

**CARROLL COUNTY WATERSHED AUTHORITY**

**HUNTINGDON, TENNESSEE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**CARROLL COUNTY WATERSHED AUTHORITY  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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## **INTRODUCTORY SECTION**

**CARROLL COUNTY WATERSHED AUTHORITY  
DIRECTORY  
JUNE 30, 2009**

**BOARD MEMBERS**

Tommy Surber  
Dale Kelley  
Natalie Porter  
Kenny McBride  
Bob Clark  
Joe Smothers

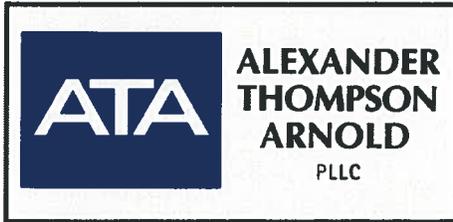
**MANAGEMENT TEAM**

Jeal Atwood, Accountant  
Kim Carter, Accountant

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Alexander Thompson Arnold PLLC  
Jackson, Tennessee

**FINANCIAL SECTION**



Certified Public Accountants

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Independent Auditor's Report

Board of Directors  
Carroll County Watershed Authority  
Huntingdon, Tennessee

We have audited the accompanying financial statements of the governmental activities and the major fund of the Carroll County Watershed Authority (the Authority), Huntingdon, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Dyersburg, TN  
Henderson, TN  
Jackson, TN  
Martin, TN  
McKenzie, TN

Milan, TN  
Murray, KY  
Paris, TN  
Trenton, TN  
Union City, TN

Board of Directors  
Carroll County Watershed Authority  
Huntingdon, Tennessee

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and the other supplementary information section are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The other supplementary information section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



Certified Public Accountants  
Jackson, Tennessee  
December 23, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Carroll County Watershed Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2009. All amounts, unless otherwise indicated, are expressed in actual dollars. Comparative analyses of key elements of total governmental funds have been provided

### FINANCIAL HIGHLIGHTS

Management believes the Authority's financial condition is strong. The Authority is well within its more stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets at year-end were \$11 million and exceeded liabilities in the amount of \$7.68 million (i.e. net assets).
- Net assets increased \$5.55 million during the current year.
- Operating revenues were \$5.78 million, an increase over year 2008 in the amount of \$4.94 million or 585.85%.
- Operating expenses were \$228 thousand, an increase from year 2008 in the amount of \$41 thousand or 22.1%.
- The operating profit for the year was \$5.55 million as compared to a \$656 thousand profit during the 2008 fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's strategic plan, budget, bond resolutions and other management tools were used for this analysis. The Financial Statements are made up of three sections: 1) the introductory section, 2) the financial section, and 3) the internal control and compliance section. The introductory section includes the Authority's directory. The financial section includes the MD&A, the independent auditor's report, and the financial statements with accompanying notes. The internal control and compliance section includes the report on internal control and compliance.

### REQUIRED FINANCIAL STATEMENTS

Due to the Authority being a single governmental fund entity, a consolidated format has been used to present the fund statements and the government-wide statements with the reconciliation included as an additional column. The following statements are included in the financial statements of the Authority:

*The Statements of Net Assets and Governmental Fund Balance Sheet* includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Authority.

*The Statements of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* presents the results of the business activities over the course of the fiscal year and information as to how the net assets and fund balances changed during the year. All changes in net assets and fund balances are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Authority's operations and can be used to determine whether the Authority has successfully recovered all of its costs. This statement also measures the Authority's profitability and credit worthiness.

*The Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Statement of Net Assets** - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$7.68 million at the close of the most recent fiscal year. A portion of the Authority's net assets (97.27%) 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. Although the Authority'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.

Table 1A  
**CONDENSED STATEMENT OF NET ASSETS**

	June 30, 2009	June 30, 2008	Increase (Decrease)	
			\$	%
Current and other assets	\$ 973,871	\$ 94,298	\$ 879,573	932.76%
Capital assets (net of accumulated depreciation)	10,027,500	4,719,505	5,307,995	112.47%
Total assets	<u>11,001,371</u>	<u>4,813,803</u>	<u>6,187,568</u>	<u>128.54%</u>
Long-term liabilities	2,553,718	2,623,347	(69,629)	-2.65%
Other liabilities	763,937	57,196	706,741	1235.65%
Total liabilities	<u>3,317,655</u>	<u>2,680,543</u>	<u>637,112</u>	<u>23.77%</u>
Invested in capital assets, net of related debt	7,473,782	2,096,159	5,377,623	256.55%
Unrestricted	209,934	37,101	172,833	465.84%
Total net assets	<u>\$ 7,683,716</u>	<u>\$ 2,133,260</u>	<u>\$ 5,550,456</u>	<u>260.19%</u>

Table 1B  
**CONDENSED STATEMENT OF NET ASSETS**

	June 30, 2008	June 30, 2007	Increase (Decrease)	
			\$	%
Current and other assets	\$ 94,298	\$ 38,909	\$ 55,389	142.36%
Capital assets (net of accumulated depreciation)	4,719,505	2,659,516	2,059,989	77.46%
Total assets	<u>4,813,803</u>	<u>2,698,425</u>	<u>2,115,378</u>	<u>78.39%</u>
Long-term liabilities	2,623,347	1,194,758	1,428,589	100%
Other liabilities	57,196	26,145	31,051	118.76%
Total liabilities	<u>2,680,543</u>	<u>1,220,903</u>	<u>1,459,640</u>	<u>119.55%</u>
Invested in capital assets, net of related debt	2,096,159	1,464,758	631,401	43.11%
Unrestricted	37,101	12,764	24,337	190.67%
Total net assets	<u>\$ 2,133,260</u>	<u>\$ 1,477,522</u>	<u>\$ 655,738</u>	<u>44.38%</u>

During the period, the Authority's net assets increased by \$6.22 million. This was primarily due to the Authority receiving \$5.24 million from the Town of Huntingdon for capital outlay notes the Town issued for the benefit of the Authority. The Authority also received wheel tax receipts and grant revenue over the period. Capital Assets increased by \$7.37 million. This increase was due primarily to the construction of dam and recreation center. Long-term liabilities increased by \$1.36 million. This increase was due to draws on line a line of credit as well as new debt issued during the period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

**Statement of Activities** – Revenues in the governmental activities column exceeded expenses by \$314 thousand. As noted earlier, revenues increased during the year due to a grant from the U.S. Department of Housing and Urban Development.

Table 2A

### CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS

	June 30, 2009	June 30, 2008	Increase (Decrease)	
			\$	%
Operating revenues and grants	\$ 5,775,638	\$ 838,289	\$ 4,937,349	588.98%
Non-operating revenues	2,806	4,233	(1,427)	-33.71%
Total revenues	<u>5,778,444</u>	<u>842,522</u>	<u>4,935,922</u>	585.85%
Operating expenditures	216,078	178,950	37,128	20.75%
Depreciation	11,910	7,834	4,076	52.03%
Total expenses	<u>227,988</u>	<u>186,784</u>	<u>41,204</u>	22.06%
Change in net assets	5,550,456	655,738	4,894,718	746.44%
Beginning net assets	2,133,260	1,477,522	655,738	44.38%
Ending net assets	<u>\$ 7,683,716</u>	<u>\$ 2,133,260</u>	<u>\$ 5,550,456</u>	260.19%

Table 2B

### CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS

	June 30, 2008	June 30, 2007	Increase (Decrease)	
			\$	%
Operating revenues and grants	\$ 838,289	\$ 845,840	\$ (7,551)	-0.89%
Non-operating revenues	4,233	12,858	(8,625)	-67.08%
Total revenues	<u>842,522</u>	<u>858,698</u>	<u>(16,176)</u>	-1.88%
Operating expenditures	178,950	317,389	(138,439)	-43.62%
Depreciation	7,834	7,020	814	11.60%
Total expenses	<u>186,784</u>	<u>324,409</u>	<u>(137,625)</u>	-42.42%
Change in net assets	655,738	534,289	121,449	22.73%
Beginning net assets	1,477,522	943,233	534,289	56.64%
Ending net assets	<u>\$ 2,133,260</u>	<u>\$ 1,477,522</u>	<u>\$ 655,738</u>	44.38%

Total revenues increased over the period primarily due to the grant revenue received from the Town of Huntingdon that is described elsewhere. Operating expenses varied during the period due to costs related to the dam and recreation area construction that were not amortized being variable.

#### COMMENTS ON FUND FINANCIAL STATEMENTS

The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental fund** – The focus of the Authority's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)**

In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Revenues in the general fund increased by approximately \$4.94 million. The most significant changes in revenues and other financing sources in the general fund were:

- A \$147 thousand Economic Development Initiative appropriation from HUD compared to a \$500 thousand land acquisition grant from the Tennessee State Building Commission in the prior year.
- Grant revenue from the Town of Huntingdon of \$5.24 million for debt that the Town issued for the benefit of the Authority.

Expenditures in the general fund increased from last year by approximately \$41 thousand. The most significant changes in expenditures and other financing uses in the general fund were:

- Professional and engineering expenses associated with construction of the dam and recreational area.

A budget comparison statement has been provided to demonstrate compliance with the budget.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

#### ***Final Budgeted and Actual Amounts***

Actual revenues were less than the final budgeted amounts by \$107 thousand. Significant variances were:

- LPRF Grant was budgeted for \$220 thousand and the actual revenue was \$113 thousand.

Expenditures were less than the final budgeted amounts by \$11 thousand in the current year. Significant variances were:

- Professional expenses budgeted for \$26 thousand and the actual expense was \$20 thousand.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital Assets*** - At the end of the fiscal year, the Authority had invested \$10.03 million net of accumulated depreciation in a variety of capital assets. Accumulated depreciation at the end of the period was \$38 thousand. Depreciation expense during the period was \$11,910.

***Long-term debt*** – At the end of the current fiscal year, the Authority had long-term debt and lines of credit in the amount of \$2.55 million with accrued interest on that debt of \$1,166.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The development and construction of the lake is continuing as planned, and there are no foreseen developments at this time that would hold up progress of the lake.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Carroll County Watershed Authority, P.O. Box 668, Huntingdon, TN 38344.

**CARROLL COUNTY WATERSHED AUTHORITY**  
**STATEMENTS OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**  
**JUNE 30, 2009**

<b>ASSETS</b>	<u>General Fund</u>	<u>Adjustments (Note 3A)</u>	<u>Statement of Net Assets</u>
Cash	\$ 110,987	\$ -	\$ 110,987
Accounts receivable	64,723	-	64,723
Prepaid insurance	1,251	-	1,251
Cash retainage	213,026	-	213,026
Due from Town of Huntingdon	536,804	-	536,804
Due from State of Tennessee	47,080	-	47,080
Capital assets (net of accumulated depreciation):			
Land	-	4,711,698	4,711,698
Dam construction	-	5,005,915	5,005,915
Recreational center	-	232,039	232,039
Capital assets (net of accumulated depreciation):			
Hydrothermal model	-	43,200	43,200
Monitoring station	-	23,055	23,055
Monitoring station road	-	8,744	8,744
Software	-	2,849	2,849
<b>Total assets</b>	<u>\$ 973,871</u>	<u>10,027,500</u>	<u>11,001,371</u>
<b>LIABILITIES</b>			
Accounts payable	543,312	-	543,312
Interest payable	-	1,166	1,166
Contract retainage	219,459	-	219,459
Debt payable			
Due within one year	-	1,599,693	1,599,693
Due in more than one year	-	954,025	954,025
<b>Total liabilities</b>	<u>762,771</u>	<u>2,554,884</u>	<u>3,317,655</u>
<b>FUND BALANCE</b>			
Unreserved	<u>211,100</u>	(211,100)	-
<b>Total liabilities and fund balance</b>	<u>\$ 973,871</u>		
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt		7,473,782	7,473,782
Unrestricted		<u>209,934</u>	<u>209,934</u>
<b>Total net assets</b>		<u>\$ 7,472,616</u>	<u>\$ 7,683,716</u>

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

**CARROLL COUNTY WATERSHED AUTHORITY**  
**STATEMENT OF ACTIVITES AND GOVERNMENTAL FUND REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	General Fund	Adjustments (Note 3B)	Statement of Activities
<b>Revenues:</b>			
Grant revenue - Town of Huntingdon	\$ 5,236,072	\$ -	\$ 5,236,072
Wheel tax receipts	245,445	-	245,445
Land acquisition grant	147,000	-	147,000
Land lease income	11,500	-	11,500
LPRF grant	113,242	-	113,242
TVA refund	22,379	-	22,379
Sale of surplus property	1,611	-	1,611
Interest income	<u>1,195</u>	<u>-</u>	<u>1,195</u>
<b>Total revenue</b>	<u>5,778,444</u>	<u>-</u>	<u>5,778,444</u>
<b>Expenditures:</b>			
Management fee	6,398	-	6,398
Publication of formal and legal notice	1,790	-	1,790
Dues and membership fees	8,250	-	8,250
Accounting and auditing services	4,700	-	4,700
Tennessee state planning	11,250	-	11,250
Other operating supplies	290	-	290
Legal services	8,539	(4,742)	3,797
General liability	180	-	180
Engineering services	261,154	(261,154)	-
Monitoring services	86,529	(86,529)	-
Dam construction	4,720,776	(4,720,776)	-
Repair and maintenance - machine and equipment	10,248	(8,300)	1,948
Saplings	63,424	(63,424)	-
Electric	1,025	-	1,025
Professional services	19,852	(16,130)	3,722
Insurance - buildings	613	-	613
Buildings	158,850	(158,850)	-
Insurance - vehicles	500	-	500
Transfer to Town of Huntingdon	77,292	-	77,292
Depreciation	-	11,910	11,910
Administrative expense	317	-	317
Debt service:			
Principal payments	69,629	(69,629)	-
Interest expense	<u>127,620</u>	<u>(33,614)</u>	<u>94,006</u>
<b>Total expenditures</b>	<u>5,639,226</u>	<u>(5,411,238)</u>	<u>227,988</u>
Net changes in fund balance/net assets	139,218	5,411,238	5,550,456
<b>Fund balance/net assets - beginning</b>	<u>71,882</u>	<u>2,061,378</u>	<u>2,133,260</u>
<b>Fund balance/net assets - ending</b>	<u>\$ 211,100</u>	<u>\$ 7,472,616</u>	<u>\$ 7,683,716</u>

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

**CARROLL COUNTY WATERSHED AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2009

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Carroll County Watershed Authority (the Authority) is a Watershed Authority with responsibility for the Watersheds of Carroll County. The six member board of directors, which serve six year staggered terms are appointed by the governor. The Authority approves its own budgets and controls surpluses and deficits. The Authority can issue debt and is responsible for fiscal management and determining fees. The Authority was created by the State on May 11, 1984. The Authority has control over the hiring and firing of employees, although at present there are no employees. These financial statements present the Authority as the primary government and there are no component units.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statements of net assets and the statement of changes in net assets) and the governmental funds financial statements (i.e., the balance sheet and the statement of revenues, expenditures, and changes in fund balances) have been consolidated onto one report. The adjustments from the fund financial statements to the government-wide statements have been consolidated into the middle column of the reports for simplicity.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The above referenced financial statements have been combined into one statement due to the fact that the Authority is a single fund governmental unit.

Wheel taxes associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles. The Authority's reporting entity applies all relevant *Governmental Accounting Standards Board* (GASB) pronouncements and applicable *Financial Accounting Standards Board* (FASB) pronouncements and *Accounting Principle Board* (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The Authority's reporting entity does not apply FASB pronouncements issued after November 30, 1989.

**CARROLL COUNTY WATERSHED AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**C. Assets and Liabilities**

*Deposits and Investments*

Cash consists of currency on hand and demand deposits with financial institutions. Cash equivalents are short-term, highly liquid investments both readily convertible to known amounts of cash and so near maturity that there is insignificant risk of changes in value because of changes in interest rates. Only investments with maturities of less than three months at the time of purchase are considered cash equivalents.

*Capital Assets*

Property, plant and equipment are stated at original cost. Maintenance, repairs and minor renewals are expensed as incurred. When units are retired the original cost and related accumulated depreciation are removed from the books.

Depreciation of the fixed assets is computed by the straight-line method over the estimated useful lives (5 to 15 years) of the various assets.

*Net Assets*

Equity is classified as net assets and displayed in the following two components:

- Invested in Capital Assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.
- Unrestricted – All other net assets that do not meet the description of the above categories.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

The Authority adopts flexible annual operating budgets and they are approved by the board. Budgets are adopted on a basis consistent with generally accepted accounting principles. The current operating budget details the Authority’s plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year.

All unexpended appropriations in the operating budget remaining at the end of the fiscal year lapse.

**NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets**

Adjustments to the balance sheet of governmental funds to the statement of net assets includes the following items:

When capital assets that are to be used in governmental activities are purchased, the costs of those assets are reported as expenditures in the governmental funds. However, the statement of net assets includes those capital assets among the assets of the Carroll County Watershed Authority as a whole.

Cost of capital assets	\$ 10,065,354
Accumulated depreciation	<u>(37,854)</u>
	<u>\$ 10,027,500</u>

**CARROLL COUNTY WATERSHED AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2009

**NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT(Cont.)**

**B. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities**

The net change in fund balances of governmental funds differs from the change in net assets for governmental activities. The difference arises primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

When capital assets that are to be used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$ 5,319,905
Depreciation expense	<u>(11,910)</u>
Difference	<u>\$ 5,307,995</u>

Some expenses reported in the statement of revenues, expenditures, and changes in fund balance require the use of current financial resources and therefore are reported as expenditures in governmental funds. The Authority made principal and interest payments on the debt during the period. As a result, fund balance increases by the amount of financial resources expended, whereas net assets decrease by the amount of interest accrued and proceeds from debt issued.

Changes in accrued interest	\$ 33,614
Debt payment made	<u>69,629</u>
Total	<u>\$ 103,243</u>

**NOTE 4 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

*Custodial Credit Risk*

The Authority’s policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Authority’s agent in the Authority’s name, or by the treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state polled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2009 all bank deposits were fully collateralized or insured.

**CARROLL COUNTY WATERSHED AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 4 – DETAILED NOTES ON ALL FUNDS(Cont.)**

**B. Capital Assets**

Capital asset activity during the year was as follows:

Description	Balance at June 30, 2008	Additions	Disposals	Balance at June 30, 2009
Capital assets, not being depreciated				
Land	\$ 4,629,747	\$ 81,951	\$ -	\$ 4,711,698
Dam construction	-	5,005,915	-	5,005,915
Recreational center	-	232,039	-	232,039
Total capital assets, not being depreciated	<u>4,629,747</u>	<u>5,319,905</u>	<u>-</u>	<u>9,949,652</u>
Capital assets, being depreciated				
Monitoring station	45,910	-	-	45,910
Monitoring station road	13,116	-	-	13,116
Hydrothermal model	48,906	-	-	48,906
Software	7,770	-	-	7,770
Total capital assets being depreciated	<u>115,702</u>	<u>-</u>	<u>-</u>	<u>115,702</u>
Less accumulated depreciation for:				
Monitoring station	18,265	4,591	-	22,856
Monitoring station road	3,498	874	-	4,372
Hydrothermal model	815	4,891	-	5,706
Software	3,366	1,554	-	4,920
Total accumulated depreciation	<u>25,944</u>	<u>11,910</u>	<u>-</u>	<u>37,854</u>
Total capital assets, being depreciation, net	<u>89,758</u>	<u>(11,910)</u>	<u>-</u>	<u>77,848</u>
Total capital assets, net	<u>\$ 4,719,505</u>	<u>\$ 5,307,995</u>	<u>\$ -</u>	<u>\$ 10,027,500</u>

Depreciation expense amounted to \$11,910 for the fiscal year ended June 30, 2009.

**C. Long-term Debt**

A line of credit was opened with Regions in the amount of \$1,500,000 in the fiscal year 2008. The interest rate on the line of credit is 4.20%. Interest is accrued from the date of each draw to the day of repayment on that draw on an annual basis. In July 2007, the Authority took out a note with TVA for power line relocations in the amount of \$1,610,518 at an interest rate of 3.75%.

**CARROLL COUNTY WATERSHED AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 4 – DETAILED NOTES ON ALL FUNDS(Cont.)**

**C. Long-term Debt (Cont.)**

Long-term debt activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-type activities:					
Notes payable	\$ 1,125,537	\$ -	\$ -	\$ 1,125,537	\$ 171,512
Line of credit	1,497,810	-	69,629	1,428,181	1,428,181
	<u>\$ 2,623,347</u>	<u>\$ -</u>	<u>\$ 69,629</u>	<u>\$ 2,553,718</u>	<u>\$ 1,599,693</u>

The annual requirement to amortize the notes payable outstanding (excluding the line of credit) are as follows:

Year Ending June 30,	Principal	Interest
2010	\$ 171,512	\$ 31,027
2011	169,116	33,424
2012	175,481	27,059
2013	182,222	20,319
2014	189,152	13,389
2015	196,345	6,195
2016	41,709	390
	<u>\$ 1,125,537</u>	<u>\$ 131,803</u>

**D. Grant Revenue – Town of Huntingdon**

During the fiscal year 2009, \$5,236,072 was transferred to the Authority by the Town and was treated as grant revenue by the Authority as part of the agreement described in Note 5C.

**NOTE 5 – OTHER INFORMATION**

**A. Carroll County Lake Development**

The dam and recreation area is currently in development, and nearing completion. The mitigation site has had saplings added to help replace forest and wetlands destroyed by the lake project. In 2008, Carroll County passed a wheel tax referendum to add an additional \$10 wheel tax to the present wheel tax for the purpose of raising the funds required for the 30% local match of the cost of development of the lake. The remaining 70% of the cost is to be provided by Federal, State, and other agencies.

**CARROLL COUNTY WATERSHED AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2009

**NOTE 5 – OTHER INFORMATION (Cont.)**

**B. Risk Management**

The Authority is exposed to various risks of loss related to tort, theft of assets and error and omissions. During the year ended June 30, 2008, the Authority received an opinion from the State Attorney General's Office confirming that the Authority is a state agency for liability purposes. The Authority has purchased a blanket bond in the amount of \$25,000 to insure against loss caused to the Authority through the failure of any of the employees, acting alone or in collusion with others, to perform faithfully his duties or to account properly for all monies and property received by virtue of his position or employment during the bond period. The Authority has also purchased commercial coverage for the Monitoring Station that has recently been constructed. The Authority has had no claims in any of the past three years.

**C. Contingent Liability**

On July 24, 2008, the Authority entered into an agreement with the Town of Huntingdon, Tennessee (the Town) pursuant to TCA 64-1-801 for the purpose of obtaining capital financing for various expenditures related to the construction and development of the Carroll County Lake in Carroll County Tennessee. As part of this agreement the Town has agreed to incur indebtedness not to exceed \$10,000,000 in debt issued through the Tennessee public building authority in the Town's name. The debt is secured by the full faith and credit of the Town, and its taxing powers pledged to the payment of such indebtedness. It is the intention of both parties that the Authority will transfer to the Town on an annual basis an amount equal to the debt service requirements to the extent that the Authority has available financial resources. However, there is no legal authority for the Town to require payments be made annually from the Authority in the amount of debt service. Due to the contingent nature of the transaction and the question of whether the Authority will be able to cover the annual debt service, a liability has not been recorded. All assets built, purchased, etc. by the Authority with this funding will be owned by the Authority and are not used to secure the above referenced indebtedness. As of June 30, 2009, the amount of the total outstanding indebtedness that is part of this agreement was \$5,000,000 which is recorded on the Town's books.

**CARROLL COUNTY WATERSHED AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

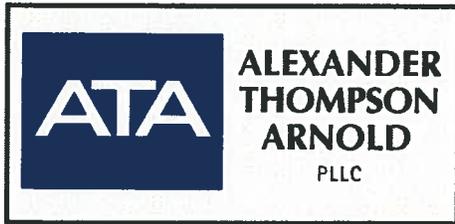
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over (Under)
<b>Revenues:</b>				
Grant revenue - Town of Huntingdon	\$ 5,236,100	\$ 5,236,100	\$ 5,236,072	\$ (28)
Wheel tax receipts	245,450	245,450	245,445	(5)
Land acquisition grant	147,000	147,000	147,000	-
Land lease income	11,500	11,500	11,500	-
LPRF grant	220,350	220,350	113,242	(107,108)
TVA refund	22,400	22,400	22,379	(21)
Sale of surplus property	1,600	1,600	1,611	11
Interest income	1,200	1,200	1,195	(5)
<b>Total revenues</b>	<u>5,885,600</u>	<u>5,885,600</u>	<u>5,778,444</u>	<u>(107,156)</u>
<b>Expenditures:</b>				
Management fee	9,000	9,000	6,398	(2,602)
Publication of formal and legal notice	1,825	1,825	1,790	(35)
Dues and membership fees	8,250	8,250	8,250	-
Accounting and auditing services	4,700	4,700	4,700	-
Tennessee state planning	11,250	11,250	11,250	-
Other operating supplies	300	300	290	(10)
Legal services	8,550	8,550	8,539	(11)
General liability	200	200	180	(20)
Engineering services	261,250	261,250	261,154	(96)
Monitoring services	86,600	86,600	86,529	(71)
Dam construction	4,720,800	4,720,800	4,720,776	(24)
Repair and maintenance - machine and equipment	10,250	10,250	10,248	(2)
Saplings	63,450	63,450	63,424	(26)
Testing	4,000	3,600	-	(3,600)
Electric	1,150	1,150	1,025	(125)
Professional services	25,900	25,900	19,852	(6,048)
Insurance - buildings	650	650	613	(37)
Buildings	157,350	157,350	158,850	1,500
Insurance - vehicles	500	500	500	-
Transfer out	77,300	77,300	77,292	(8)
Administrative expense	350	350	317	(33)
Debt service - Principal payments	69,650	69,650	69,629	(21)
Debt service - Interest expense	127,650	127,650	127,620	(30)
<b>Total expenditures</b>	<u>5,650,925</u>	<u>5,650,525</u>	<u>5,639,226</u>	<u>(11,299)</u>
Net change in fund balance	<u>\$ 234,675</u>	<u>\$ 235,075</u>	139,218	<u>\$ (95,857)</u>
<b>Fund balance - beginning</b>			<u>71,882</u>	
<b>Fund balance - ending</b>			<u>\$ 211,100</u>	

See independent auditor's report.

**CARROLL COUNTY WATERSHED AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Balance Unearned (Receivable) 7/1/08</u>	<u>Cash Receipts</u>	<u>Expenditures/ Amount Earned/ Amount Issued</u>	<u>Balance Unearned (Receivable) 6/30/09</u>
<b>Federal Awards</b>						
<b>U.S. Department of Housing and Urban Development</b>						
2008 HUD Special Project Grant	14.251	B-08-SP-TN-0062	\$ -	\$ 147,000	\$ 147,000	\$ -
<b>State Awards</b>						
<b>TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION</b>						
Local Parks and Recreation Fund		Z-07-031365-00	\$ (1,715)	\$ 67,877	\$ 113,242	\$ (47,080)

**INTERNAL CONTROL AND COMPLIANCE SECTION**



Certified Public Accountants

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Kentucky Society of Certified Public Accountants

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*

Board of Directors  
Carroll County Watershed Authority  
Huntingdon, Tennessee

We have audited the accompanying financial statements of the governmental activities and the major fund of the Carroll County Watershed Authority (the Authority), as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 23, 2009. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Dyersburg, TN  
Henderson, TN  
Jackson, TN  
Martin, TN  
McKenzie, TN

Milan, TN  
Murray, KY  
Paris, TN  
Trenton, TN  
Union City, TN

Compliance and Other Matters

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

This report is intended solely for the information of the Board of Directors, management, federal awarding agencies and pass-through entities and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants  
Jackson, Tennessee  
December 23, 2009

**CARROLL COUNTY WATERSHED AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
JUNE 30, 2009

**FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Prior Year Findings:**

The prior year finding has been satisfactorily resolved.

**Current Year Findings:**

No current year findings reported.