

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

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INTRODUCTORY SECTION

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
DIRECTORY
JUNE 30, 2009**

BOARD MEMBERS

Robert Rutledge, Chairman
Robert Clark, Sr., Secretary
Vince Taylor, Treasurer
John A. Mann
Paul Moore, Sr.

MANAGEMENT TEAM

Lynn Compton, General Manager
Mark Burden, Office Manager
Gary Hatch, Director of Operations
Gail Eubanks, Chief Accountant

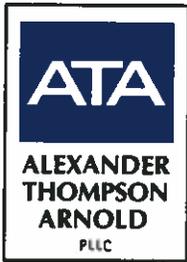
COUNSEL

Robert Keeton, Jr.
Huntingdon, Tennessee

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION



Certified Public Accountants

227 Oil Well Road
Jackson, TN 38305

Telephone: (731) 427-8571
Fax: (731) 424-5701

Members of:
American Institute of Certified Public Accountants
Governmental Audit Quality Center – AICPA
Tennessee Society of Certified Public Accountants
Center for Public Company Audit Firms
Employee Benefit Plan Audit Quality Center – AICPA

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Independent Auditor's Report

Board of Directors
Carroll County Board of Public Utilities
Huntingdon, Tennessee

We have audited the accompanying financial statements of the Carroll County Board of Public Utilities (the System), an enterprise fund of Carroll County, Tennessee, as of and for the years ended June 30, 2009 and 2008, as listed in the Table of Contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Carroll County Board of Public Utilities and do not purport to, and do not, present fairly the financial position of Carroll County, Tennessee, as of June 30, 2009 and 2008, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows for the years 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 a report dated August 24, 2009, on our consideration of the System'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 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 8 is not a required part of the accompanying 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
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

Milan, TN
McKenzie, TN
Paris, TN
Trenton, TN
Union City, TN

Board of Directors
Carroll County Board of Public Utilities
Huntingdon, Tennessee

Our audit was conducted for the purpose of forming an opinion on the accompanying financial statements. The financial information listed in the other supplementary information section and the introductory section in the Table of Contents includes supplementary information that is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplementary information, except that marked "unaudited", has been subjected to the auditing procedures applied in the audits of the accompanying financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The introductory section and other supplementary information, which has been marked "unaudited," have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Alexander Thompson Arnold PLLC
Certified Public Accountants

Jackson, Tennessee
August 24, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Carroll County Board of Public Utilities (the System), we offer readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the fiscal year ended June 30, 2009. All amounts, unless otherwise indicated, are expressed in actual dollars.

FINANCIAL HIGHLIGHTS

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

- Total assets at year-end were \$31.7 million and exceeded liabilities in the amount of \$25.5 million (i.e. net assets). Total assets increased by \$612 thousand due to increases in both current assets and capital assets.
- Net assets increased \$661 thousand during the current year due to an operating profit. Unrestricted net assets increased by \$326 thousand due primarily to the operating profit.
- During fiscal year 2009, the System delivered 445.98 million kWh compared to 483.47 million kWh during the fiscal year 2008.
- Operating revenues were \$39.6 million, an increase from year 2008 in the amount of \$4.2 million or 12.0%.
- Operating expenses were \$38.6 million, an increase over year 2008 in the amount of \$4.2 million or 12.2%. An increase in cost of sales and services of \$3.8 million made up the largest portion of the increase.
- The operating income for the year was \$988 thousand as compared to a \$928 thousand operating profit during the 2008 fiscal year.
- Ratios of operating income to total operating revenue were 2.50, 2.67, and 3.87, for 2009, 2008, and 2007, respectively.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

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 System's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the System's strategic plan, budget, bond resolutions and other management tools were used for this analysis. The Comprehensive Annual Financial Report is made up of four sections: 1) the introductory section, 2) the financial section, 3) the other supplementary and statistical information section, and 4) the internal control and compliance section. The introductory section includes the System's directory. The financial section includes the MD&A, the independent auditor's report and the financial statements with accompanying notes. The other supplementary and statistical information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

REQUIRED FINANCIAL STATEMENTS

A Proprietary Fund is used to account for the operations of the System, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements report information about the System, using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The *Statement of Net Assets* presents the financial position of the System on a full accrual historical cost basis. The statement includes all of the System's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the System's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the System, and assessing the liquidity and financial flexibility of the System.

REQUIRED FINANCIAL STATEMENTS (Cont.)

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

The *Statement of Cash Flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

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 System's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

FINANCIAL ANALYSIS

One of the most important questions asked about the System's finances is "Is the System, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the System's activities in a way that will help answer this question. These two statements report the net assets of the System, and the changes in the net assets. Net assets are one way to measure the financial health or financial position of the System. Over time, increases or decreases in the System's net assets is an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The System's total net assets increased by \$0.7 million and \$0.7 million for the fiscal years ended June 30, 2009 and 2008, respectively. The analysis below focuses on the System's net assets (Table 1) and changes in net assets (Table 2) during the year.

Table 1A
CONDENSED STATEMENT OF NET ASSETS

	June 30, 2009	June 30, 2008	Increase (Decrease)	
			\$	%
Current and other assets	\$ 11,714,759	\$ 11,282,688	\$ 432,071	3.83%
Capital assets	19,980,506	19,800,209	180,297	0.91%
Total assets	\$ 31,695,265	\$ 31,082,897	\$ 612,368	1.97%
Long-term liabilities	\$ 931,412	\$ 1,064,756	\$ (133,344)	-12.52%
Other liabilities	5,279,955	5,195,639	84,316	1.62%
Total liabilities	\$ 6,211,367	\$ 6,260,395	\$ (49,028)	-0.78%
Invested in capital assets, net of related debt	\$ 18,895,506	\$ 18,585,209	\$ 310,297	1.67%
Restricted	343,256	318,656	24,600	7.72%
Unrestricted	6,245,136	5,918,637	326,499	5.52%
Total net assets	\$ 25,483,898	\$ 24,822,502	\$ 661,396	2.66%

REQUIRED FINANCIAL ANALYSIS (Cont.)

Table 1B
CONDENSED STATEMENT OF NET ASSETS

	June 30, 2008	June 30, 2007	Increase (Decrease)	
			\$	%
Current and other assets	\$ 11,282,688	\$ 10,663,541	\$ 619,147	5.81%
Capital assets	19,800,209	19,430,817	369,392	1.90%
Total assets	<u>\$ 31,082,897</u>	<u>\$ 30,094,358</u>	<u>\$ 988,539</u>	3.28%
Long-term liabilities	\$ 1,064,756	\$ 1,193,243	\$ (128,487)	-10.77%
Other liabilities	5,195,639	4,829,090	366,549	7.59%
Total liabilities	<u>\$ 6,260,395</u>	<u>\$ 6,022,333</u>	<u>\$ 238,062</u>	3.95%
Invested in capital assets, net of related debt	\$ 18,585,209	\$ 18,090,817	\$ 494,392	2.73%
Restricted	318,656	294,830	23,826	8.08%
Unrestricted	<u>5,918,637</u>	<u>5,686,378</u>	<u>232,259</u>	4.08%
Total net assets	<u>\$ 24,822,502</u>	<u>\$ 24,072,025</u>	<u>\$ 750,477</u>	3.12%

The increase in capital assets was funded primarily by operations and the use of unrestricted fund balance. The increase in current and other assets was due primarily to an increase in cash and cash equivalents and trade accounts receivable during the year.

Changes in the System's net assets can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Assets for the years.

Table 2A
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	June 30, 2009	June 30, 2008	Increase (Decrease)	
			\$	%
Operating revenues	\$ 39,581,914	\$ 35,327,045	\$ 4,254,869	12.04%
Non-operating revenues	194,645	345,285	(150,640)	-43.63%
Total revenues	39,776,559	35,672,330	4,104,229	11.51%
Cost of sales and service	32,873,049	29,049,853	3,823,196	13.16%
Operations expense	2,027,515	1,916,648	110,867	5.78%
Maintenance expense	1,346,233	1,259,648	86,585	6.87%
General and administrative expense	1,145,808	1,021,033	124,775	12.22%
Depreciation expense	1,063,537	1,028,176	35,361	3.44%
Amortization of acquisition adjustment	(18,238)	(24,318)	6,080	-25.00%
Transfer out	618,891	607,281	11,610	1.91%
Interest and amortization	58,368	63,532	(5,164)	-8.13%
Total expenses	<u>39,115,163</u>	<u>34,921,853</u>	<u>4,193,310</u>	12.01%
Change in net assets	661,396	750,477	(89,081)	-11.87%
Beginning net assets	<u>24,822,502</u>	<u>24,072,025</u>	<u>750,477</u>	3.12%
Ending net assets	<u>\$ 25,483,898</u>	<u>\$ 24,822,502</u>	<u>\$ 661,396</u>	2.66%

REQUIRED FINANCIAL ANALYSIS (Cont.)

Table 2B
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	June 30, 2008	June 30, 2007	Increase (Decrease)	
			\$	%
Operating revenues	\$ 35,327,045	\$ 33,365,489	\$ 1,961,556	5.88%
Non-operating revenues	345,285	350,196	(4,911)	-1.40%
Total revenues	35,672,330	33,715,685	1,956,645	5.80%
Cost of sales and service	29,049,853	27,086,341	1,963,512	7.25%
Operations expense	1,916,648	1,814,459	102,189	5.63%
Maintenance expense	1,259,648	1,225,721	33,927	2.77%
General and administrative expense	1,021,033	975,096	45,937	4.71%
Depreciation expense	1,028,176	998,583	29,593	2.96%
Amortization and acquisition adjustment	(24,318)	(24,318)	-	0.00%
Transfer out	607,281	584,385	22,896	3.92%
Interest and amortization	63,532	68,447	(4,915)	-7.18%
Total expenses	34,921,853	32,728,714	2,193,139	6.70%
Change in net assets	750,477	986,971	(236,494)	-23.96%
Beginning net assets	24,072,025	23,085,054	986,971	4.28%
Ending net assets	\$ 24,822,502	\$ 24,072,025	\$ 750,477	3.12%

Operating revenues showed a 5.92% increase from 2007 to 2008 and a 12.00% increase from 2008 to 2009. Non-operating revenues decreased 1.40% from 2007 to 2008 and decreased 43.63% from 2008 to 2009 as the result of decreasing interest rates on certificates of deposits and savings accounts. Expenses increased 18.70% for the three year period which represents basic inflation over the period as well as an increase in cost of sales and service due to rate increases by TVA. Ending net assets showed an increase of 5.78% over the 3 year period due to the above mentioned facts.

CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital Assets**

At the end of fiscal year 2009, the system had \$20.0 million (net of accumulated depreciation) invested in a broad range of System capital assets. This investment includes land, land rights, distribution and transmission systems and their related equipment, and various types of equipment. Based on the uses of the aforementioned assets, they are classified for financial purposes as transmission plant, distribution plant, and general plant. This investment represents an overall increase (net of increases and decreases) of \$180 thousand or 0.9% over last year.

The following tables summarize the System's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2009 and 2008. These changes are presented in detail in Note 3D to the financial statements.

Table 3A
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2009	June 30, 2008	Increase (Decrease)	
			\$	%
Transmission plant	\$ 890,076	\$ 840,855	\$ 49,221	5.85%
Distribution plant	17,140,566	16,997,349	143,217	0.84%
General plant	1,870,887	1,833,061	37,826	2.06%
Construction in progress	78,977	147,182	(68,205)	-46.34%
Unamortized acquisition adjustment	-	(18,238)	18,238	-100.00%
Total capital assets (net)	\$ 19,980,506	\$ 19,800,209	\$ 180,297	0.91%

CAPITAL ASSETS AND DEBT ADMINISTRATION (Cont.)

Table 3B
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2008	June 30, 2007	Increase (Decrease)	
			\$	%
Transmission plant	\$ 840,855	\$ 872,153	\$ (31,298)	-3.59%
Distribution plant	16,997,349	16,751,188	246,161	1.47%
General plant	1,833,061	1,775,770	57,291	3.23%
Construction in progress	147,182	74,261	72,921	98.20%
Unamortized acquisition adjustment	(18,238)	(42,555)	24,317	-57.14%
Total capital assets (net)	<u>\$ 19,800,209</u>	<u>\$ 19,430,817</u>	<u>\$ 369,392</u>	1.90%

The major portion of the additions, took place in the distribution plant. Many of these additions resulted from the rehabilitation of deteriorating lines, so the impact on operating and maintenance costs should be favorable, but the impact on revenues will be slight. The System plans on using existing financial resources to keep upgrading existing systems and adding new systems where it sees fit.

Debt Administration

The System has outstanding Revenue Bonds of \$1.09 million as of June 30, 2009. Principal payments are due in the upcoming fiscal year in the amount of \$135 thousand with interest payments totaling approximately \$50 thousand also due. Details relating to the outstanding debt can be found in Note 3E. The System is well within its debt covenants and foresees no problems in the future relating to outstanding debt. The System also has no current plans to issue new debt or refund outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

Effective April 1, 2008, the System increased electric rates by approximately 1.5%. The annual revenue impact of the rate increase was approximately \$0.5 million. Also effective April 1, 2008 and October 1, 2008, the Systems regulatory authority and electricity supplier increased wholesale power rates approximately 7.0% and 3.0%, respectively, which was passed on to its customers. In addition, during fiscal year 2009 the System made no changes to gross margin rates and management does not anticipate any change for fiscal year 2010.

During the fiscal year 2009 economic conditions in the service territory did not show signs of improvement. Most notable, the county's unemployment rate increased from 9.0% to 13.1% which lowered the customer base for all rate classes for the second consecutive year.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System's finances and to demonstrate the System's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Office Manager of Carroll County Board of Public Utilities, P.O. Box 527, 103 West Paris Street, Huntingdon, TN 38344.

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
STATEMENTS OF NET ASSETS**

	June 30,	
	2009	2008
ASSETS		
Current Assets:		
Cash on hand	\$ 3,650	\$ 3,650
Cash and cash equivalents - general	2,066,851	2,072,232
Accounts receivable - trade (net of allowance for uncollectibles)	2,973,446	2,988,035
Accounts receivable - other	115,825	177,020
Materials and supplies	461,185	495,758
Prepayments and other current assets	446,319	619,635
Total current assets	6,067,276	6,356,330
Noncurrent assets		
Restricted cash, cash equivalents, and investments:		
Cash and cash equivalents	106,116	92,556
Investments	245,480	235,372
Total restricted assets	351,596	327,928
Investments	5,282,144	4,582,676
Other assets:		
Unamortized debt expense	13,743	15,754
Capital assets:		
Transmission plant	1,474,028	1,409,197
Distribution plant	30,530,710	29,840,638
General plant	2,917,424	2,823,299
Construction in progress	78,977	147,182
Less: Accumulated depreciation	(15,020,633)	(14,401,869)
Less: Unamortized acquisition adjustment	-	(18,238)
Total capital assets (net of accumulated depreciation)	19,980,506	19,800,209
Total noncurrent assets	25,627,989	24,726,567
Total assets	\$ 31,695,265	\$ 31,082,897

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

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
STATEMENTS OF NET ASSETS**

	June 30,	
	2009	2008
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 2,654,058	\$ 2,729,604
Other accrued expense	598,527	570,205
Customer deposits	880,091	838,272
Compensated absences	1,003,939	918,286
Total current liabilities	5,136,615	5,056,367
Current liabilities payable from restricted assets:		
Accrued interest	8,340	9,272
Current maturities of long-term debt	135,000	130,000
Total current liabilities payable from restricted assets	143,340	139,272
Noncurrent liabilities:		
Bonds payable (less current maturities)	950,000	1,085,000
Unamortized discount on bonds payable	(18,588)	(20,244)
Total noncurrent liabilities	931,412	1,064,756
Total liabilities	6,211,367	6,260,395
NET ASSETS		
Invested in capital assets, net of related debt	18,895,506	18,585,209
Restricted for debt service	343,256	318,656
Unrestricted	6,245,136	5,918,637
Total net assets	\$ 25,483,898	\$ 24,822,502

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

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>FOR THE FISCAL YEARS ENDED JUNE 30,</u>	
	<u>2 0 0 9</u>	<u>2 0 0 8</u>
Operating revenues:		
Charges for sales and services	\$ 38,805,800	\$ 34,733,730
Other electric revenue	776,114	593,315
Total operating revenues	<u>39,581,914</u>	<u>35,327,045</u>
Operating expenses:		
Cost of sales and services	32,873,049	29,049,853
Operations expense	2,027,515	1,916,648
Maintenance expense	1,346,233	1,259,648
Administrative expense	1,145,808	1,021,033
Provision for depreciation	1,063,537	1,028,176
Payroll taxes	156,206	147,921
Amortization of acquisition adjustment	(18,238)	(24,318)
Total operating expenses	<u>38,594,110</u>	<u>34,398,961</u>
Operating income (loss)	<u>987,804</u>	<u>928,084</u>
Nonoperating revenues (expenses):		
Interest income	194,645	345,285
Interest expense	(54,701)	(60,008)
Amortization of debt expense	(3,667)	(3,524)
Total nonoperating revenues (expenses)	<u>136,277</u>	<u>281,753</u>
Income before transfers	1,124,081	1,209,837
Transfers:		
Transfer out - tax equivalents	<u>(462,685)</u>	<u>(459,360)</u>
Change in net assets	661,396	750,477
Total net assets - beginning	<u>24,822,502</u>	<u>24,072,025</u>
Total net assets - ending	<u>\$ 25,483,898</u>	<u>\$ 24,822,502</u>

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

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
STATEMENTS OF CASH FLOWS**

	FOR THE FISCAL YEARS ENDED JUNE 30,	
	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 39,657,698	\$ 35,015,567
Payments to suppliers and employees	<u>(37,302,493)</u>	<u>(33,212,980)</u>
Net cash provided (used) by operating activities	<u>2,355,205</u>	<u>1,802,587</u>
Cash flows from capital and related financing activities:		
Construction and acquisition of plant	(1,249,882)	(1,348,679)
Plant removal cost	(142,032)	(121,498)
Materials salvaged from retirements	166,318	96,926
Principal paid on bonds	(130,000)	(125,000)
Interest paid on bonds	<u>(55,633)</u>	<u>(60,882)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,411,229)</u>	<u>(1,559,133)</u>
Cash flows from non-capital financing activities:		
Increase (decrease) in customer deposits	41,819	26,747
Amounts paid to others - tax equivalents	<u>(462,685)</u>	<u>(459,360)</u>
Net cash provided (used) by non-capital and related financing activities	<u>(420,866)</u>	<u>(432,613)</u>
Cash flows from investing activities:		
Purchase of investment	(14,092,059)	(9,785,545)
Proceeds from sale of investments	13,382,483	9,756,750
Interest earned	<u>194,645</u>	<u>345,285</u>
Net cash provided (used) by investing activities	<u>(514,931)</u>	<u>316,490</u>
Net increase (decrease) in cash and cash equivalents	8,179	127,331
Cash and cash equivalents - beginning of year	<u>2,168,438</u>	<u>2,041,107</u>
Cash and cash equivalents - end of year	<u>\$ 2,176,617</u>	<u>\$ 2,168,438</u>
Unrestricted cash on hand	\$ 3,650	\$ 3,650
Unrestricted cash and cash equivalents on deposit	2,066,851	2,072,232
Restricted cash and cash equivalents on deposit	<u>106,116</u>	<u>92,556</u>
Total cash and cash equivalents	<u>\$ 2,176,617</u>	<u>\$ 2,168,438</u>

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

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
STATEMENTS OF CASH FLOWS (Cont.)

	FOR THE FISCAL YEARS ENDED JUNE 30,	
	2 0 0 9	2 0 0 8
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 987,804	\$ 928,084
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	1,063,537	1,028,176
Amortization and acquisition adjustment	(18,238)	(24,318)
(Increase) decrease in accounts receivable	14,589	(298,081)
(Increase) decrease in materials and supplies	34,573	(44,235)
(Increase) decrease in prepayments and other current assets	234,511	(122,716)
Increase (decrease) in accounts payable and accrued expenses	38,429	335,677
Net cash provided (used) by operating activities	\$ 2,355,205	\$ 1,802,587

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

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

These are proprietary fund financial statements and include only the financial activities of Carroll County Electric System (The System). The TCA code section 7-52-117(c) states "Subject to the provisions of section 7-52-132, the superintendent, with the approval of the supervisory body, may acquire and dispose of all property, real and personal, necessary to effectuate the purposes of this part. The title of such property shall be taken in the name of the municipality" (county); therefore, Carroll County Electric System does not possess sufficient corporate powers that distinguish it as a legally separate entity, and is considered a proprietary fund of Carroll County, Tennessee.

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

The System's financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounting policies of the System conform to applicable generally accepted accounting principles as defined in the pronouncements of the *Governmental Accounting Standards Board (GASB)*, *Financial Accounting Standards Board (FASB) Statements and Interpretations*, *Accounting Principle Board (APB) Opinions*, and *Accounting Research Bulletins (ARBs)*, issued on or before November 30, 1989. As allowed by GASB, the System has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the System are charges for sales to customers for sales and service. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

C. Assets, Liabilities, and Equity

Deposits and Investments

The System's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the System to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements and the state's investment pool.

Accounts Receivable

Trade receivables result from unpaid billings for electric service to customers and from unpaid billings related to work performed for or materials sold to certain entities. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible customer accounts recorded by the System is based on past history of uncollectible accounts and management's analysis of current accounts.

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS (Cont.)
 JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Assets, Liabilities, and Equity (Cont.)

Inventories and Prepaid Items

All inventories are valued at the lower of average cost or market, using the first-in/first-out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Restricted Assets

Certain proceeds of the bond issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment, and construction in progress, are defined by the System as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the System is depreciated using the straight line method over the following useful lives:

General plant	5 - 40 years
Transmission plant	28 - 33 years
Distribution plant	16 - 40 years

Compensated Absences

It is the System's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay has been accrued and is reflected as a current liability on the financial statements. All sick leave has been accrued and is reflected as a current liability on the financial statements.

Long-term Obligations

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS (Cont.)
 JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Assets, Liabilities, and Equity (Cont.)

Net Assets

Equity is classified as net assets and displayed in the following three 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.
- Restricted for Debt Service – Consists of net assets for which constraints are placed thereon by lenders less any related liabilities.
- Unrestricted – All other net assets that do not meet the description of the above categories.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

No budget is required for Carroll County Board of Public Utilities, and therefore no budget is adopted.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investments were made up entirely of certificates of deposits with a maturity of greater than three months for the fiscal years ended June 30, 2009 and 2008.

Custodial Credit Risk

The System'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 System's agent in the System's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the System to invest in bonds, notes or 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 pooled 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 and 2008, all bank deposits were fully collateralized or insured.

B. Receivables

Receivables as of the fiscal year ends were made up of the following:

	June 30,	
	2009	2008
Billed services for utility customers	\$ 2,988,446	\$ 3,003,035
Other receivables for utility service	115,825	177,020
Allowance for doubtful accounts	(15,000)	(15,000)
Total	\$ 3,089,271	\$ 3,165,055

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS (Cont.)
 JUNE 30, 2009 AND 2008

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Cont.)

C. Restricted Assets

All deposits required by the 2001 Electric Plant Revenue Bond have been made. Transactions in funds, other than the 2001 Electric Plant Revenue Bond Fund and other special funds set aside to repair and replace plant are at the discretion of the Board of Directors and there are no applicable legal requirements or restrictions on these funds.

	June 30,	
	2009	2008
The restricted assets consist of the following:		
2001 Electric Plant Revenue Bond Fund		
Interest and sinking fund	\$ 106,116	\$ 92,556
The total funds are represented by:		
Certificates of deposit and savings accounts	\$ 245,480	\$ 235,372

D. 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				
Transmission plant	\$ 65,819	\$ -	\$ -	\$ 65,819
Distribution plant	69,036	-	-	69,036
General plant	118,920	-	-	118,920
Construction in progress	147,182	1,278,611	1,346,816	78,977
Unamortized acquisition adjustment	(18,238)	18,238	-	-
Total capital assets not being depreciated	\$ 382,719	\$ 1,296,849	\$ 1,346,816	\$ 332,752

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2009 AND 2008

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Cont.)

D. Capital Assets (Cont.)

Description	Balance at June 30, 2008	Additions	Disposals	Balance at June 30, 2009
Capital assets, being depreciated				
Transmission plant	\$ 1,343,378	\$ 84,268	\$ 19,437	\$ 1,408,209
Distribution plant	29,771,602	1,169,856	479,784	30,461,674
General plant	<u>2,704,378</u>	<u>228,355</u>	<u>134,229</u>	<u>2,798,504</u>
Total capital assets being depreciated	<u>33,819,358</u>	<u>1,482,479</u>	<u>633,450</u>	<u>34,668,387</u>
Less accumulated depreciation for:				
Transmission plant	568,342	49,140	33,530	583,952
Distribution plant	12,843,287	960,559	413,702	13,390,144
General plant	990,237	176,878	120,578	1,046,537
Total accumulated depreciation	14,401,866	1,186,577	567,810	15,020,633
Total capital assets, being depreciated, net	<u>19,417,492</u>	<u>295,902</u>	<u>65,640</u>	<u>19,647,754</u>
Total capital assets, net	<u>\$ 19,800,211</u>	<u>\$ 1,592,751</u>	<u>\$ 1,412,456</u>	<u>\$ 19,980,506</u>

Depreciation expense amounted to \$1,063,537 for the fiscal year ended June 30, 2009 and \$1,028,176 for the fiscal year ended June 30, 2008.

E. Long-term Debt

Long-term debt is made up of the following:

	June 30,	
	2009	2008
Revenue Bonds:		
Electric Plant Revenue Bonds, Series 2001, interest at 3.2% to 4.75% due serially through 2016	<u>\$ 1,085,000</u>	<u>\$ 1,215,000</u>
Total current portion of Revenue Bonds	<u>\$ 135,000</u>	<u>\$ 130,000</u>
Total long-term portion of Revenue Bonds	<u>\$ 950,000</u>	<u>\$ 1,085,000</u>

During 2001, Carroll County issued \$2,000,000 Electric System Revenue Bonds, Series 2001, for the purpose of financing the construction and equipping of extensions and improvements to the system. The bonds bear interest at rates from 3.2% to 4.75% and mature serially in varying amounts from \$135,000 in fiscal year 2009 to \$175,000 in fiscal year 2016. The bonds are secured by a pledge of revenues by the System. Expenses incurred in the issuance of the bonds are being amortized by equal charges to operations over the life of the bonds.

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS (Cont.)
 JUNE 30, 2009 AND 2008

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Cont.)

E. Long-term Debt (Cont.)

The following is a summary of long-term debt transactions for the year ended June 30, 2009.

	Balance <u>June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2009</u>	Due Within <u>one year</u>
Revenue bonds payable	\$ 1,215,000	\$ -	\$ 130,000	\$ 1,085,000	\$ 135,000

The scheduled annual requirements for long-term debt at June 30, 2009, including interest of \$267,508 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 135,000	\$ 50,042	\$ 185,042
2011	140,000	44,170	184,170
2012	150,000	37,940	187,940
2013	155,000	31,115	186,115
2014-2016	505,000	48,608	553,608
	<u>\$ 1,085,000</u>	<u>\$ 211,875</u>	<u>\$ 1,296,875</u>

Debt expense associated with the above bond issues was recorded as other assets and is being amortized on a straight-line basis over the life of the issue.

The System complied with all significant debt covenants and restrictions as set forth in the bond agreements.

F. Net Assets

Net assets represent the difference between assets and liabilities. The restricted net assets amounts were as follows:

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Invested in capital assets, net of related liabilities		
Net property, plant and equipment in services	\$ 19,980,506	\$ 19,800,209
Unamortized debt expense	13,743	-
Unamortized discount	18,588	-
Less: Debt as disclosed in Note 3	(1,085,000)	(1,215,000)
	<u>\$ 18,927,837</u>	<u>\$ 18,585,209</u>

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2009 AND 2008

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Cont.)

F. Net Assets (Cont.)

	June 30	
	2009	2008
Restricted for debt service:		
Restricted cash and cash equivalents	\$ 106,116	\$ 92,556
Restricted investments	245,480	235,372
Less: Accrued interest payable from restricted assets	<u>(8,340)</u>	<u>(9,272)</u>
	<u>343,256</u>	<u>318,656</u>
Unrestricted	<u>6,212,805</u>	<u>5,918,637</u>
Total net assets	<u>\$ 25,483,898</u>	<u>\$ 24,822,502</u>

NOTE 4 – OTHER INFORMATION

A. Pension Plan

Effective on January 1, 1997 the System adopted a profit sharing plan titled the Carroll County Electrical Department Profit Sharing Plan. Participants of the Plan must meet the Plan's eligibility requirements. Once an employee becomes a Participant, the System will maintain an Individual Account for each employee. Each Plan Year, employee accounts will be adjusted to reflect contributions, gains, losses, etc. The percentage of each employee account to which an employee is entitled upon separation from the System depends on the Plan's vesting schedule. Participants will generally be vested in their Individual Account after three years of service. All contributions made to the Plan on an employee's behalf will be placed in a trust fund established to hold dollars for the benefit of all Participants. Each Participants Individual Account will be used to track their share in the total trust fund.

Each year, the managing body of the System will determine the amount, if any, which it will contribute to the Plan. Employer Contributions to a profit sharing plan in general can range from 1% to 15% of Participants' compensation each year. Compensation shall be determined as the Participant's wages excluding overtime, commissions and bonuses.

For the years ended June 30, 2009 and 2008, total employer contributions were \$203,270 and \$196,869 based on total covered wages of \$2,139,284 and \$2,072,308, respectively.

B. Power Contract

The System has a power contract with the Tennessee Valley Authority (TVA) whereby the electric system purchases all its electric power from TVA and is subject to certain restrictions and conditions as provided for in the power contract. Such restrictions include, but are not limited to, prohibitions against furnishings, advancing, lending, pledging or otherwise diverting System funds, revenues or property to other operations of the county and the purchase or payment of, or providing security for indebtedness on other obligations applicable to such other operations.

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2009 AND 2008

C. Risk Management

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2009, the System purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

D. Allocation of Excess Collections

During the year Central Services Association (CSA) experienced excess collections of which \$4,708 is the System's share. The 2003 allocation will be accounted for separately from previous allocations and will be reduced as project expenses are recognized by CSA in future years. Principle repayment of the 2003 allocation, which remains after recognition of project expenses, will not be required to begin repayment until all project expenses are fully recognized. Repayment of the 2003 allocation will be in the form of credit memos. This allocation will not be recorded on the System's books.

E. OPEB Disclosure

Plan Description - Carroll County Electric System sponsors a single-employer post-retirement. The plan provides medical, prescription and death benefits to eligible retirees and their spouses.

Funding Policy - The System intends to continue its policy of funding OPEB liabilities on a pay-go basis and to not pre-fund any unfunded annual required contribution as determined under GASB-45.

Annual OPEB Cost and Net OPEB Obligation - The System's annual other post-retirement benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the System's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the System's net OPEB Obligation.

Components of Net OPEB Obligation

Annual Required Contribution	\$23,526
Interest on Net OPEB Obligation	\$0
Adjustment to Annual Required Contribution	\$0
Annual OPEB Cost (Expense)	\$23,526
Contributions and Subsidy	(\$28,799)
Increase in Net Obligation	(\$5,273)
Net OPEB Obligation (BOY)	\$0
Net OPEB (Asset) Obligation (EOY)	(\$5,273)

The System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008-2009 is as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 23,526	122.40%	\$ (5,273)

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2009 AND 2008

E. OPEB Disclosure (cont.)

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$225,844 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$225,844. The covered payroll (annual payroll of active employees covered by the plan) was \$2,431,055 and the ratio of the UAAL to the covered payroll was 9.30%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the 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 and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after ten years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2008 was 30 years.

**OTHER SUPPLEMENTARY
INFORMATION SECTION**

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
SCHEDULES OF OPERATING REVENUES AND EXPENSES**

ELECTRIC DEPARTMENT

	FOR THE FISCAL YEARS ENDED JUNE 30,			
	2 0 0 9		2 0 0 8	
	Actual	Percent	Actual	Percent
Operating revenues:				
Charges for sales and services:				
Residential sales	\$ 18,447,522	46.61	\$ 16,453,218	46.57
Small lighting and power sales	3,503,573	8.85	3,146,284	8.91
Large lighting and power sales	16,098,497	40.67	14,521,689	41.11
General power credit	(165,056)	(0.42)	(245,240)	(0.69)
Street and athletic lighting sales	384,639	0.97	333,377	0.94
Outdoor lighting	628,160	1.59	561,200	1.59
Uncollectible accounts	(91,535)	(0.23)	(36,798)	(0.10)
Total charges for sales and services	<u>38,805,800</u>	<u>98.04</u>	<u>34,733,730</u>	<u>98.32</u>
Other revenues				
Forfeited discounts	251,844	0.64	219,334	0.62
Miscellaneous service revenue	124,130	0.31	116,915	0.33
Rent from electric property	236,334	0.60	227,014	0.64
Other electric revenue	163,806	0.41	30,052	0.09
Total other revenues	<u>776,114</u>	<u>1.96</u>	<u>593,315</u>	<u>1.68</u>
Total operating revenues	<u>\$ 39,581,914</u>	<u>100.00</u>	<u>\$ 35,327,045</u>	<u>100.00</u>
Operating expenses:				
Cost of sales and services:				
Purchased power	\$ 32,873,049	83.05	\$ 29,049,853	82.23
Operations expenses:				
Distribution expenses:				
Supervision and engineering	159,015	0.40	142,685	0.40
Station expense	16,441	0.04	11,931	0.03
Overhead line expense	743,959	1.88	706,185	2.00
Underground line expense	3,101	0.01	2,092	0.01
Street lighting and signal system	6,859	0.02	7,444	0.02
Meter expense	91,965	0.23	92,212	0.26
Consumer installations	13,663	0.03	14,404	0.04
Rent expense	26,456	0.07	26,529	0.08
Miscellaneous expense	89,945	0.23	82,879	0.23
Total distribution expenses	<u>1,151,404</u>	<u>2.91</u>	<u>1,086,361</u>	<u>3.08</u>
Customer accounts expenses:				
Supervision	67,932	0.17	70,310	0.20
Meter reading	182,880	0.46	176,482	0.50
Consumer records and collection expense	600,655	1.52	558,876	1.58
Total customer accounts expenses	<u>851,467</u>	<u>2.15</u>	<u>805,668</u>	<u>2.28</u>

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
SCHEDULES OF OPERATING REVENUES AND EXPENSES (Cont.)**

ELECTRIC DEPARTMENT

	FOR THE FISCAL YEARS ENDED JUNE 30,			
	2 0 0 9		2 0 0 8	
	Amount	Percent	Amount	Percent
Operating expenses (cont.):				
Operations expenses (cont.):				
Sales expenses:				
Customer assistance	\$ 4,200	0.01	\$ 4,200	0.01
Sales expense	20,444	0.05	20,419	0.06
Total sales expenses	<u>24,644</u>	<u>0.06</u>	<u>24,619</u>	<u>0.07</u>
Total operations expenses	<u>2,027,515</u>	<u>5.12</u>	<u>1,916,648</u>	<u>5.43</u>
Administrative expenses:				
Salaries	148,428	0.37	143,211	0.41
Office supplies and expense	36,877	0.09	26,536	0.08
Outside services	24,879	0.06	25,199	0.07
Property insurance	38,415	0.10	22,389	0.06
Injuries and damages	101,452	0.26	99,458	0.28
Duplicate charges	(15,327)	(0.04)	(12,121)	(0.03)
Employee benefits	666,124	1.68	654,003	1.85
Miscellaneous	144,960	0.37	62,358	0.18
Total administrative expenses	<u>1,145,808</u>	<u>2.89</u>	<u>1,021,033</u>	<u>2.89</u>
Maintenance expenses:				
Distribution expenses:				
Supervision and engineering	62,204	0.16	54,923	0.16
Station equipment	57,979	0.15	31,765	0.09
Overhead and underground lines	1,088,524	2.75	1,047,510	2.97
Line transformers	60,275	0.15	39,567	0.11
Street lighting and signal system	16,879	0.04	22,222	0.06
Meters	4,109	0.01	4,209	0.01
Miscellaneous	13,487	0.03	11,883	0.03
Security lights	20,319	0.05	28,384	0.08
Total distribution expenses	<u>1,323,776</u>	<u>3.34</u>	<u>1,240,463</u>	<u>3.51</u>
General plant and equipment	<u>22,457</u>	<u>0.06</u>	<u>19,185</u>	<u>0.05</u>
Total maintenance expenses	<u>1,346,233</u>	<u>3.40</u>	<u>1,259,648</u>	<u>3.57</u>
Depreciation and amortization	<u>1,063,537</u>	<u>2.69</u>	<u>1,028,176</u>	<u>2.91</u>
Amortization of acquisition adjustment	<u>(18,238)</u>	<u>(0.05)</u>	<u>(24,318)</u>	<u>(0.07)</u>
Payroll taxes	<u>156,206</u>	<u>0.39</u>	<u>147,921</u>	<u>0.42</u>
Total operating expenses	<u>\$ 38,594,110</u>	<u>97.50</u>	<u>\$ 34,398,961</u>	<u>97.37</u>

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
ELECTRIC PLANT IN SERVICE
 JUNE 30, 2009

	Electric Plant in Service			Depreciation Rate	Accumulated Provision for Depreciation		
	Balance 7/1/08	Additions	Retirements		Balance 7/1/08	Additions	Retirements
TRANSMISSION PLANT							
Land and land rights	\$ 65,819	\$ -	\$ -	3.00	\$ -	\$ -	\$ -
Towers and fixtures	3,742	-	-	4.00	3,676	-	3,676
Poles and fixtures	689,513	77,248	15,170	3.00	260,906	29,565	269,103
Overhead conductors and devices	650,123	7,020	4,267		303,760	19,575	311,173
Total Transmission Plant	1,409,197	84,268	19,437		568,342	49,140	583,952
DISTRIBUTION PLANT							
Land and land rights	69,036	-	-	2.50	1,128	231	1,359
Structures and improvements	8,875	400	-	4.00	3,547,391	196,206	3,721,744
Station equipment	4,872,780	60,272	21,862	3.00	2,109,656	255,662	2,153,839
Poles, towers and fixtures	8,415,895	426,718	189,573	2.50	2,046,241	125,856	2,181,527
Overhead conductors and devices	4,988,967	188,225	62,492	2.50	57,757	8,136	62,583
Underground conductors and devices	320,276	21,338	3,204	2.50	2,990,465	150,635	3,106,078
Line transformers	5,952,495	112,108	62,643	4.75	1,140,845	103,926	1,194,488
Services	2,278,632	109,856	40,471	2.00	151,748	28,324	153,745
Meters and metering equipment	1,243,934	54,179	25,430	6.00	428,379	71,379	436,359
Customers security lighting	1,187,114	75,829	61,866	4.00	369,677	20,204	378,422
Street lighting and signal system	502,634	20,931	12,243		12,843,287	960,559	13,390,144
Total Distribution Plant	29,840,638	1,169,856	479,784		12,843,287	960,559	13,390,144
GENERAL PLANT							
Land and land rights	118,920	-	-	2.00	255,144	17,153	269,797
Structures and improvements	844,396	26,789	2,550	3.50	52,059	18,862	69,706
Office furniture and equipment	150,685	4,198	1,215	Various	519,986	123,038	575,642
Transportation equipment	1,445,342	110,144	75,982	8.00	39,245	4,620	43,865
Stores equipment	57,749	-	-	3.50	28,005	1,723	29,728
Tools, shop and garage equipment	47,575	2,200	-	10.00	8,802	1,409	10,211
Laboratory equipment	14,088	-	-	10.00	14,772	-	14,772
Power operated equipment	16,924	-	-	8.00	63,638	8,324	22,481
Communications equipment	90,331	71,174	54,482	3.50	8,586	1,749	10,335
Miscellaneous equipment	37,288	13,850	-		990,237	176,878	1,046,537
Total General Plant	2,823,298	228,355	134,229		14,401,866	1,186,577	15,020,633
Total Electric Plant in Service	34,073,133	1,482,479	633,450		14,401,866	1,186,577	15,020,633
Unamortized acquisition adjustment	(18,238)	18,238	-		-	-	-
Construction work in progress	147,182	1,278,611	1,346,816		-	-	-
Total Electric Plant	\$ 34,202,077	\$ 2,779,328	\$ 1,980,266		\$ 14,401,866	\$ 1,186,577	\$ 15,020,633
Charged to operations					\$ 1,063,537		
Transportation expense - clearing					123,040		
					\$ 1,186,577		
Original cost of units retired					\$ 592,096		
Excess of removal cost (\$142,032) over salvage (\$166,318)					(24,286)		
					\$ 567,810		
					\$ 567,810		

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
SCHEDULE OF LONG-TERM DEBT
 JUNE 30, 2009

Series 2001		
Electric System Revenue		
Bonds Dated May 1, 2001		
	Principal	Interest
2010	135,000	50,042
2011	140,000	44,170
2012	150,000	37,940
2013	155,000	31,115
2014	160,000	23,908
2015	170,000	16,387
2016	175,000	8,313
	\$ 1,085,000	\$ 211,875

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
INSURANCE IN FORCE
 JUNE 30, 2009

Property or Contingency Covered	Hazard Insured Against	Amount of Coverage
Employee surity bond	Commercial blanket	100,000
Employee injury	Workmen's compensation	Statutory
	Bodily injury - accident	\$ 1,000,000
	Bodily injury - disease	1,000,000
General liability	General aggregate	750,000
	Products	250,000
	Personal and advertising injury limit	250,000
	Each occurrence	250,000
	Medical expense	5,000
	Fire damage	50,000
Automobiles and trucks	Property damage and bodily injury	1,000,000
	Medical payments	2,000
	Uninsured motorist	1,000,000
Buildings	Property damage	636,400
	Deductible	500
		90% Co-Insurance
Contents of buildings	Property damage	58,920
	Deductible	100
		80% Co-Insurance
Directors and officers	Personal liability	1,000,000
	Deductible	15,000
Transformers and substations	All substations	2,000,000
	Deductible	50,000
	Extra expense deductible	300,000
	Employee tools	100,000
Boiler and machinery	Commercial boiler and machinery	2,000,000
	Deductible	5,000
Excess Liability	Aggregate	2,250,000
	Each Occurrence	750,000
Pollution Legal Liability	Each Occurrence	750,000
Fudiciary Bond Pension	Each Occurrence	500,000

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CARROLL COUNTY BOARD OF PUBLIC UTILITIES
ELECTRIC RATES IN FORCE - UNAUDITED
 JUNE 30, 2009

Residential Rate Schedule	
Customer charge - per delivery point per month	\$ 11.50
Energy charge - cents per kWh - all kWh	\$ 0.08268
General Power Schedule	
GSA1 (Under 50 kW demand & less than 15,000 kWh)	
Customer charge - per delivery point per month	\$ 15.00
Energy charge - cents per kWh	\$ 0.09399
GSA2 (51-1000 kW demand or more than 15,000 kWh)	
Customer charge - per delivery point per month	\$ 100.00
Demand charges - per kW per month	
First 50 Kw	No charge
Excess over 50 kW	\$ 12.70
Energy charge - cents per kWh	
First 15,000 kWh per month	\$ 0.09399
Additional kWh per month	\$ 0.05257
GSA3 (1000 - 5000 kW demand)	
Customer charge - per delivery point per month	\$ 300.00
Demand charges - per kW per month	
First 1000 kW	\$ 12.72
Excess over 1000 kW	\$ 14.24
Energy charge - cents per kWh	\$ 0.05257
GSB (5001 - 15,000 KW demand)	
Customer charge - per delivery point per month	\$ 1,500.00
Demand charge - per kW per month	
All kW - per kW per month	\$ 14.21
Energy charge - cents per kWh for up to 620 hours use of metered demand per month	\$ 0.04625
Per kWh for all additional kWh per month	\$ 0.03928
GSC (15001 - 25,000 KW demand)	
Customer charge - per delivery point per month	\$ 1,500.00
Demand charge - per kW per month	
All kW - per kW per month	\$ 13.70
Energy charge - cents per kWh for up to 620 hours use of metered demand per month	\$ 0.04625
Per kWh for all additional kWh per month	\$ 0.03928
MSB Part 1 (1,000 - 5,000 KW demand)	
Customer charge - per delivery point per month	\$ 1,500.00
Demand charge - per kW per month	
All kW - per kW per month	\$ 12.26
Energy charge - cents per kWh	
Per kWh for up to 620 hours use of demand	\$ 0.04062
Per kWh for all additional kWh per month	\$ 0.03468
MSB Part 2 (5,001 - 15,000 KW demand)	
Customer charge - per delivery point per month	\$ 1,500.00
Demand charge - per kW per month	
All kW - per kW per month	\$ 11.63
Energy charge - cents per kWh	
Per kWh for up to 620 hours use of demand	\$ 0.03899
Per kWh for all additional kWh per month	\$ 0.03337
MSC (15,001 - 25,000 KW demand)	
Customer charge - per delivery point per month	\$ 1,500.00
Demand charge - per kW per month	
All kW - per kW per month	\$ 11.12
Energy charge - cents per kWh	
Per kWh for up to 620 hours use of demand	\$ 0.03899
Per kWh for all additional kWh per month	\$ 0.03337
MSD (Greater than 25,000 KW demand)	
Customer charge - per delivery point per month	\$ 1,500.00
Demand charge - per kW per month	
All kW - per kW per month	\$ 13.60
Energy charge - cents per kWh	
All kW - per kW per month	\$ 0.03291

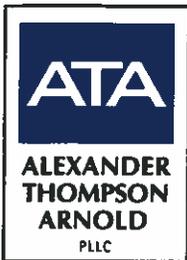
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**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
OTHER SUPPLEMENTARY INFORMATION - UNAUDITED**

	FOR THE FISCAL YEARS ENDED JUNE 30,				
	2009	2008	2007	2006	2005
Revenue					
Residential	\$ 18,282,466	\$ 16,207,978	\$ 15,061,265	\$ 14,134,863	\$ 12,437,405
Commercial	3,503,573	3,146,284	2,963,561	2,773,655	2,605,449
Industrial	16,098,497	14,521,689	13,943,310	13,503,768	11,722,964
Street and outdoor lighting	1,012,799	894,577	857,359	831,684	796,982
Other operating	684,579	556,517	539,994	613,180	525,594
Interest and other revenue	194,645	345,285	350,196	160,483	73,545
	<u>\$ 39,776,559</u>	<u>\$ 35,672,330</u>	<u>\$ 33,715,685</u>	<u>\$ 32,017,633</u>	<u>\$ 28,161,939</u>
Expense					
Electric power costs	\$ 32,873,049	\$ 29,049,853	\$ 27,086,341	\$ 25,866,809	\$ 22,460,837
Other operating expenses	4,519,556	4,197,329	92,556	3,555,759	3,340,241
Provision for depreciation	1,063,537	1,028,176	998,583	971,808	949,509
Amortization of acquisition adjustment	(18,238)	(24,318)	(24,318)	(24,318)	(24,318)
Transfer out	618,891	607,281	446,280	426,804	558,602
Interest and other expense	58,368	63,532	68,447	72,992	86,218
	<u>\$ 39,115,163</u>	<u>\$ 34,921,853</u>	<u>\$ 28,667,889</u>	<u>\$ 30,869,854</u>	<u>\$ 27,371,089</u>
Net Income (Loss)	<u>\$ 661,396</u>	<u>\$ 750,477</u>	<u>\$ 5,047,796</u>	<u>\$ 1,147,779</u>	<u>\$ 790,850</u>
Financial					
Plant in service (at original cost)	\$ 35,001,139	\$ 34,202,078	\$ 33,202,913	\$ 32,206,498	\$ 30,470,580
Bonds outstanding	\$ 1,085,000	\$ 1,215,000	\$ 1,340,000	\$ 1,460,000	\$ 1,575,000
Power in use - KWH					
Residential	195,034,851	208,264,802	202,071,445	203,120,466	188,470,032
Commercial	31,002,434	32,714,752	32,112,239	31,748,074	31,508,143
Industrial	210,093,591	232,536,238	233,799,826	239,649,792	232,085,145
Other Customers	9,844,953	9,960,441	10,018,346	10,049,121	9,983,806
Total	<u>445,975,829</u>	<u>483,476,233</u>	<u>478,001,856</u>	<u>484,567,453</u>	<u>462,047,126</u>
Number of customers					
Residential	12,612	12,687	12,726	12,768	12,771
Small commercial	2,756	2,764	2,802	2,729	2,671
Large commercial	194	204	196	199	183
Street and athletic	67	65	67	48	46
Outdoor lighting - Code 78	79	79	85	99	90
	<u>15,708</u>	<u>15,799</u>	<u>15,876</u>	<u>15,843</u>	<u>15,761</u>
Line Loss	<u>4.80%</u>	<u>3.97%</u>	<u>4.35%</u>	<u>4.19%</u>	<u>4.72%</u>

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INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

227 Oil Well Road
Jackson, TN 38305

30
Telephone: (731) 427-8571
Fax: (731) 424-5701

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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 Board of Public Utilities
Huntingdon, Tennessee

We have audited the financial statements of the Carroll County Board of Public Utilities (the System), an enterprise fund of Carroll County, Tennessee, as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated August 24, 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 System’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System’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 System’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the System’s financial statements that is more than inconsequential will not be prevented or detected by the System’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 System’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 over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System’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*.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

Milan, TN
McKenzie, TN
Paris, TN
Trenton, TN
Union City, TN

This report is intended solely for the information and use of the Board of Directors, management and State of Tennessee, Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Hampton Arnold PLLC
Certified Public Accountants

Jackson, Tennessee
August 24, 2009