Fixed charges	123,500	273,500	203,515	69,985
Miscellaneous	12,000	100,000	82,861	17,139
Total police	8,581,966	8,822,639	8,020,415	802,224
Fire:				
Salaries and wages	2,977,400	2,977,400	2,966,287	11,113
Payroll taxes and fringes	1,397,216	1,397,216	1,340,395	56,821
Supplies and maintenance	377,561	377,561	309,673	67,888
Fixed charges	28,300	78,300	105,050	(26,750)
Miscellaneous	5,000	5,000	5,195	(195)
Total fire	4,785,477	4,835,477	4,726,600	108,877
Total public safety	$ 13,367,443	$ 13,658,116	$ 12,747,015	$ 911,101

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, 2016

	Original Budget	Final Budget	Actual	Variance-Favorable (Unfavorable)
Planning and codes:				
Salaries and wages	$ 843,500	$ 843,500	$ 840,769	$ 2,731
Payroll taxes and fringes	329,128	329,128	309,089	20,039
Supplies and maintenance	106,650	106,650	92,191	14,459
Fixed charges	6,800	6,800	21,893	(15,093)
Miscellaneous	3,000	3,000	2,674	326
Total planning and codes	1,289,078	1,289,078	1,266,616	22,462
Parks and maintenance:				
Salaries and wages	839,450	851,450	822,121	29,329
Payroll taxes and fringes	360,018	360,018	334,702	25,316
Supplies and maintenance	205,650	205,650	175,355	30,295
Fixed charges	20,250	60,250	47,494	12,756
Miscellaneous	200	200	516	(316)
Total parks and maintenance	1,425,568	1,477,568	1,380,188	97,380
Public works:				
Salaries and wages	1,838,500	1,838,500	1,804,737	33,763
Payroll taxes and fringes	800,170	800,170	749,098	51,072
Supplies and maintenance	463,375	463,375	324,091	139,284
Fixed charges	67,960	118,960	102,186	16,774
Miscellaneous	21,250	21,250	16,887	4,363
Total public works	3,191,255	3,242,255	2,996,999	245,256
Capital outlay:				
Capital outlay	891,734	880,609	645,087	235,522
Total capital outlay	$ 891,734	$ 880,609	$ 645,087	$ 235,522

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, 2016

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Culture and recreation:				
Salaries and wages	$ 929,470	$ 929,470	$ 896,736	$ 32,734
Payroll taxes and fringes	375,627	375,627	342,661	32,966
Supplies and maintenance	394,575	394,575	325,648	68,927
Fixed charges	18,200	68,200	67,060	1,140
Miscellaneous	18,300	18,300	22,891	(4,591)
Total culture and recreation	$ 1,736,172	$ 1,786,172	$ 1,654,996	$ 131,176
Community Support:				
Nonprofit contributions:				
Putnam County Library	$ 325,000	$ 325,000	$ 322,500	$ 2,500
Putnam County Imagination Library	10,000	10,000	10,000	-
Cookeville Arts Council	18,608	18,608	18,608	-
Cumberland Arts Society, Inc.	1,900	1,900	1,900	-
Tennessee Rehabilitation Center	53,589	53,589	53,589	-
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	-
Operation CityScape	32,417	32,417	32,417	-
Genesis House, Inc.	11,407	11,407	11,407	-
Stephens Center for Child Abuse	2,377	2,377	2,377	-
Kids Putnam, Inc.	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	9,025	9,025	7,424	1,601
Thirteenth Judicial District Regional Drug Court	7,500	7,500	7,500	-
Putnam County Veterans Organization	6,000	6,000	6,000	-
UCHRA - CASA	1,500	1,500	1,500	-
UCHRA - Meals on Wheels	1,901	1,901	1,901	-
Veterans Honor Guard	2,000	2,000	2,000	-
Total community support	$ 740,811	$ 740,811	$ 736,710	$ 4,101

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, 2016

	Original Budget	Final Budget	Actual	Variance-Favorable (Unfavorable)
Total expenditures	$ 25,668,266	$ 26,140,814	$ 24,444,694	$ 1,696,120
Excess (deficiency) of revenues over (under) expenditures	(1,998,635)	(1,903,183)	761,569	2,664,752
Other financing sources (uses):				
Interfund transfers in	1,722,746	1,722,746	1,690,621	(32,125)
Interfund transfers (out)	(80,000)	(80,000)	(80,000)	-
Insurance recoveries	-	10,692	10,692	-
Sale of assets	-	7,781	110,110	102,329
Net other financing sources	1,642,746	1,661,219	1,731,423	70,204
Net change in fund balance	$ (355,889)	$ (241,964)	2,492,992	$ 2,734,956
Fund balance, July 1, 2015			12,385,588	
Fund balance, June 30, 2016			$ 14,878,580	

The accompanying notes are an integral part of these 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, 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 43) as audited by other auditors.

The City has recorded $ 700,000 in payments in lieu of taxes and $ 2,788,000 for utilities services from the Medical Center during the year ended June 30, 2016.

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 2016 fiscal budget which approved such additional expenditures/expenses. 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 $208,000 for the year ended June 30, 2016.

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 $3,875,000 in 2016.

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, 2016, the liability for accrued vacation leave is approximately $1,304,000.

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. Bond issue costs are expensed in the period incurred.

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 Outflows / Inflows of Resources***

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City only has one item that qualifies for reporting in this category. It is comprised of the deferrals of pension earnings as well as contributions made after the measurement date of the net pension liability.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Deferred inflows for pensions are comprised of the deferral of pension experience and earnings recorded in accordance with GASB Statement No. 68. Unavailable revenues from property taxes are amounts in the governmental funds that were receivable and measurable at year-end but were not available to finance expenditures for the current year.

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, 2016.

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, 2016. 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 was created through an interlocal agreement between Putnam County and the cities of Algood, Cookeville and Monterey. The Town of Monterey has subsequently withdrawn from this agreement. 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 Rail Trail Authority. The City of Cookeville contributed $7,424 to the Rail Trail Authority for the year ended June 30, 2016.

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 $322,500 to the Putnam County Library for the year ended June 30, 2016.

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***

The following are recent accounting pronouncements which, to the extent applicable, pose consideration for the City. Management is currently in the process of determining the impact of these Statements to the City's financial statements.

The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for fiscal year 2017 for the City. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal year 2018 for the City. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*, which is effective for fiscal year 2017 for the City. This Statement improved financial reporting by giving users of financial statements essential information regarding tax abatements that is not currently reported consistently or comprehensively.

The GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, required for fiscal periods beginning after December 15, 2015, fiscal year 2017 for the City. This Statement amends the scope and applicability of GASB Statement No. 68 regarding pensions provided to employees of state and local governmental employers through certain cost-sharing multiple-employer defined benefit pension plans.

The GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*, which is effective for fiscal periods beginning after June 15, 2016, fiscal year 2017 for the City. This Statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

The GASB issued Statement No. 82, *Pension Issues*, which is effective for fiscal periods beginning after June 15, 2016, except for certain provisions effective for fiscal period beginning after June 15, 2017, fiscal years 2017 and 2018, respectively for the City. This Statement improves financial reporting by enhancing consistency in the application of financial reporting requirements for certain pension issues.

T. ***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Cookeville's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Cookeville's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

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 $491,000 for the year ended June 30, 2016.

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

A schedule of interfund receivables and payables follows:

	Due to:				
	Governmental Activities			Business-type Activities	
Due from:	General Fund	Debt Service	Other Governmental Funds	Electric	Total Due From
Governmental Activities:					
Major Governmental Funds					
General Fund		$ 4,088	$ 2,490	$ 871	$ 7,449
Other Governmental Funds	$ 548,121	-	-	-	548,121
Business-type Activities:					
Electric	226,271	-	-	-	226,271
Water Quality Control	55,499	-	-	2,910	58,409
Gas	32,666	-	-	84,000	116,666
Total Due To	$ 862,557	$ 4,088	$ 2,490	$ 87,781	$ 956,916

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

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

A schedule of interfund transfers follows:

	Transfer from:							
Transfer to:	General	Animal Control	Economic Development	Quality of Life	Cookeville Electric Department	Cookeville Gas Department	Cookeville Water Quality Control Department	Total
Animal Control	$ 80,000							$ 80,000
Capital Projects	-							-
Economic Developmer	-							-
General	-	$ -	$ 100,000	$ 7,424	$ 1,134,476	$ 167,859	$ 280,862	1,690,621
Total:	$ 80,000	$ -	$ 100,000	$ 7,424	$ 1,134,476	$ 167,859	$ 280,862	$ 1,770,621

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, 2015	Additions	Retirements	Amortization	Transfers & Reclasses	Balance June 30, 2016
Government-type activities:						
Capital assets not being depreciated						
Land	$ 10,372,587	$ 121,751				$ 10,494,338
Construction in progress	3,783,562	4,314,177			$ (4,156,363)	3,941,376
Total capital assets not being depreciated	14,156,149	4,435,928			(4,156,363)	14,435,714
Capital assets, being depreciated						
Buildings	13,009,863	197,333			51,354	13,258,550
Improvements	2,331,534	545,856			-	2,877,390
Vehicles	9,476,940	229,532	$ (317,534)		28,208	9,417,146
Machinery and equipment	3,287,620	183,407	(90,107)		(28,208)	3,352,712
Software	306,305	-	-		-	306,305
Easements	-	39,469	-		-	39,469
Infrastructure	49,710,660	-	-		-	49,710,660
Total capital assets being depreciated	78,122,922	1,195,597	(407,641)		51,354	78,962,232
Less accumulated depreciation for:						
Buildings	(3,741,206)	(281,120)	-		-	(4,022,326)
Improvements	(1,247,786)	(145,508)	-		-	(1,393,294)
Vehicles	(8,046,700)	(592,357)	317,534		(13,472)	(8,334,995)
Machinery and equipment	(2,600,910)	(176,491)	90,107		13,472	(2,673,822)
Software	(302,139)	(4,166)	-		-	(306,305)
Easements	-	(13,156)	-		-	(13,156)
Infrastructure	(25,787,025)	(1,587,500)	-		-	(27,374,525)
Total accumulated depreciation	(41,725,766)	(2,800,298)	407,641		-	(44,118,423)
Total capital assets being depreciated, net	36,397,156	(1,604,701)	-		51,354	34,843,809
Total government-type activities capital assets, net	$ 50,553,305	$ 2,831,227	$ -		$ (4,105,009)	$ 49,279,523
Business-type activities:						
Capital assets not being depreciated						
Land and easements	$ 3,857,353					$ 3,857,353
Construction in progress	2,291,609	$ 3,031,466			$ (1,689,415)	3,633,660
Total capital assets not being depreciated	6,148,962	3,031,466			(1,689,415)	7,491,013
Capital assets being depreciated						
Buildings and improvements	4,702,236	-			-	4,702,236
Plant and distribution system	163,924,517	9,152,739	$ (1,743,736)		-	171,333,520
Machinery and equipment	12,493,684	803,957	(106,125)		-	13,191,516
Furniture and equipment	649,979	108,025	(31,103)		-	726,901
Plant acquisition adjustment	10,184,660	-	-	$ (828,686)	-	9,355,974
Total capital assets being depreciated	191,955,076	10,064,721	(1,880,964)	(828,686)	-	199,310,147
Less accumulated depreciation for:						
Buildings and improvements	(2,446,396)	(110,335)	-	-	-	(2,556,731)
Plant and distribution system	(76,721,612)	(5,147,759)	1,172,266	-	-	(80,697,105)
Machinery and equipment	(7,975,400)	(457,000)	104,490	-	-	(8,327,910)
Furniture and equipment	(611,413)	(32,788)	31,098	-	-	(613,103)
Total accumulated depreciation	(87,754,821)	(5,747,882)	1,307,854	-	-	(92,194,849)
Total capital assets being depreciated, net	104,200,255	4,316,839	(573,110)	(828,686)	-	107,115,298
Total business-type activities capital assets, net	$ 110,349,217	$ 7,348,305	$ (573,110)	$ (828,686)	$ (1,689,415)	$ 114,606,311

The City has active construction projects as of June 30, 2016. Total accumulated commitments for ongoing capital projects are comprised of the following:

Governmental activities:	
Rails with Trails Construction Project	$ 544,957
Bennett Road Construction	8,250,323
Total commitments - governmental activities	$ 8,795,280
Proprietary Fund activities:	
Water Quality	
Total commitments - Proprietary Fund activities	$ 88,471

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

Governmental activities:	
General government	$ 82,600
Planning and codes	14,083
Public safety	499,578
Public works	1,949,258
Parks & maintenance	58,760
Culture and recreation	196,019
Total depreciation expense - governmental activities	$ 2,800,298
Business-type activities:	
Cookeville Water Quality Control Department	$ 3,036,485
Cookeville Electric Department	2,018,989
Cookeville Gas Department	692,408
Total depreciation expense - business-type activities	$ 5,747,882

NOTE 6 - LONG-TERM LIABILITIES:

The following summarizes long-term liabilities transactions of the City of Cookeville during the year ended June 30, 2016

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General Obligation Bonds	$ 9,300,000	$ 9,815,000	$ (920,000)	$ 18,195,000	$ 1,185,000
Notes payable	6,546,000	-	(1,187,667)	5,358,333	1,229,667
Total bonds and notes payable	15,846,000	9,815,000	(2,107,667)	23,553,333	2,414,667
Other liabilities:					
Compensated absences	1,012,160	-	(112,390)	899,770	-
Total other liabilities	1,012,160	-	(112,390)	899,770	-
Total governmental activities long-term liabilities:	$ 16,858,160	$ 9,815,000	$ (2,220,057)	$ 24,453,103	$ 2,414,667
Business-Type Activities:					
Bonds and notes payable:					
Revenue bonds payable	$ 3,725,000	$ -	$ (665,000)	$ 3,060,000	$ 245,000
Notes payable	13,817,083	-	(2,735,348)	11,081,735	2,808,116
Total bonds and notes payable	17,542,083	-	(3,400,348)	14,141,735	3,053,116
Other liabilities:					
Compensated absences	402,520	905	-	403,425	-
TVA heat pump notes payable	717,928	84,954	(170,795)	632,087	-
Water storage rights payable	2,005,691	-	(86,631)	1,919,060	89,122
Total other liabilities	3,126,139	85,859	(257,426)	2,954,572	89,122
Total business-type activities long-term liabilities:	$ 20,668,222	$ 85,859	$ (3,657,774)	$ 17,096,307	$ 3,142,238

Bonds and notes payable at June 30, 2016, 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.	$ 5,070,000
2.0% through 3.2% General Obligation Bonds, Series 2013, issued December 19, 2013, payable in varying amounts plus semi-annual interest through 2029.	3,560,000
2.0% through 2.75% General Obligation Bonds, Series 2015, issued November 10, 2015, payable in varying amounts plus semi-annual interest through 2031.	9,565,000
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, 2016 is .58%.	124,000
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, 2016 is .58%.	215,000
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, 2016 is .58%.	1,497,000
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, 2016 is .58%.	1,726,000
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, 2016 is .58%.	1,463,000
Capital outlay note payable to Regions Bank dated October 1, 2014 with maturity date of October 1, 2017 principal and interest payments due annually. Interest rate 1.33%.	333,333
	$ 23,553,333

Business-type Bonds and Notes Payable:

Revolving loan payable to State of Tennessee, interest rate 3.14%, due in monthly installments through 2017.	$	737,311
Revolving loan payable to State of Tennessee, interest rate 2.5%, due in monthly installments through 2031.		1,621,424
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, 2016 is .61%.		2,987,000
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%.		3,060,000
Notes payable to UCEMC related to various annexations, payable annually through 2017 without interest.		2,000,000
Notes payable to Tennessee Municipal Bond Fund, maximum borrowing of $6,000,000, payable annually beginning in 2009 through 2024, variable interest rate.		3,736,000
	$	14,141,735

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

General Obligation Bonds

Year Ending	Governmental Activities	
June 30,	Principal	Interest
2017	$ 1,185,000	$ 527,409
2018	1,260,000	499,209
2019	1,290,000	468,321
2020	1,315,000	435,236
2021	1,350,000	397,556
2022	1,380,000	357,859
2023	1,420,000	316,184
2024	1,455,000	272,221
2025	1,495,000	225,929
2026	1,535,000	175,836
2027	980,000	122,256
2028	1,010,000	96,465
2029	1,040,000	69,010
2030	730,000	40,700
2031	750,000	20,625
Total	$ 18,195,000	$ 4,024,816

Notes Payable

Year Ending	Governmental Activities		Business-type Activities	
June 30,	Principal	Interest	Principal	Interest
2017	$ 1,229,667	$ 33,578	$ 2,808,116	$ 93,530
2018	921,666	25,197	2,339,911	70,954
2019	786,000	18,600	1,292,440	61,298
2020	820,000	14,042	1,354,900	51,677
2021	442,000	9,285	578,432	41,626
2022	462,000	6,723	604,024	36,273
2023	481,000	4,043	631,676	30,727
2024	216,000	1,253	661,400	24,964
2025	-	-	113,184	18,984
2026	-	-	116,052	16,116
2027	-	-	118,980	13,188
2028	-	-	121,992	10,176
2029	-	-	125,076	7,092
2030	-	-	128,244	3,924
2031	-	-	87,308	721
Total	$ 5,358,333	$ 112,721	$ 11,081,735	$ 481,250

Revenue Bonds

Year Ending	Business-type Activities	
June 30,	Principal	Interest
2017	$ 245,000	$ 67,987
2018	250,000	63,037
2019	255,000	57,988
2020	260,000	51,538
2021	270,000	43,588
2022	275,000	35,412
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	$ 3,060,000	$ 401,557

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, 2017 through 2033.

	Principal	Interest	Total
2017	$ 89,122	$ 55,173	$ 144,295
2018	91,684	52,611	144,295
2019	94,320	49,975	144,295
2020	97,032	47,263	144,295
2021	99,822	44,473	144,295
2022-2026	543,842	177,633	721,475
2027-2031	626,645	94,830	721,475
2032-2033	276,593	11,984	288,577
	$1,919,060	$533,942	$ 2,453,002

NOTE 7 - PENSION PLANS:

General Information about the Pension Plan

Plan description. Employees of Cookeville are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent.

Employees covered by benefit terms. At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	451
Inactive employees entitled to but not yet receiving benefits	742
Active employees	397
Total	1,590

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are non-contributory. Cookeville makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2016, employer contributions for Cookeville were $3,230,243 based on a rate of 16.04 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Cookeville's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Cookeville's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June

30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocations
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Cookeville will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Position Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2014	$ 115,305,672	$ 106,177,777	$ 9,127,895
Service cost	1,689,810		1,689,810
Interest	8,602,992		8,602,992
Differences between expected and actual experience	(713,628)		(713,628)
Contributions-employer		3,098,708	(3,098,708)
Contributions-employee		64,305	(64,305)
Net investment income		3,248,066	(3,248,066)
Benefit payments, including refunds of employee contributions	(4,577,856)	(4,577,856)	-
Administrative expense	-	(20,940)	20,940
Net changes	5,001,318	1,812,283	3,189,035
Balance at June 30, 2015	$ 120,306,990	$ 107,990,060	$ 12,316,930

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability (Asset)	$27,803,729	$12,316,930	($624,060)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2016, Cookeville recognized pension expense of $1,457,475.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, Cookeville reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience		$ 609,530
Changes of assumptions		-
Net difference between projected and actual earnings of pension plan investments	$ 3,615,052	4,977,472
Contributions subsequent to measurement date of June 30, 2015	3,138,004	-
Total	$ 6,753,056	$ 5,587,002

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2015," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period. A contribution of $92,239 was paid for employees assisting with customer service. This amount was allocated to the proprietary funds as part of an administrative overhead charge and expensed as incurred.

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

Year ended June 30:	
2017	($882,475)
2018	($882,475)
2019	($882,475)
2020	$789,559
2021	-
Thereafter	-

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

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, 2016, totaled approximately $121,000 for general liability and $528,000 for worker's compensation. Liabilities for claims incurred but not reported as of June 30, 2016, are not calculated by an actuary. The plan administrator reported claims payable of approximately $245,000 as of June 30, 2016 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, 2016, are not calculated by an actuary. The plan administrator reported health claims payable of approximately $272,000 as of June 30, 2016. 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, 2016, the amount for health insurance claims and premiums totaled approximately $4,300,000.

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

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS:

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

Plan description

In addition to the pension plan sponsored by the City, the City provides single-employer health care benefits (medical, dental, vision, life insurance) for all retired employees and their spouses. These benefit provisions and all other requirements are established by City policy. The participants are required to a 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, 2015
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, 2016 were as follows:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	$ 2,254,827	$ 522,014	$ 2,776,841
Interest on Net OPEB	371,193	140,036	511,229
Adjustment	(372,952)	(140,699)	(513,651)
Contribution made	(718,201)	(21,466)	(739,667)
Change in Net OPEB, Obligation	1,534,867	499,885	2,034,752
Net OPEB Obligation, beginning	9,279,854	3,500,880	12,780,734
Net OPEB Obligation, ending	$ 10,814,721	$ 4,000,765	$ 14,815,486

Three-Year Trend Information

Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
2016	$ 2,774,419	27%	$ 14,815,486
2015	2,590,632	27%	12,780,734
2014	2,476,922	25%	10,874,979

NOTES TO FINANCIAL STATEMENTS

(COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY)

AUDITED BY OTHER AUDITORS

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.

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. (Cumberland River) in Celina, Tennessee was acquired by CRMC to extend the health network into surrounding counties. In August 2015, Cumberland River achieved Critical Access Hospital designation and, as such, is now reimbursed for patient care services based on cost. CRMC and its blended component units are individually considered major funds as the Medical Center believes these funds are important to financial statement users.

NOTE B--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.

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 investment portfolios, to be cash equivalents. Cash and cash equivalents consist of amounts maintained in bank deposit 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 securities. 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 remaining maturities of less than one year is classified as current assets. Investment income is reported as nonoperating revenue. Any changes in fair market value in the current year are recognized in the 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 and amounts required by a bond indenture agreement.

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

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 to determine if facts and circumstances indicate that the carrying value 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 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. *Restricted* net position is the noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center, including amounts deposited with trustees for pension related purposes or as required by revenue bond indentures. *Unrestricted* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*. The Medical Center first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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 and investment income, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs and losses on disposal of assets.

Charity Care: The Medical Center accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Medical Center. In assessing a patient's inability to pay, the Medical Center utilizes generally recognized poverty income levels. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, charges related to charity care are not included in net patient service revenue. In addition to these charity care services, the Medical Center provides a number of other services to benefit underprivileged patients for which little or no payment is received, including providing services to TennCare and state indigent patients and providing various public health education, health evaluation and screening programs.

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.

Pensions: For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Medical Center's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the Medical Center's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Recently Issued or Effective Accounting Pronouncements: In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application,* which prescribes how governmental entities should define and measure fair value, provides guidance on which assets and liabilities should be measured at fair value, and expands disclosures related to fair value measurements. The Statement amends the definitions of fair value currently utilized by GASB and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is described as an exit price. The Statement assumes that the transaction occurs in the principal, or most advantageous, market for the asset or liability and fair value is to be determined using one of three valuation approaches: market, cost, or income. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows or income and expenses, to a single, current, discounted amount. The Statement generally requires investments to be measured at fair value and defines an investment as a security or other asset that (a) a governmental entity holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. A government entity is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share, or its equivalent, of the investment. The Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices, unadjusted, in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs. The provisions of this Statement are effective for fiscal years beginning after June 15, 2015. Early adoption is permitted. The Medical Center adopted this Statement during 2016 and it did not have a significant impact on the financial statements.

Subsequent Events: The Medical Center has evaluated all events or transactions that occurred after June 30, 2016, through November 8, 2016, 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, 2016 financial statements with the exception of that noted at Note H.

Reclassifications: Certain 2015 amounts have been reclassified to conform with the 2016 presentation in the accompanying financial statements.

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:

	Year Ended June 30,	
	2016	***2015***
Gross patient service charges	$ 670,539,035	$ 610,885,816
Less: Medicare contractual adjustments	(229,311,862)	(207,411,241)
TennCare contractual adjustments	(61,461,405)	(55,078,839)
Other contractual adjustments	(79,844,056)	(65,691,889)
Bad debt	(21,345,078)	(21,137,682)
Charity care	(2,223,232)	(3,596,299)
	(394,185,633)	(352,915,950)
Net patient service revenue	$ 276,353,402	$ 257,969,866

Net patient accounts receivable consist of the following:

	June 30,	
	2016	***2015***
Medicare	$ 11,633,108	$ 11,088,217
TennCare	3,710,424	2,648,546
Blue Cross and commercial	7,477,275	7,427,332
Patients, including self-insured	24,528,163	22,944,675
	47,348,970	44,108,770
Less: estimated allowance for uncollectible accounts	(19,667,391)	(17,483,725)
	$ 27,681,579	$ 26,625,045

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 $161,000,000 and $25,000,000, respectively, in 2016 and approximately $150,000,000 and $23,000,000, respectively, in 2015. 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. 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 $3,137,000 and $2,290,000 for the years ended June 30, 2016 and 2015, 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 2016 and 2015. The Medical Center recognized income from Medicare of approximately $1,661,000 and $2,062,000 in 2016 and 2015, respectively. There was no income recognized from Medicaid in 2016 or 2015. 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.

Cumberland River met the meaningful use criteria during 2014 and received approximately $797,000 during the year ended June 30, 2015. There were no meaningful use funds received by Cumberland River during the year ended June 30, 2016.

The income is reported as other revenue in the accompanying statements of revenue, expenses and changes in net position.

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:

	June 30,	
	2016	2015
Carrying amount:		
Cash and cash equivalents	$ 48,264,178	$ 50,768,265
Investments	14,463,605	8,926,125
Total deposits and investments	$ 62,727,783	$ 59,694,390
Included in the following statements of net position captions:		
Cash and cash equivalents	$ 38,264,178	$ 40,279,847
Short-term investments	282	500,955
Long-term investments	14,463,323	8,425,170
Assets internally designated for capital acquisition	10,000,000	10,000,000
Assets designated by bond indenture agreement	-	488,418
	$ 62,727,783	$ 59,694,390

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, 2016 is as follows:

		Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Undesignated	$ 14,463,605	$ 282	$ 2,997,624	$ -	$ 11,465,699
Assets internally designated for capital acquisition	10,000,000	10,000,000	-	-	-
Cash and cash equivalents	38,264,178	38,264,178	-	-	-
Total	$ 62,727,783	$ 48,264,460	$ 2,997,624	$ -	$ 11,465,699

Credit Risk: The Medical Center's investment policy requires that investments be made only in U.S. government agency securities, U.S. Treasury securities, mortgage-backed securities, collateralized mortgage obligations, certificates of deposits, and repurchase agreements. The Medical Center has no investment policy that would further limit its investment choices. As of June 30, 2016 and 2015, 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 may be exposed to custodial credit risk at certain times when the securities are uninsured, are not registered in the name of the Medical Center, and are held by either the counterparty or the counterparty's trust department or agent but not in the Medical Center's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Medical Center will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

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, 2016, no more than $1,500,000 is invested in any one investment security. As of June 30, 2016 and 2015, 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:

	2016	*2015*
Interest income, net of realized gains/losses	$ 412,389	$ 275,611
Unrealized (loss) gain on investments	(84,392)	(47,204)
	$ 327,997	$ 228,407

NOTE F--PROPERTY AND EQUIPMENT, NET

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

	Balance at June 30, 2015	*Additions*	*Retirements*	*Transfers*	*Balance at June 30, 2016*
Land	$ 16,270,720	$ 290,300	$ (169,725)	$ -	$ 16,391,295
Land improvements	6,009,583	-	-	-	6,009,583
Building	184,590,923	354,774	(147,180)	9,213,478	194,011,995
Automobiles	141,819	28,434	-	-	170,253
Equipment	87,619,741	4,168,292	(4,538,362)	2,554,164	89,803,835
Equipment under capitalized leases	5,564,021	-	-	-	5,564,021
	300,196,807	4,841,800	(4,855,267)	11,767,642	311,950,982

	Balance at June 30, 2015	*Additions*	*Retirements*	*Transfers*	*Balance at June 30, 2016*
Less: accumulated depreciation and amortization:					
Land improvements	2,884,264	267,917	-	-	3,152,181
Building	53,542,762	5,632,763	(3,345)	-	59,172,180
Automobiles	141,819	6,516	-	-	148,335
Equipment	73,003,712	8,934,363	(4,548,011)	-	77,390,064
Equipment under capitalized leases	5,623,903	107,823	-	-	5,731,726
	135,196,460	14,949,382	(4,551,356)	-	145,594,486
Construction in progress	8,024,367	4,401,624	-	(11,767,642)	658,349
	$ 173,024,714	$ (5,705,958)	$ (303,911)	$ -	$ 167,014,845

	Balance at June 30, 2014	*Additions*	*Retirements*	*Transfers*	*Balance at June 30, 2015*
Land	$ 16,074,556	$ 196,164	$ -	$ -	$ 16,270,720
Land improvements	6,009,583	-	-	-	6,009,583
Building	184,567,975	4,026	-	18,922	184,590,923
Automobiles	180,122	-	(38,303)	-	141,819
Equipment	87,308,130	2,174,412	(2,827,121)	964,320	87,619,741
Equipment under capitalized leases	5,431,889	132,132	-	-	5,564,021
	299,572,255	2,506,734	(2,865,424)	983,242	300,196,807
Less: accumulated depreciation and amortization:					
Land improvements	2,616,347	267,917	-	-	2,884,264
Building	47,948,713	5,594,049	-	-	53,542,762
Automobiles	180,122	-	(38,303)	-	141,819
Equipment	65,890,413	9,543,461	(2,430,162)	-	73,003,712
Equipment under capitalized leases	5,516,080	107,823	-	-	5,623,903
	122,151,675	15,513,250	(2,468,465)	-	135,196,460
Construction in progress	4,930,487	4,077,122	-	(983,242)	8,024,367
	$ 182,351,067	$ (8,929,394)	$ (396,959)	$ -	$ 173,024,714

Construction in progress at June 30, 2016 consists of construction on the pharmacy, the cardiovascular operating room relocation and expansion, and the new linear accelerator project. Estimated costs to complete these projects amounted to approximately $5,745,000 at June 30, 2016.

NOTE G--INVESTMENT IN JOINT VENTURE

The Medical Center previously 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, 2016 .and 2015 is as follows (unaudited):

	Year Ended June 30,	
	2016	***2015***
Assets	$ 2,219,000	$ 2,131,000
Liabilities	$ 525,000	$ 671,000
Member's equity	1,694,000	1,460,000
	$ 2,219,000	$ 2,131,000

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:

	Balance at June 30, 2015	***Additions***	***Reductions***	***Balance at June 30, 2016***	***Amounts Due Within One Year***
Series 2009 Bonds	$ 26,855,000	$ -	$ (720,000)	$ 26,135,000	$ 777,206
Series 2010-A Bonds	10,365,970	-	(582,555)	9,783,415	600,785
Series 2010-B Bonds	13,979,030	-	(784,945)	13,194,085	809,509
Build America Bonds Series 2010	26,980,000	-	(880,000)	26,100,000	930,000
Companion Instrument	735,076	-	(468,751)	266,325	266,325
	$ 78,915,076	$ -	$ (3,436,251)	$ 75,478,825	$ 3,383,825

	Balance at June 30, 2014	*Additions*	*Reductions*	*Balance at June 30, 2015*	*Amounts Due Within One Year*
Series 2009 Bonds	$ 27,545,000	$ -	$ (690,000)	$ 26,855,000	$ 720,000
Series 2010-A Bonds	10,924,030	-	(558,060)	10,365,970	582,555
Series 2010-B Bonds	14,730,970	-	(751,940)	13,979,030	784,945
Build America Bonds Series 2010	27,810,000	-	(830,000)	26,980,000	880,000
Companion Instrument	1,218,650	-	(483,574)	735,076	468,751
	$ 82,228,650	$ -	$ (3,313,574)	$ 78,915,076	$ 3,436,251

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 then outstanding balance of the Series 2006 Bonds. Also during 2010, the Medical Center issued $12,775,000 Revenue Refunding Bonds (Series 2010-A) and $17,225,000 Revenue Refunding Bonds (Series 2010-B) (collectively, the Series 2010 Bonds) in order to fully redeem or pay off the then-outstanding balance of the Series 2001 A-2, 2001 A-3, and Series 2006 Bonds. 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 1.61% and 1.42% at June 30, 2016 and 2015, 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 2.29% and 2.04% at June 30, 2016 and 2015, 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, 2016 related to long-term debt are as follows:

	Principal Maturities or Sinking Fund Requirements					*Interest*				
Year Ending June 30,	*Series 2009 Bonds*	*Series 2010-A Bonds*	*Series 2010-B Bonds*	*Build America Bonds Series 2010*	*Companion Instrument*	*Series 2009 Bonds*	*Series 2010-A Bonds*	*Series 2010-B Bonds*	*Build America Bonds Series 2010*	*Companion Instrument*
2017	$ 777,206	$ 600,785	$ 809,509	$ 930,000	$ 266,325	$ 317,402	$ 117,596	$ 158,594	$ 590,404	$ 835
2018	810,071	626,190	843,740	980,000	-	409,453	146,939	198,180	567,919	-
2019	831,389	642,669	865,943	1,030,000	-	396,183	136,681	184,358	544,271	-
2020	23,716,334	659,147	888,146	1,080,000	-	445,791	126,493	170,631	520,868	-
2021	-	7,254,624	9,786,747	1,130,000	-	-	29,436	39,711	493,490	-
2022	-	-	-	1,180,000	-	-	-	-	466,357	-
2023	-	-	-	1,230,000	-	-	-	-	438,061	-
2024	-	-	-	1,280,000	-	-	-	-	409,703	-
2025	-	-	-	1,340,000	-	-	-	-	377,810	-
2026	-	-	-	1,400,000	-	-	-	-	345,622	-
2027	-	-	-	1,460,000	-	-	-	-	312,039	-
2028	-	-	-	1,520,000	-	-	-	-	277,796	-
2029	-	-	-	1,580,000	-	-	-	-	240,690	-
2030	-	-	-	1,650,000	-	-	-	-	202,749	-
2031	-	-	-	1,720,000	-	-	-	-	163,182	-
2032	-	-	-	1,780,000	-	-	-	-	122,468	-
2033	-	-	-	1,860,000	-	-	-	-	79,399	-
2034	-	-	-	1,940,000	-	-	-	-	34,777	-
2035	-	-	-	1,010,000	-	-	-	-	-	-
	$ 26,135,000	$ 9,783,415	$ 13,194,085	$ 26,100,000	$ 266,325	$ 1,568,829	$ 557,145	$ 751,474	$ 6,187,605	$ 835

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, 2016.

The bond indentures related to the various bond issues contain covenants with which the Medical Center must comply. These requirements include maintenance of certain liquidity ratios and insurance coverage, limitations on additional indebtedness and guarantees, use of facilities and disposals of property, among other things. The Medical Center was in compliance with these covenants as of June 30, 2016 and 2015.

Subsequent to June 30, 2016, the Medical Center reached agreements with its existing lenders to refinance, and extend the maturity date for, the Series 2009 Bonds and Series 2010 Bonds. The Series 2009 Bonds and Series 2010 Bonds maturity dates have been extended to June 26, 2020 and July 17, 2020, respectively. The new agreements require semiannual principal reductions and the variable interest rate terms and covenants remained unchanged from the existing agreements. Due to the Medical Center demonstrating its intent and ability to refinance the Series 2009 Bonds and Series 2010 Bonds by executing new agreements with its lenders; the current portion of long-term debt as reported in the statement of net position for the year ended June 30, 2016, along with the maturities documented elsewhere in this Note, reflect the terms of the refinancing agreements reached subsequent to June 30, 2016.

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.

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 31, 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 $541,008 and $1,616,930 as of June 30, 2016 and 2015, respectively, and was accounted for in the statements of net position with the proper offsetting deferred outflow in accordance with GASB Statement No. 53.

At June 30, 2016, the Authority had the following derivative instrument outstanding:

	Changes in Fair Value		*Fair Value at June 30, 2016*		
	Classification	*Amount*	*Classification*	*Amount*	*Notional*
Business-Type Activities					
Cash flow hedges	Deferred outflow	$ 1,075,922	Debt	$ 541,008	$ 49,112,500

The following table displays the Authority's net cash flows of derivatives hedging debt:

Year Ending June 30,	*Principal*	*Interest*	*Hedging Derivatives, Net*	*Total*
2017	$ 49,112,500	$ 389,914	$ 443,255	$ 49,945,669

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 these counterparties was Baa1 (Moody's) and Baa3 (Moody's), respectively, at June 30, 2016.

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.

Basis Risk: The Authority is exposed to basis risk on its pay-fixed interest rate swap hedging derivative instruments because the variable-rate payments received by the Authority on these hedging derivative instruments are based on a rate or index other than interest rates the Authority pays on its hedged variable-rate debt, which is remarketed every 30 days. As of June 30, 2016, the interest rate on the Authority's hedged variable-rate debt is 1.61%, while the swap index rate is fixed at 3.43%.

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.

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, 2016 are as follows:

Year Ending June 30,	*Operating Leases*
2017	$ 745,642
2018	352,053
2019	288,123
2020	164,736
2021	125,981
Thereafter	249,002
Total future minimum lease payments	$ 1,925,537

Total rental expense was $1,787,212 and $1,665,332 for the years ended June 30, 2016 and 2015, respectively.

NOTE K--RETIREMENT PLANS

General Information About the Pension Plan

Plan Description: Employees of the Medical Center are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided: Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms: At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	257
Inactive employees entitled to but not yet receiving benefits	425
Active employees	454
	1,136

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

Contributions: Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The Medical Center adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0% of annual covered payroll. The Medical Center makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution (ADC) for the Medical Center was $2,837,650 based on a rate of 10.52 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Medical Center's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Asset: The Medical Center's net pension asset was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	*Long-Term Expected Real Rate of Return*	*Target Allocation*
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Medical Center will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability ***(a)***	***Plan Fiduciary Net Position*** ***(b)***	***Net Pension Liability (Asset)*** ***(a) - (b)***
Balance at June 30, 2014	$ 87,666,801	$ 96,648,489	$ (8,981,688)
Changes for the year:			
Service Cost	1,963,255	-	1,963,255
Interest	6,662,556	-	6,662,556
Differences between expected and actual experience	(4,113,420)	-	(4,113,420)
Contributions-employer	-	2,837,650	(2,837,650)
Contributions-employees	-	-	-
Net investment income	-	2,995,490	(2,995,490)
Benefit payments, including refunds of employee contributions	(1,591,953)	(1,591,953)	-
Administrative expense	-	(24,336)	24,336
Net Changes	2,920,438	4,216,851	(1,296,413)
Balance at June 30, 2015	$ 90,587,239	$ 100,865,340	$ (10,278,101)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate: The following presents the net pension asset of the Medical Center calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	***Current Discount Rate (7.5%)***	***1% Increase (8.5%)***
The Medical Center's net pension liability (asset)	$ 4,199,492	$(10,278,101)	$(22,103,638)

Negative Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Negative Pension Expense: For the year ended June 30, 2016, the Medical Center recognized negative pension expense of $818,412.

Deferred outflows of resources and deferred inflows of resources: For the year ended June 30, 2016, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	*Deferred Inflows of Resources*
Differences between expected and actual experience	$ -	$ 4,611,165
Net difference between projected and actual earnings on pension plan investments	3,439,158	4,490,569
Contributions subsequent to the measurement date of June 30, 2015	2,698,588	(not applicable)
Total	$ 6,137,746	$ 9,101,734

The amount shown above for "contributions subsequent to the measurement date of June 30, 2015," will be recognized as an increase to net pension asset in the subsequent measurement period.

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

Year Ending June 30:	
2017	$ (2,174,121)
2018	(2,174,121)
2019	(2,174,121)
2020	859,790
2021	-
Thereafter	-

Payable to the Pension Plan: At June 30, 2016, the Medical Center reported a payable of $276,038 for the outstanding amount of contributions to the pension plan in accrued salaries and related liabilities in the statement of net position as of the year ended June 30, 2016.

Prior to July 1, 2006, the Medical Center offered one retirement option, the pension plan. Effective July 1, 2006, the Medical Center offered two retirement options to those employees who were hired on or before June 30, 2006, the pension plan and a 401(k) noncontributory plan. The Medical Center ceased to offer the pension plan 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 pension plan or begin participating in the noncontributory retirement plan in which the Medical Center contributes up to 7.0% of annual covered payroll. The Medical Center ceased making contributions to the noncontributory plan in the last quarter of 2014.

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. Contributions by participants are made by entering into a salary reduction agreement to reduce the participant's compensation by a specified percentage not to exceed the lower of 15% of total compensation or limits established by the Internal Revenue Service. The Medical Center then matches the participant's contribution up to 1% of the participant's salary. One year of service is defined as 1,000 hours of work in a plan year.

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

The Medical Center's contributions to the profit sharing plan were $1,196,779 and $672,847 for the years ended June 30, 2016 and 2015, respectively.

NOTE L--OTHER RECEIVABLES

Other current and long-term receivables at June 30, 2016 and 2015 include $1,311,147 and $1,599,600, 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.

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, 2016 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 $1,513,517 and $1,593,004 at June 30, 2016 and 2015, respectively. Total expenses under this program amounted to approximately $13,770,000 and $10,130,000 for the years ended June 30, 2016 and 2015, respectively.

The Medical Center is also self-insured for workers' compensation with umbrella coverage in excess of $600,000 per case up to an aggregate of approximately $1,000,000. Claim liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2016 and 2015, approximately $800,000 and $1,195,000, 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 under the provisions of the Health Insurance Portability and Accountability Act of 1996, matters related to patient records, privacy and security. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The 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, 2016 and 2015, 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 several years and a number of additional steps are required to implement these requirements. Changes to existing Medicaid coverage and payments have occurred, and are expected to continue 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, 2016, are as follows:

Year Ending June 30,	
2017	$ 12,679,592
2018	6,946,463
2019	3,602,500
2020	618,333
2021	422,500
	$ 24,269,388

NOTE O--RELATED PARTY TRANSACTIONS

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, 2016 and 2015. Operating expenses also include $2,995,768 and $3,154,914 in 2016 and 2015, respectively, for the purchase of utilities.

NOTE P--FAIR VALUE MEASUREMENT

GASB Statement No. 72 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As such, GASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB describes fair value as an exit price where measurement assumes a transaction takes place in an entity's principal market, or most advantageous market in the absence of a principal market, and the market participants are acting in their economic best interests. GASB Statement No. 72 requires an entity to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques should be applied consistently and maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Valuation Hierarchy: GASB Statement No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. The hierarchy has three levels which are defined as follows:

- *Level 1:* Inputs to the valuation technique are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2:* Inputs to the valuation technique, other than quoted prices within *Level 1*, that are observable for an asset or liability, either directly or indirectly.
- *Level 3:* Inputs to the valuation technique are unobservable.

In instances where the determination of the fair value hierarchy measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Medical Center's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table presents assets and liabilities reported at fair value as of June 30, 2016 and 2015, and their respective classification under the GASB Statement No. 72 valuation hierarchy:

Fair Value Measurement on a Recurring Basis as of June 30, 2016:

	Carrying Value	*Quoted Prices in Active Markets (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
Assets:				
United States government agency bonds	$ 14,463,605	$ -	$ 14,463,605	$ -
Liabilities:				
Interest rate swap	$ 541,008	$ -	$ 541,008	$ -

Fair Value Measurement on a Recurring Basis as of June 30, 2015:

	Carrying Value	*Quoted Prices in Active Markets (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
Assets:				
United States government agency bonds	$ 8,926,125	$ -	$ 8,926,125	$ -
Liabilities:				
Interest rate swap	$ 1,616,930	$ -	$ 1,616,930	$ -

United States government agency bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The interest rate swap classified in Level 2 of the fair value hierarchy is valued using a market approach that considers benchmark interest rates.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COOKEVILLE, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios

for fiscal year ending June 30,

	2015	2014
Total Pension Liability		
Service cost	$ 1,689,810	$ 1,679,057
Interest	8,602,992	8,203,522
Changes of benefit terms	-	-
Differences between expected and actual experience	(713,628)	(64,380)
Changes of assumptions	-	-
Benefit Payments, including refunds of employee contributions	(4,577,856)	(4,427,527)
Net Change in Total Pension Liability (Asset)	5,001,318	5,390,672
Total Pension Liability (Asset) - beginning	115,305,672	109,915,000
Total Pension Liability (Asset) - ending (a)	$ 120,306,990	$ 115,305,672
Plan Fiduciary Net Position		
Contributions - employer	$ 3,098,708	$ 2,868,403
Contributions - employee	64,305	21,800
Net investment income	3,248,066	15,179,084
Benefit Payments, including refunds of employee contributions	(4,577,856)	(4,427,527)
Administrative expenses	(20,940)	(19,856)
Other	-	-
Net Change in Plan Fiduciary Net Position	1,812,283	13,621,904
Plan Fiduciary Net Position - beginning	106,177,777	92,555,874
Plan Fiduciary Net Position - ending (b)	$ 107,990,060	$ 106,177,778
Net Pension Liability (Asset) - ending (a) - (b)	$ 12,316,930	$ 9,127,894
Plan Fiduciary Net Position as a % of the Total Pension Liability	89.76%	92.08%
Covered-employee payroll	$ 19,317,787	$ 17,871,672
Net Pension Liability (Asset) as a % of covered-employee payroll	63.76%	51.07%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

CITY OF COOKEVILLE, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Cookeville's Contributions

Based on Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year ending June 30,

	2014	2015	2016
Actuarially determined contribution	$ 2,868,403	$ 3,098,708	$ 3,230,243
Contributions in relation to the actuarially determined contribution	2,868,403	3,098,708	3,230,243
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 17,871,672	$ 19,317,787	$ 20,138,670
Contributions as a percentage covered-employee payroll	16.05%	16.04%	16.04%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

CITY OF COOKEVILLE, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION

Tennessee Consolidated Retirement System

Valuation date: Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	9 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

Other Post-Employment Benefits

Funded Status and Schedule of Funding Progress

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)
7/1/2015	$ -	$ 34,077,025	$ 34,077,025	0.00%	$ 16,221,373	210.1%
7/1/2014	$ -	$ 32,183,786	$ 32,183,786	0.00%	$ 15,522,845	207.3%
7/1/2013	$ -	$ 31,238,898	$ 31,238,898	0.00%	$ 16,221,373	192.6%

COMBINING & INDIVIDUAL FUND INFORMATION

AND OTHER SUPPLEMENTARY INFORMATION

CITY OF COOKEVILLE, TENNESSEE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2016

	Special Revenue Funds						
	Drug Fund	State Street Aid Fund	Sanitation Fund	Animal Control Board Fund	Economic Development Fund	Quality of Life Fund	Total Other Governmental Funds
Assets							
Cash	$ 221,197	$ 518,883	$ 431,393	$ 145,944	$ 727,616	$ 261,478	$ 2,306,511
Temporary cash investments	-	491,139	-	28,322	-	-	519,461
Accounts receivable	-	-	140,049	-	-	-	140,049
Taxes receivable	-	-	340,889	-	340,889	85,222	767,000
Less allowance for bad debts	-	-	(6,274)	-	(5,488)	(1,372)	(13,134)
Other receivables	2,878	77,074	143	206	239	726,097	806,637
Prepaid assets	-	-	-	-	176,592	-	176,592
Due from other funds	-	-	-	-	1,992	498	2,490
Total assets	$ 224,075	$ 1,087,096	$ 906,200	$ 174,472	$ 1,241,840	$ 1,071,923	$ 4,705,606
Liabilities							
Accounts payable	$ 23	$ 2,411	$ 13,700	$ 8,915	$ 1,957	$ 201,310	$ 228,316
Due to other funds	-	-	32,626	1,917	-	513,578	548,121
Unearned revenue	-	4,678	-	866	3,244	46,832	55,620
Other liabilities	90,063	113,200	317	900	-	-	204,480
Total liabilities	90,086	120,289	46,643	12,598	5,201	761,720	1,036,537
Deferred Inflows of Resources							
Unavailable revenue property taxes	-	-	335,401	-	335,401	83,850	754,652
Total deferred inflows of resources	-	-	335,401	-	335,401	83,850	754,652
Restricted fund balances	133,989	966,807	524,156	-	-	-	1,624,952
Committed fund balances	-	-	-	161,874	901,238	226,353	1,289,465
Total fund balances	133,989	966,807	524,156	161,874	901,238	226,353	2,914,417
Total liabilities, deferred inflows of resources and fund balances	$ 224,075	$ 1,087,096	$ 906,200	$ 174,472	$ 1,241,840	$ 1,071,923	$ 4,705,606

CITY OF COOKEVILLE, TENNESSEE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED June 30, 2016

	Special Revenue Funds						
	Drug Fund	State Street Aid Fund	Sanitation Fund	Animal Control Board Fund	Economic Development Fund	Quality of Life Fund	Total Other Governmental Funds
Revenues:							
Local taxes		$ 201			$ 311,960	$ 77,990	$ 390,151
Intergovernmental		854,434	$ 5,363	$ 94,500	4,830,527	1,353,712	7,138,536
Charges for services		-	1,558,918	48,040	-	-	1,606,958
Fines, forfeitures and penalties	$ 92,463	-	-	-	-	-	92,463
Rent	-	-	-	-	-	-	-
Interest	681	2,766	1,198	714	3,118	668	9,145
Other	-	9,605	5,475	22,996	14,127	11,262	63,465
Total revenues	93,144	867,006	1,570,954	166,250	5,159,732	1,443,632	9,300,718
Expenditures:							
Economic development	-	-	-	-	4,877,778	-	4,877,778
Public safety	23,330	-	-	246,081	-	-	269,411
Public works	-	651,907	1,473,895	-	12,509	-	2,138,311
Culture and recreation	-	-	-	-	-	1,510,090	1,510,090
Community support	-	-	-	-	-	5,000	5,000
Capital outlay	9,300	53,243	-	-	402,249	162,818	627,610
Total expenditures	32,630	705,150	1,473,895	246,081	5,292,536	1,677,908	9,428,200
Excess (deficiency) of revenues over (under) expenditures	60,514	161,856	97,059	(79,831)	(132,804)	(234,276)	(127,482)
Other financing sources (uses):							
Operating transfers in	-	-	-	80,000	-	-	80,000
Operating transfers out	-	-	-	-	(100,000)	(7,424)	(107,424)
Sale of assets	401	1,416	-	-	200	-	2,017
Total other financing sources (uses)	401	1,416	-	80,000	(99,800)	(7,424)	(25,407)
Net change in fund balances	60,915	163,272	97,059	169	(232,604)	(241,700)	(152,889)
Fund balances, July 1, 2015	73,074	803,535	427,097	161,705	1,133,842	468,053	3,067,306
Fund balances, June 30, 2016	$ 133,989	$ 966,807	$ 524,156	$ 161,874	$ 901,238	$ 226,353	$ 2,914,417

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, 2016

	Budgeted Amounts		Total	Variance-Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Taxes:				
Current property taxes	$ 440,425	$ 440,425	$ 451,317	$ 10,892
Delinquent property taxes	17,000	17,000	14,053	(2,947)
Penalty & Interest	5,000	5,000	5,769	769
In-lieu of taxes	700,000	700,000	700,000	-
Total taxes	1,162,425	1,162,425	1,171,139	8,714
Intergovernmental:				
State shared sales tax	2,100,000	2,100,000	2,506,658	406,658
Other intergovernmental	70,896	70,896	72,269	1,373
	2,170,896	2,170,896	2,578,927	408,031
Rent	26,172	26,172	26,172	-
Interest	10,000	10,000	31,657	21,657
Total revenues	3,369,493	3,369,493	3,807,895	438,402
Expenditures:				
Debt service - principal	2,107,667	2,107,667	2,107,667	-
Debt service - interest	1,152,760	1,152,760	503,435	649,325
Administrative expenditures	21,000	21,000	9,322	11,678
Total expenditures	3,281,427	3,281,427	2,620,424	661,003
Excess (deficiency) of revenues over (under) expenditures	88,066	88,066	1,187,471	1,099,405
Net change in fund balance	$ 88,066	$ 88,066	1,187,471	$ 1,099,405
Fund balance, July 1, 2015			9,068,260	
Fund balance, June 30, 2016			$ 10,255,731	

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL IMPROVEMENT BOND FUND
FOR THE YEAR ENDED June 30, 2016

	Budgeted Amounts		Total Actual	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental:				
TDOT Grant	$ 4,000,000	$ 4,000,000	$ 1,785,713	$ (2,214,287)
Other intergovernmental	-	-	-	-
	4,000,000	4,000,000	1,785,713	(2,214,287)
Interest	500	500	1,292	792
Total revenues	4,000,500	4,000,500	1,787,005	(2,213,495)
Expenditures:				
Parks & Recreation - Capital Outlay	235,000	235,000	30,548	204,452
Public Safety - Capital Outlay	500,000	540,000	39,668	500,332
Public Works - Capital Outlay	13,405,200	13,405,200	4,484,121	8,921,079
Administrative expenditures	25,500	25,500	129	25,371
Bond issue costs	153,000	153,000	127,854	25,146
Total expenditures	14,318,700	14,358,700	4,682,320	9,676,380
Excess (deficiency) of revenues over (under) expenditures	(10,318,200)	(10,358,200)	(2,895,315)	7,462,885
Other financing sources:				
Proceeds of Bond issue	10,300,000	10,300,000	9,815,000	(485,000)
Premium on issue of debt	-	-	184,550	184,550
Net other financing sources:	10,300,000	10,300,000	9,999,550	(300,450)
Net change in fund balance	$ (18,200)	$ (58,200)	7,104,235	$ 7,162,435
Fund balance, July 1, 2015			549,581	
Fund balance, June 30, 2016			$ 7,653,816	

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, 2016

	Budgeted Amounts			
	Original	Final	Total Actual	Variance-Favorable (Unfavorable)
Revenues:				
Taxes				
Property taxes delinquent	$ 250	$ 250	$ 117	$ (133)
Property taxes penalty & interest	100	100	84	(16)
Total taxes	350	350	201	(149)
Intergovernmental				
State gasoline & motor fuel	817,793	837,793	585,348	(252,445)
State - 3 cent tax	-	-	174,469	174,469
State - Gas 1989	-	-	94,002	94,002
TEMA funds	-	-	615	615
TDOT Grant	950,000	950,000	-	(950,000)
Total Intergovernmental	1,767,793	1,787,793	854,434	(933,359)
Other revenue	-	10,000	9,605	395
Interest	2,300	2,300	2,766	466
Total revenues	1,770,443	1,800,443	867,006	(932,647)
Expenditures:				
Paving	600,000	600,000	584,952	15,048
Sidewalk improvements	35,000	35,000	11,719	23,281
Intersection improvements	60,000	60,000	11,421	48,579
Street maintenance supplies	35,000	35,000	35,516	(516)
TDOT grant expense	1,146,800	1,146,800	2,133	1,144,667
Vehicles & equipment	15,000	35,000	30,743	4,257
Land, Right of Way, Easement	-	22,500	22,500	-
Other	7,100	7,100	6,166	934
Total expenditures	1,898,900	1,941,400	705,150	1,236,250
Excess (deficiency) of revenues over (under) expenditures	(128,457)	(140,957)	161,856	302,813
Other financing sources:				
Sale of assets	-	-	1,416	1,416
Net other financing sources:	-	-	1,416	1,416
Net change in fund balance	$ (128,457)	$ (140,957)	163,272	$ 304,229
Fund balance, July 1, 2015			803,535	
Fund balance, June 30, 2016			$ 966,807	

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DRUG FUND
FOR THE YEAR ENDED June 30, 2016

	Budgeted Amounts		Total	Variance- Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Fines, forfeitures & penalties	$ 80,000	$ 80,000	$ 92,463	$ 12,463
Interest	500	500	681	181
Total revenues	80,500	80,500	93,144	12,644
Expenditures:				
Investigative	12,000	12,000	12,000	-
Seized property expense	-	-	130	(130)
Equipment & materials	14,700	14,700	1,392	13,308
Computer equip & software	-	-	9,600	(9,600)
Travel Training	6,000	6,000	-	6,000
Other expenses	300	300	208	92
Capital outlay	41,000	41,000	9,300	31,700
Total expenditures	74,000	74,000	32,630	41,370
Excess (deficiency) of revenues over (under) expenditures	6,500	6,500	60,514	54,014
Other financing sources:				
Sale of assets	-	-	401	401
Net other financing sources:	-	-	401	401
Net change in fund balance	$ 6,500	$ 6,500	60,915	$ 54,415
Fund balance, July 1, 2015			73,074	
Fund balance, June 30, 2016			$ 133,989	

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SANITATION FUND
FOR THE YEAR ENDED June 30, 2016

	Budgeted Amounts		Total	Variance-Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Charges for services	$ 1,498,000	$ 1,523,000	$ 1,558,918	$ 35,918
Interest	500	500	1,198	698
TEMA grant	-	-	5,363	5,363
Other revenue	500	500	5,475	4,975
Total revenues	1,499,000	1,524,000	1,570,954	46,954
Expenditures:				
Personnel	581,650	581,650	572,075	9,575
Taxes & fringes	269,690	269,690	238,892	30,798
Materials & supplies	18,750	18,750	8,111	10,639
Vehicle expense	389,500	389,500	363,266	26,234
Fixed charges	17,700	47,700	45,801	1,899
Other operating expense	116,765	116,765	105,313	11,452
Landfill services	31,000	41,000	40,819	181
Other equipment	106,500	106,500	99,618	6,882
Total expenditures	1,531,555	1,571,555	1,473,895	97,660
Excess (deficiency) of revenues over (under) expenditures	(32,555)	(47,555)	97,059	144,614
Net change in fund balance	$ (32,555)	$ (47,555)	97,059	$ 144,614
Fund balance, July 1, 2015			427,097	
Fund balance, June 30, 2016			$ 524,156	

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, 2016

	Budgeted Amounts		Total	Variance-Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Intergovernmental:				
Putnam County Allocation	$ 80,000	$ 80,000	$ 80,000	$ -
City of Algood Allocation	7,350	7,350	7,350	-
Town of Baxter Allocation	2,875	2,875	1,150	(1,725)
Town of Monterey Allocation	6,000	6,000	6,000	-
Total intergovernmental	96,225	96,225	94,500	(1,725)
Charges for services	57,500	57,500	48,040	(9,460)
Interest	40	40	714	674
Other revenue	20,000	20,000	22,996	2,996
Total revenues	173,765	173,765	166,250	(7,515)
Expenditures:				
Personnel	135,000	135,000	126,743	8,257
Taxes & fringes	39,078	39,078	37,272	1,806
Utility expense	37,200	37,200	28,956	8,244
Supplies & maintenance	46,950	46,950	42,582	4,368
Other expense	8,150	8,150	10,528	(2,378)
Total expenditures	266,378	266,378	246,081	20,297
Excess (deficiency) of revenues over (under) expenditures	(92,613)	(92,613)	(79,831)	12,782
Other financing sources:				
Operating transfers in	80,000	80,000	80,000	-
Net other financing sources:	80,000	80,000	80,000	-
Net change in fund balance	$ (12,613)	$ (12,613)	169	$ 12,782
Fund balance, July 1, 2015			161,705	
Fund balance, June 30, 2016			$ 161,874	

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, 2016

	Budgeted Amounts		Total	Variance-
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Taxes				
Property taxes current	$ 293,617	$ 293,617	$ 300,878	$ 7,261
Property taxes delinquent	10,500	10,500	8,412	(2,088)
Property taxes penalty & interest	2,000	2,000	2,670	670
Total property taxes	306,117	306,117	311,960	5,843
Intergovernmental:				
Putnam County Allocation	14,637	14,637	3,027	(11,610)
Economic Development Grant	-	4,827,500	4,827,500	-
Interest	1,000	1,000	3,118	2,118
Other revenues	68,308	68,308	14,127	(54,181)
Total revenues	390,062	5,217,562	5,159,732	(57,830)
Expenditures:				
Industrial/Business park development:				
Construction	410,000	520,000	342,253	177,747
Other development expense	104,583	104,583	32,691	71,892
Land, ROW & Easements	-	60,000	59,996	4
Grant Expense	-	4,827,500	4,827,500	-
Miscellaneous	40,150	40,150	30,096	10,054
Total expenditures	554,733	5,552,233	5,292,536	259,697
Excess (deficiency) of revenues over (under) expenditures	(164,671)	(334,671)	(132,804)	201,867
Other financing sources (uses):				
Sale of assets	-	-	200	200
Operating transfers out	(100,000)	(100,000)	(100,000)	-
Net other financing sources:	(100,000)	(100,000)	(99,800)	200
Net change in fund balance	$ (264,671)	$ (434,671)	(232,604)	$ 202,067
Fund balance, July 1, 2015			1,133,842	
Fund balance, June 30, 2016			$ 901,238	

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, 2016

	Budgeted Amounts			
	Original	Final	Total Actual	Variance-Favorable (Unfavorable)
Revenues:				
Taxes				
Property taxes current	$ 73,404	$ 73,404	$ 75,220	$ 1,816
Property taxes delinquent	2,000	2,000	2,103	103
Property taxes penalty & interest	500	500	667	167
Total property taxes	75,904	75,904	77,990	2,086
Intergovernmental:				
TDOT Grant	1,624,000	1,624,000	1,183,354	(440,646)
Putnam County Allocation	130,000	130,000	85,179	(44,821)
City of Algood Allocation	130,000	130,000	85,179	(44,821)
Total Intergovernmental	1,884,000	1,884,000	1,353,712	(530,288)
Contributions	-	11,000	11,262	262
Interest	800	800	668	(132)
Total revenues	1,960,704	1,971,704	1,443,632	(528,072)
Expenditures:				
Tennessee Central Heritage Rails with Trails project	2,030,000	2,030,000	1,481,242	548,758
Non-Profit contribution	5,000	5,000	5,000	-
Parks & recreation capital outlay	120,000	193,000	162,818	30,182
Parks & recreation other	-	15,000	27,729	(12,729)
Other expense	200	200	1,119	(919)
Total expenditures	2,155,200	2,243,200	1,677,908	565,292
Excess (deficiency) of revenues over (under) expenditures	(194,496)	(271,496)	(234,276)	37,220
Other financing sources:				
Operating transfers(out)	(9,025)	(9,025)	(7,424)	1,601
Net other financing sources:	(9,025)	(9,025)	(7,424)	1,601
Net change in fund balance	$ (203,521)	$ (280,521)	(241,700)	$ 38,821
Fund balance, July 1, 2015			468,053	
Fund balance, June 30, 2016			$ 226,353	

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

June 30, 2016

Tax Year	Balance July 1,	Property Tax Levied	Anticipated Levy	Abatements & Adjustments	Collections	Balance June 30,	Delinquent Taxes Filed*
2016			$ 7,158,677			$ 7,158,677	
2015		$ 6,964,347	-	$ (263)	$ (6,769,656)	194,428	
2014	$ 229,012	-	-	(13,701)	(147,715)	67,596	$ 67,596
2013	72,850	-	-	-	(25,814)	47,036	47,036
2012	156,771	-	-	(84,105)	(16,318)	56,348	56,348
2011	265,686	-	-	(218,891)	(7,689)	39,106	39,106
2010	24,409	-	-	-	(2,553)	21,856	21,856
2009	12,751	-	-	-	(3,835)	8,916	8,916
2008	11,297	-	-	-	(2,057)	9,240	9,240
2007	9,569	-	-	-	(1,532)	8,037	8,037
2006	11,273	-	-	-	(1,481)	9,792	9,792
	$ 793,618	$ 6,964,347	$ 7,158,677	$ (316,960)	$ (6,978,650)	$ 7,621,032	$ 267,927

* Outstanding Delinquent Taxes filed with clerk and master.

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF TAX RATES AND ASSESSMENTS

JUNE 30, 2016

Tax Year	Tax rate	Assessed Value
2016	.84 per 100	$822,493,881
2015	.90 per 100	745,993,796
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, 2016

Fiscal Year Maturity	2010 General Obligation Bonds	2013 General Obligation Bonds	2015 General Obligation Bonds	Total Bonds	Future Interest Requirements
2017	$ 450,000	$ 235,000	$ 500,000	$ 1,185,000	$ 527,409
2018	455,000	240,000	565,000	1,260,000	499,209
2019	470,000	245,000	575,000	1,290,000	468,321
2020	480,000	250,000	585,000	1,315,000	435,236
2021	495,000	255,000	600,000	1,350,000	397,556
2022	510,000	260,000	610,000	1,380,000	357,859
2023	525,000	270,000	625,000	1,420,000	316,184
2024	545,000	275,000	635,000	1,455,000	272,221
2025	560,000	285,000	650,000	1,495,000	225,929
2026	580,000	295,000	660,000	1,535,000	175,836
2027	-	305,000	675,000	980,000	122,256
2028	-	315,000	695,000	1,010,000	96,465
2029	-	330,000	710,000	1,040,000	69,010
2030			730,000	730,000	40,700
2031	-	-	750,000	750,000	20,625
	$ 5,070,000	$ 3,560,000	$ 9,565,000	$ 18,195,000	$ 4,024,816

CITY OF COOKEVILLE, TENNESSEE
GENERAL LONG-TERM DEBT
SUMMARY OF NOTES PAYABLE DEBT SERVICE REQUIREMENTS
CLASSIFIED BY MATURITY DATE
JUNE 30, 2016

Fiscal Year Maturity	2002 Tennessee Municipal Bond Fund Variable Interest*	2003 Tennessee Municipal Bond Fund Variable Interest*	2005 Tennessee Municipal Bond Fund Variable Interest*	2007 Tennessee Municipal Bond Fund Variable Interest*	2008 Tennessee Municipal Bond Fund Variable Interest*	2014 Capital Outlay Note	Total Notes Payable	Future Interest Requirements
2017	$ 124,000	$ 215,000	$ 352,000	$ 219,000	$ 153,000	$ 166,667	$ 1,229,667	$ 33,578
2018	-	-	367,000	227,000	161,000	166,666	921,666	25,197
2019	-	-	381,000	236,000	169,000	-	786,000	18,600
2020	-	-	397,000	246,000	177,000	-	820,000	14,042
2021	-	-	-	256,000	186,000	-	442,000	9,285
2022	-	-	-	266,000	196,000	-	462,000	6,723
2023	-	-	-	276,000	205,000	-	481,000	4,043
2024	-	-	-	-	216,000	-	216,000	1,253
	$ 124,000	$ 215,000	$ 1,497,000	$ 1,726,000	$ 1,463,000	$ 333,333	$ 5,358,333	$ 112,721

*Principal and interest requirements based on current debt and interest rate. The current interest rate at June 30, 2016 is .58% on the variable rate Tennessee Municipal Bond Fund debt.

CITY OF COOKEVILLE, TENNESSEE
WATER QUALITY CONTROL DEPARTMENT - PROPRIETARY FUND
BONDS AND NOTES PAYABLE DEBT SERVICE REQUIREMENTS
CLASSIFIED BY MATURITY DATE
JUNE 30, 2016

Fiscal Year Maturity	State of Tennessee 3.14% Revolving	Tennessee Municipal Bond Fund*	State of Tennessee 2.50% Revolving	Total Bonds and Notes Payable	Future Interest Requirements
2017	$ 631,428	$ 693,000	$ 92,688	$ 1,417,116	$ 71,861
2018	105,883	728,000	95,028	928,911	51,553
2019	-	764,000	97,440	861,440	44,281
2020	-	802,000	99,900	901,900	37,160
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	721
	$ 737,311	$ 2,987,000	$ 1,621,424	$ 5,345,735	$ 378,196

*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, 2016 is .61%.

CITY OF COOKEVILLE, TENNESSEE
DEBT SERVICE REQUIREMENTS - PROPRIETARY FUND
ELECTRIC DEPARTMENT
JUNE 30, 2016

Various Annexations - Non Interest Bearing

Year Ending June 30,	Principal Requirements
2017	$ 1,000,000
2018	1,000,000
	$ 2,000,000

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*
2017	$ 391,000	$ 245,000	$ 636,000	$ 89,656
2018	411,000	250,000	661,000	82,438
2019	431,000	255,000	686,000	75,005
2020	453,000	260,000	713,000	66,055
2021	476,000	270,000	746,000	55,478
2022	499,000	275,000	774,000	44,542
2023	524,000	285,000	809,000	34,672
2024	551,000	290,000	841,000	25,883
2025	-	300,000	300,000	16,788
2026	-	310,000	310,000	10,494
2027	-	320,000	320,000	3,600
	$ 3,736,000	$ 3,060,000	$ 6,796,000	$ 504,611

*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, 2016 is .58%.

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF INVESTMENTS

JUNE 30, 2016

	State of Tennessee Local Government Investment Pool
Governmental Activities:	
Major Funds	
General	$ 2,384,136
Debt Service	3,089,810
Capital Projects	4
Non-major funds	519,461
Total Governmental Activities	5,993,411
Business-type Activities:	
Major Funds	
Cookeville Electric Department	2,683,865
Cookeville Gas Department	4,338,571
Cookeville Water Quality Control Department	2,687,460
Total Business-type Activities	9,709,896
Internal Service Fund:	
Employee Health Insurance Fund	1,852,070
Total Internal Service Fund	1,852,070
Total Temporary Cash Investments	$ 17,555,377

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS & STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2016

Grant/Contract Number	CFDA Number	Program	Grantor Agency	(Receivable) Deferred at 07/01/15	Receipts	Expenditures	(Receivable) Deferred at 06/30/16
Z15GHSO76	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportatior Pass-through from National Highway Traffic Safety Administratior	$ (3,631)	$ 4,266	$ 635	$ -
Z15GHSO78	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportatior Pass-through from National Highway Traffic Safety Administratior	(1,050)	3,503	2,453	-
Z15GHSO77	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportatior Pass-through from National Highway Traffic Safety Administratior	(7,719)	10,460	2,741	-
Z16GHSO81	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportatior Pass-through from National Highway Traffic Safety Administratior	-	451	17,736	(17,285)
Z16GHSO79	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administratior	-	21,851	23,290	(1,439)
Z16GHSO80	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportatior Pass-through from National Highway Traffic Safety Administration	-	11,460	12,493	(1,033)
Z16GHSO82	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administratior	-	5,000	5,000	-
			Total CFDA # 20.600	$ (12,400)	$ 56,991	$ 64,348	$ (19,757)
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	-	5,734	5,734	-
			Total CFDA # 16.607	$ (1,485)	$ 7,219	$ 5,734	$ -
2014-DJ-BX-0786	16.738	Edward Byrne Memorial Justice Assistance Grant	U.S. Department of Justice/Bureau of Justice Assistance	$ -	$ 10,333	$ 10,333 [a]	$ -
2015-DJ-BX-0709	16.378	Edward Byrne Memorial Justice Assistance Grant	U.S. Department of Justice/Bureau of Justice Assistance	-	- -	2,231	(2,231)
			Total CFDA # 16.738	$ -	$ 10,333	$ 12,564	$ (2,231)
070090	20.205	Rails to Trails Project	State of Tennessee, Department of Transportatior Pass-through from U.S. Department of Transportatior	$ (51,323)	$ 513,343	$ 1,183,353	$ (721,333)
STP-M-9204(10) STP-M-9204(11)	20.205	Surface Transportation Grant	State of Tennessee, Department of Transportatior Pass-through from U.S. Department of Transportatior	(247,050)	393,416	1,918,741	(1,772,375)
060010	20.205	Rails to Trails Project	Rails to Trails Conservancy, Washington D.C.	606	-	-	606
			Total CFDA # 20.205	$ (297,767)	$ 906,759	$ 3,102,094	$ (2,493,102)
FEMA-4211-DR-TN	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	State of Tennessee, Emergency Management Agency Pass-through from Federal Emergency Management Agency	$ (404,143)	$ 404,143	$ -	$ -
			Total CFDA # 97.036	$ (404,143)	$ 404,143	$ -	$ -
			TOTAL FEDERAL AWARDS	$ (715,795)	$ 1,385,445	$ 3,184,740	$ (2,515,090)
43371	N/A	FastTrack Grant	State of Tennessee, Department of Economic and Community Development	$ -	$ 4,827,500	$ 4,827,500	$ -
N/A	N/A	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	State of Tennessee, Emergency Management Agency	-	36,841	36,841	-
GG-08-23787-00	N/A	Internet Crimes Against Children	Nashville Police Department	-	25,000	25,000	-
N/A	N/A	Governor's Healthier Tennessee	The Governor's Foundation for Health and Wellness	-	5,000	2,000	3,000
			TOTAL STATE FINANCIAL ASSISTANCE	$ -	$ 4,894,341	$ 4,891,341	$ 3,000
			TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE	$ (715,795)	$ 6,279,786	$ 8,076,081	$ (2,512,090)

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

[a] Of the federal expenditures presented in this line item, the City provided local law enforcement $4,133.

MISCELLANEOUS INFORMATION - UNAUDITED

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES - UNAUDITED
JUNE 30, 2016

Electric Department		Retail Rate 1-Jun-16 w/wholesale FCA $0.01837
Residential	Customer Charge	$10.00
Alternate Usage Blocks	Block1 kWh (1st 800 kwh)	$0.09167
	Block2 kWh (additional kwh)	$0.08681
GSA1	Customer Charge	$20.00
	All kWh	$0.10057
GSA2	Customer Charge	$50.00
	1st 15,000 kWh	$0.10119
	Additional kWh	$0.05714
	kW, 0-50	$0.00
	kW, 51-1,000	$12.99
GSA3	Customer Charge	$100.00
	All kWh	$0.06100
	kW, 0-1,000	$11.87
	kW,1,001 - 5,000	$11.85
SDE-General Power	Customer Charge	$1,500.00
SGSB	Demand Charge	
	Onpeak	$10.12
	Maximum	$4.92
	Excess Over Contract	$10.12
	Energy Charge	
	Onpeak	$0.08946
	Offpeak First 200 hours	$0.06622
	Offpeak Next 200 hours	$0.02306
	Offpeak Additional kWh	$0.01989
SDE-Manufacturing	Customer Charge	$1,500.00
SMSB	Demand Charge	
	Onpeak	$9.52
	Maximum	$2.14
	Excess Over Contract	$9.52
	Energy Charge	
	Onpeak	$0.07150
	Offpeak First 200 hours	$0.04827
	Offpeak Next 200 hours	$0.02069
	Offpeak Additional kWh	$0.01831
Outdoor Lighting	Customer Charge	$2.50
	All kWh	$0.06172

Charges for Outdoor Lighting for Individual Customers

			1-Jun-16	
	KWH	**FAC Rental**	**Energy**	**Total**
			$0.06172	
100 WHPS	42	5.13	2.59	7.72
250 LED	20	12.03	1.23	13.26
250 WHPS	105	7.10	6.48	13.58
250 WHPS-FLOOD	105	11.09	6.48	17.57
400 WHPS	165	7.10	10.18	17.28
400 WHPS-FLOOD	165	11.09	10.18	21.27
175 WMV	70	4.21	4.32	8.53
400 WMV	155	5.49	9.57	15.06
250 WMHD	105	7.74	6.48	14.22
350 WMHD-FLOOD	140	8.14	8.64	16.78
350 WMHD-SHOE	140	9.84	8.64	18.48
400 WMHD	165	7.78	10.18	17.96
1000 WMHD	398	9.42	24.56	33.98
LED 50 CARETAKER	17	6.73	1.05	7.78
LED TYPE 3 REGULAR	130	18.99	8.02	27.01
LED TYPE 5 REGULAR	130	18.72	8.02	26.74
LED TYPE 5 SHOE	130	23.74	8.02	31.76

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES - UNAUDITED (CONTINUED)
JUNE 30, 2016

Gas Department

Residential Rate - Classes 22,60,13,and 61 at July 1, 2016

Monthly rate (inside):	First 5,000 cu. ft. for $.719 per 100 cu. ft.
	Next 5,000 cu. ft. for $.709 per 100 cu. ft.
	All additional for $.699 per 100 cu. ft.

Minimum bill for residential consumers - $5.00 per month.

Monthly rate (outside):	First 5,000 cu. ft. for $.899 per 100 cu. ft.
	Next 5,000 cu. ft. for $.886 per 100 cu. ft.
	All additional for $.874 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, 2016

Monthly rate (inside):	First 5,000 cu. ft. for $.769 per 100 cu. ft.
	Next 10,000 cu. ft. for $.739 per 100 cu. ft.
	All additional for $.709 per 100 cu. ft.

Minimum bill for commercial consumers - $6.00 per month.

Monthly rate (outside):	First 5,000 cu. ft. for $.961 per 100 cu. ft.
	Next 10,000 cu. ft. for $.924 per 100 cu. ft.
	All additional for $.886 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, 2016

Monthly rate (inside):	First 10,000 cu. ft. for $.739 per 100 cu. ft.
	Next 20,000 cu. ft. for $.719 per 100 cu. ft.
	All additional for $.699 per 100 cu. ft.

Minimum bill for industrial consumers - $20.00 per month.

Monthly rate (outside):	First 10,000 cu. ft. for $.924 per 100 cu. ft.
	Next 20,000 cu. ft. for $.899 per 100 cu. ft.
	All additional for $.874 per 100 cu. ft.

Minimum bill for industrial consumers - $20.00 per month.

Interruptible Rate - Class 55

$.345 per 100 cu. ft. (inside)

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES - UNAUDITED (CONTINUED)
JUNE 30, 2016

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

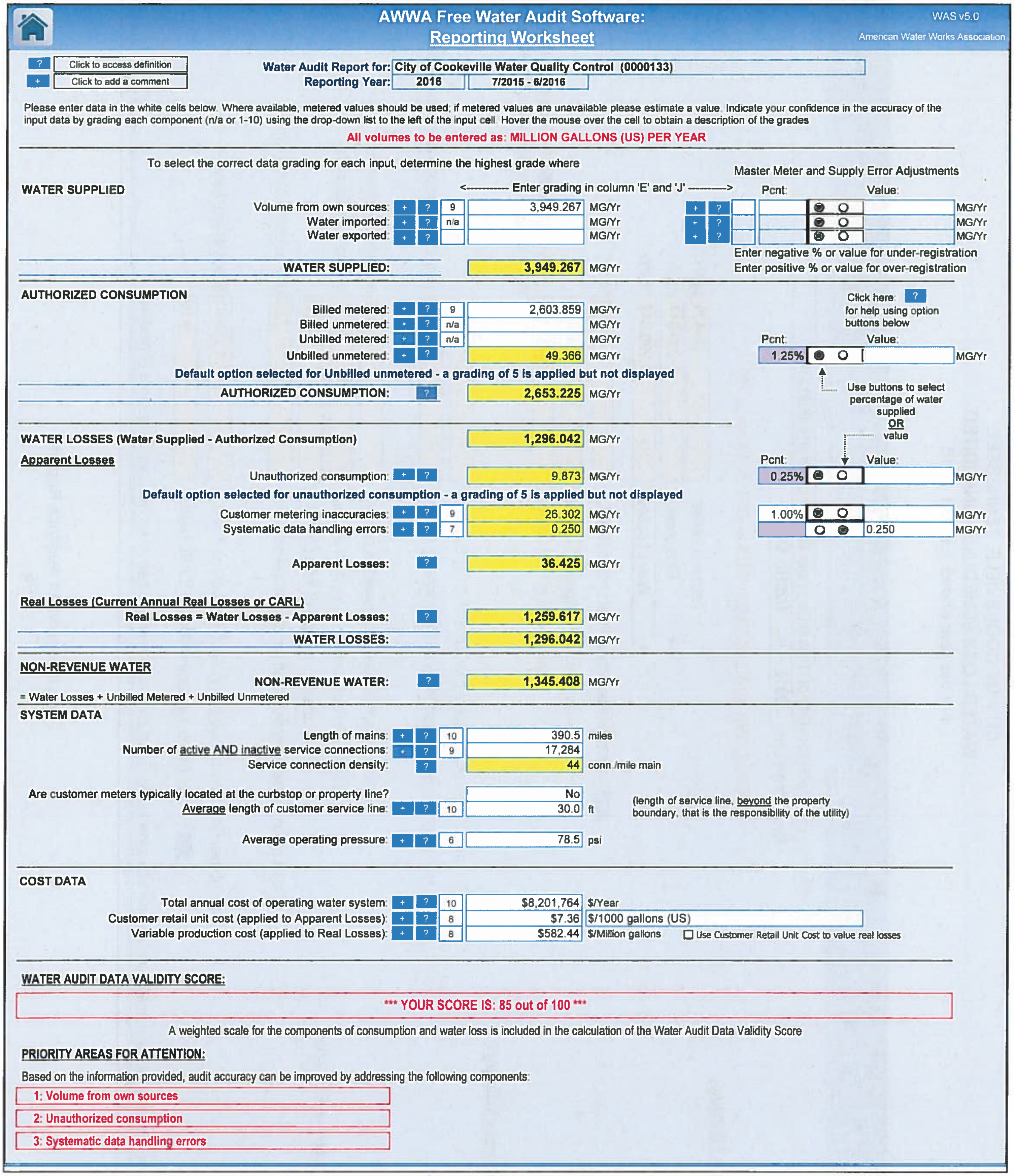
Water Storage Rate

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, 2016



Water Audit Report for: City of Cookeville Water Quality Control (0000133)
Reporting Year: 2016 7/2015 - 6/2016

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

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

WATER SUPPLIED

	Grade	Value	Unit	Master Meter and Supply Error Adjustments Pcnt:		Value:	
Volume from own sources:	9	3,949.267	MG/Yr		● ○		MG/Yr
Water imported:	n/a		MG/Yr		● ○		MG/Yr
Water exported:			MG/Yr		● ○		MG/Yr
WATER SUPPLIED:		**3,949.267**	MG/Yr				

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

AUTHORIZED CONSUMPTION

Click here: ? for help using option buttons below

	Grade	Value	Unit	Pcnt:		Value:	
Billed metered:	9	2,603.859	MG/Yr				
Billed unmetered:	n/a		MG/Yr				
Unbilled metered:	n/a		MG/Yr				
Unbilled unmetered:		49.366	MG/Yr	1.25%	● ○		MG/Yr

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

AUTHORIZED CONSUMPTION:		**2,653.225**	MG/Yr

Use buttons to select percentage of water supplied OR value

	Grade	Value	Unit	Pcnt:		Value:	
WATER LOSSES (Water Supplied - Authorized Consumption)		**1,296.042**	MG/Yr				
Apparent Losses							
Unauthorized consumption:		9.873	MG/Yr	0.25%	● ○		MG/Yr

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

	Grade	Value	Unit	Pcnt		Value	
Customer metering inaccuracies:	9	26.302	MG/Yr	1.00%	● ○		MG/Yr
Systematic data handling errors:	7	0.250	MG/Yr		○ ●	0.250	MG/Yr
Apparent Losses:		**36.425**	MG/Yr				

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:		**1,259.617**	MG/Yr
WATER LOSSES:		**1,296.042**	MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER:		**1,345.408**	MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

	Grade	Value	Unit
Length of mains:	10	390.5	miles
Number of active AND inactive service connections:	9	17,284	
Service connection density:		44	conn./mile main
Are customer meters typically located at the curbstop or property line?		No	
Average length of customer service line:	10	30.0	ft
Average operating pressure:	6	78.5	psi

(length of service line, beyond the property boundary, that is the responsibility of the utility)

COST DATA

	Grade	Value	Unit
Total annual cost of operating water system:	10	$8,201,764	$/Year
Customer retail unit cost (applied to Apparent Losses):	8	$7.36	$/1000 gallons (US)
Variable production cost (applied to Real Losses):	8	$582.44	$/Million gallons

☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 85 out of 100 ***

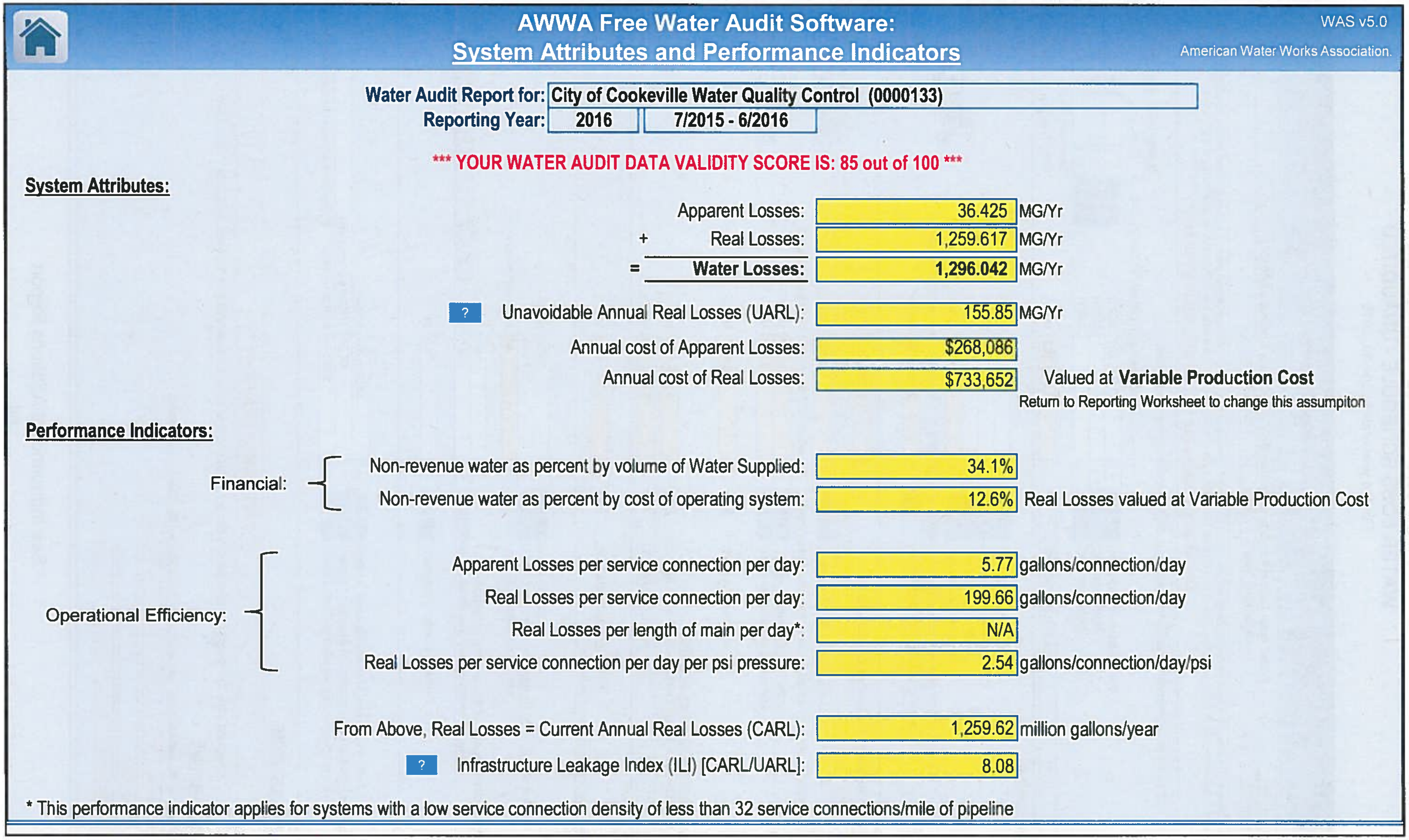
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

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: Systematic data handling errors

CITY OF COOKEVILLE, TENNESSEE
WATER LOSS SCHEDULE - UNAUDITED
For the year ended June 30, 2016



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

Water Audit Report for: City of Cookeville Water Quality Control (0000133)
Reporting Year: 2016 | 7/2015 - 6/2016

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 85 out of 100 ***

System Attributes:

Apparent Losses:	36.425	MG/Yr
+ Real Losses:	1,259.617	MG/Yr
= **Water Losses:**	**1,296.042**	MG/Yr
Unavoidable Annual Real Losses (UARL):	155.85	MG/Yr
Annual cost of Apparent Losses:	$268,086	
Annual cost of Real Losses:	$733,652	Valued at **Variable Production Cost** Return to Reporting Worksheet to change this assumpiton

Performance Indicators:

Financial:	Non-revenue water as percent by volume of Water Supplied:	34.1%	
	Non-revenue water as percent by cost of operating system:	12.6%	Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	5.77	gallons/connection/day
	Real Losses per service connection per day:	199.66	gallons/connection/day
	Real Losses per length of main per day*:	N/A	
	Real Losses per service connection per day per psi pressure:	2.54	gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	1,259.62	million gallons/year
	Infrastructure Leakage Index (ILI) [CARL/UARL]:	8.08	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

CITY OF COOKEVILLE, TENNESSEE
PRINCIPAL CITY OFFICIALS - UNAUDITED
JUNE 30, 2016

Official Title	Name	Bond*
City Council:		
Mayor	Ricky Shelton	$150,000
Vice-Mayor	Larry Epps	$150,000
Councilman	Dwight Henry	$150,000
Councilman	Charles Womack	$150,000
Councilman	Jim Woodford	$150,000
City Manager	Mike Davidson	$150,000
Finance Director	Brenda Imel	$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 UTILITY CUSTOMERS - UNAUDITED

JUNE 30, 2016

At June 30, 2016, the utility departments serviced the following number of customers:

Department	Number of Customers
Electric	17,535
Gas	9,761
Water	14,256
Sewer	14,262
Sanitation	1,055

COMPLIANCE AND INTERNAL CONTROL

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____Yes __X__No
Significant deficiency(ies) identified? _____Yes __X__None reported

Noncompliance material to financial statements noted? _____Yes __X__No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____Yes __X__No
Significant deficiency(ies) identified? _____Yes __X__None reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____Yes __X__No (None)

Identification of major programs:

CFDA Number	Name of Federal Program
20.205	Rails to Trails Grant

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee? __X__Yes _____No

Section II - Financial Statement Findings

None reported

Section III - Federal Audit Findings and Questioned Costs

None reported

Section IV - Summary of Prior Audit Findings

The City of Cookeville, Tennessee had no prior year audit findings.

DW&W

DUNCAN, WHEELER
& WILKERSON, P.C.
Certified Public Accountants

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, and the aggregate remaining fund information of the City of Cookeville, Tennessee (the "City"), as of and for the year ended June 30, 2016, 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 29, 2016. 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

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Cookeville: 228 East Broad Street □ Suite 200 □ Cookeville, TN 38501 □ 931-528-1545 □ Fax 931-526-3597

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 29, 2016
Cookeville, Tennessee

DW&W

DUNCAN, WHEELER
& WILKERSON, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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'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's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, 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, 2016.

Report on Internal Control over Compliance

Management of the City 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'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 the Uniform Guidance, 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'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Duncan, Wheeler & Wilkerson, P.C.

Cookeville, Tennessee
December 29, 2016