

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Directory	1
FINANCIAL SECTION	
Independent Auditor's Report	2
Management's Discussion and Analysis	4
Financial Statements:	
Statements of Net Assets	9
Statements of Revenues, Expenses and Changes in Net Assets	11
Statements of Cash Flows	12
Notes to Financial Statements	14
OTHER SUPPLEMENTARY INFORMATION SECTION	
Schedules of Operating Revenues and Expenses	23
Electric Plant in Service	25
Schedule of Long-term Debt	26
Schedule of Insurance	27
Electric Rates in Force - Unaudited	28
Other Supplementary Information - Unaudited	29
INTERNAL CONTROL AND COMPLIANCE SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30

INTRODUCTORY SECTION

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
DIRECTORY
JUNE 30, 2010**

BOARD MEMBERS

John A. Mann, Chairman
Robert A. Clark, Sr., Secretary
Robert E. Rutledge, Treasurer
Dr. Jerry F. Atkins
Paul W. Moore

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

www.atacpa.net

227 Oil Well Road
Jackson, TN 38305

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

Members of

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

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, 2010 and 2009, which collectively comprise the System's basic financial statements 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, as well as evaluating the overall financial statement presentation. 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, 2010 and 2009, and the results of its operations and its cash flows of its proprietary fund types for the years 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 respective financial position of the System as of June 30, 2010 and 2009, and the results of operations and cash flows thereof 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 September 2, 2010, 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.

Accounting principals generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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 Board of Public Utilities
Huntingdon, Tennessee

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's financial statements as a whole. The introductory section and other supplementary information section are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information, except those schedules marked "unaudited", are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and other supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Alexander Thompson Arnold PLLC

Certified Public Accountants
Jackson, Tennessee
September 2, 2010

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, 2010. 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 \$32.4 million and exceeded liabilities in the amount of \$26.0 million (i.e. net assets). Total assets increased by \$701 thousand due to increases in both current assets and capital assets.
- Net assets increased \$523 thousand during the current year due to an operating profit. Unrestricted net assets increased by \$211 thousand due primarily to the operating profit.
- During fiscal year 2010, the System delivered 444.53 million kWh compared to 445.98 million kWh during the fiscal year 2009.
- Operating revenues were \$34.9 million, a decrease from year 2009 in the amount of \$4.7 million or (11.8%).
- Operating expenses were \$34.0 million, a decrease from year 2009 in the amount of \$4.6 million or (11.9%). A decrease in cost of sales and services of \$4.8 million made up the largest portion of the decrease due to a decline in power costs.
- The operating income for the year was \$952 thousand as compared to a \$988 thousand operating profit during the 2009 fiscal year.
- Ratios of operating income to total operating revenue were 2.73, 2.50, and 2.67, for 2010, 2009, and 2008, 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 \$523 thousand and \$661 thousand for the fiscal years ended June 30, 2010 and 2009, 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, 2010	June 30, 2009	Increase (Decrease)	
			\$	%
Current and other assets	\$ 12,287,438	\$ 11,714,756	\$ 572,682	4.89%
Capital assets	20,108,477	19,980,509	127,968	0.64%
Total assets	<u>\$ 32,395,915</u>	<u>\$ 31,695,265</u>	<u>\$ 700,650</u>	2.21%
Long-term liabilities	\$ 793,554	\$ 931,412	\$ (137,858)	-14.80%
Other liabilities	5,595,869	5,279,955	315,914	5.98%
Total liabilities	<u>\$ 6,389,423</u>	<u>\$ 6,211,367</u>	<u>\$ 178,056</u>	2.87%
Invested in capital assets, net of related debt	\$ 19,186,655	\$ 18,927,840	\$ 258,815	1.37%
Restricted	363,834	343,256	20,578	5.99%
Unrestricted	6,456,003	5,212,802	1,243,201	23.85%
Total net assets	<u>\$ 26,006,492</u>	<u>\$ 24,483,898</u>	<u>\$ 1,522,594</u>	6.22%

REQUIRED FINANCIAL ANALYSIS (Cont.)

Table 1B
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	<u>\$ 31,695,265</u>	<u>\$ 31,082,897</u>	<u>\$ 612,368</u>	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	<u>\$ 6,211,367</u>	<u>\$ 6,260,395</u>	<u>\$ (49,028)</u>	-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	<u>\$ 25,483,898</u>	<u>\$ 24,822,502</u>	<u>\$ 661,396</u>	2.66%

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, 2010	June 30, 2009	Increase (Decrease)	
			\$	%
Operating revenues	\$ 34,927,656	\$ 39,581,914	\$ (4,654,258)	-11.76%
Non-operating revenues	123,893	194,645	(70,752)	-36.35%
Total revenues	<u>35,051,549</u>	<u>39,776,559</u>	<u>(4,725,010)</u>	-11.88%
Cost of sales and service	28,106,049	32,873,049	(4,767,000)	-14.50%
Operations expense	2,053,806	2,027,515	26,291	1.30%
Maintenance expense	1,415,789	1,346,233	69,556	5.17%
General and administrative expense	1,376,146	1,340,333	35,813	2.67%
Depreciation expense	1,062,501	1,063,537	(1,036)	-0.10%
Amortization of acquisition adjustment	-	(18,238)	18,238	-100.00%
Transfer out - tax equivalent	461,447	424,366	37,081	8.74%
Interest and amortization	53,217	58,368	(5,151)	-8.83%
Total expenses	<u>34,528,955</u>	<u>39,115,163</u>	<u>(4,586,208)</u>	-11.72%
Change in net assets	522,594	661,396	(138,802)	-20.99%
Beginning net assets	25,483,898	24,822,502	661,396	2.66%
Ending net assets	<u>\$ 26,006,492</u>	<u>\$ 25,483,898</u>	<u>\$ 522,594</u>	2.05%

REQUIRED FINANCIAL ANALYSIS (Cont.)

Table 2B

	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	<u>39,776,559</u>	<u>35,672,330</u>	<u>4,104,229</u>	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	1,340,333	1,208,406	131,927	10.92%
Depreciation expense	1,063,537	1,028,176	35,361	3.44%
Amortization and acquisition adjustment	(18,238)	(24,318)	6,080	-25.00%
Transfer out - tax equivalent	424,366	419,908	4,458	1.06%
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%

Operating revenues showed a 12.04% increase from 2008 to 2009 and a (11.76%) decrease from 2009 to 2010. Non-operating revenues decreased 43.63% from 2008 to 2009 and decreased 36.35% from 2009 to 2010 as the result of decreasing interest rates on certificates of deposits and savings accounts. Expenses decreased 1.13% for the three year period which represents basic inflation over the period as well as a decrease in cost of sales and service due to rate decreases by TVA. Ending net assets showed an increase of 4.77% over the 3 year period due to the above mentioned facts.

CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital Assets**

At the end of fiscal year 2010, the system had \$20.1 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 \$128 thousand or 0.64% 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, 2010 and 2009. These changes are presented in detail in Note 3D to the financial statements.

Table 3A

	CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION			
	June 30, 2010	June 30, 2009	Increase (Decrease)	
			Amount	Percent
Transmission plant	\$ 858,268	\$ 890,076	\$ (31,808)	-3.57%
Distribution plant	17,247,022	17,140,566	106,456	0.62%
General plant	1,876,364	1,870,890	5,474	0.29%
Construction in progress	126,823	78,977	47,846	60.58%
Total capital assets (net)	<u>\$ 20,108,477</u>	<u>\$ 19,980,509</u>	<u>\$ 127,968</u>	0.64%

CAPITAL ASSETS AND DEBT ADMINISTRATION (Cont.)

Table 3B

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2009	June 30, 2008	Increase (Decrease)	
			Amount	Percent
Transmission plant	\$ 890,076	\$ 840,855	\$ 49,221	5.85%
Distribution plant	17,140,566	16,997,349	143,217	0.84%
General plant	1,870,890	1,833,061	37,829	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)	<u>\$ 19,980,509</u>	<u>\$ 19,800,209</u>	<u>\$ 180,300</u>	0.91%

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 \$950 thousand as of June 30, 2010. Principal payments are due in the upcoming fiscal year in the amount of \$140 thousand with interest payments totaling approximately \$44 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

During the fiscal year 2010 economic conditions in the service territory did not show signs of improvement. Most notable, the county's unemployment rate increased from 13.1% to 15.3% which lowered the System's customer base for most all rate classes for the third consecutive year.

Additionally, effective April 2011, the System's energy supplier and regulatory authority will be changing its wholesale billing structure to a single demand and energy rate. Because of the new wholesale rate change, the System conducted an independent a Cost of Service study during fiscal year 2010 to evaluate its existing retail rates. As a result, effective October 2010, the System is restructuring retail rates for all classes of service resulting in a revenue neutral change to the System's customers and operating margin. Currently, the System's management does not anticipate any additional rate changes or Operating margin increases to rates during fiscal year 2011.

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,	
	2010	2009
ASSETS		
Current Assets:		
Cash on hand	\$ 3,650	\$ 3,650
Cash and cash equivalents - general	2,580,285	2,066,851
Accounts receivable - trade (net of allowance for uncollectibles)	3,043,419	2,973,446
Accounts receivable - other	136,295	115,825
Materials and supplies	500,138	461,185
Prepayments and other current assets	346,676	446,316
Total current assets	6,610,463	6,067,273
Noncurrent assets		
Restricted cash, cash equivalents, and investments:		
Cash and cash equivalents	119,928	106,116
Investments	251,268	245,480
Total restricted assets	371,196	351,596
Investments	5,294,047	5,282,144
Other assets:		
Unamortized debt expense	11,732	13,743
Capital assets:		
Transmission plant	1,487,755	1,474,028
Distribution plant	31,182,103	30,530,710
General plant	2,979,537	2,917,424
Construction in progress	126,823	78,977
Less: Accumulated depreciation	(15,667,741)	(15,020,630)
Total capital assets (net of accumulated depreciation)	20,108,477	19,980,509
Total noncurrent assets	25,785,452	25,627,992
Total assets	\$ 32,395,915	\$ 31,695,265

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

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

	June 30,	
	2 0 1 0	2 0 0 9
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 2,814,623	\$ 2,654,058
Other accrued expense	668,563	598,527
Customer deposits	909,722	880,091
Compensated absences	1,055,599	1,003,939
Total current liabilities	5,448,507	5,136,615
Current liabilities payable from restricted assets:		
Accrued interest	7,362	8,340
Current maturities of long-term debt	140,000	135,000
Total current liabilities payable from restricted assets	147,362	143,340
Noncurrent liabilities:		
Bonds payable (less current maturities)	810,000	950,000
Unamortized discount on bonds payable	(16,446)	(18,588)
Total noncurrent liabilities	793,554	931,412
Total liabilities	6,389,423	6,211,367
NET ASSETS		
Invested in capital assets, net of related debt	19,186,655	18,927,840
Restricted for debt service	363,834	343,256
Unrestricted	6,456,003	6,212,802
Total net assets	\$ 26,006,492	\$ 25,483,898

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 1 0</u>	<u>2 0 0 9</u>
Operating revenues:		
Charges for sales and services	\$ 34,248,070	\$ 38,805,800
Other electric revenue	679,586	776,114
Total operating revenues	<u>34,927,656</u>	<u>39,581,914</u>
Operating expenses:		
Cost of sales and services	28,106,049	32,873,049
Operations expense	2,053,806	2,027,515
Maintenance expense	1,415,789	1,346,233
Administrative expense	1,179,953	1,145,808
Provision for depreciation	1,062,501	1,063,537
Other taxes	196,193	194,525
Amortization of acquisition adjustment	-	(18,238)
Total operating expenses	<u>34,014,291</u>	<u>38,632,429</u>
Operating income (loss)	<u>913,365</u>	<u>949,485</u>
Nonoperating revenues (expenses):		
Interest income	123,893	194,645
Interest expense	(49,064)	(54,701)
Amortization of debt expense	(4,153)	(3,667)
Total nonoperating revenues (expenses)	<u>70,676</u>	<u>136,277</u>
Income before transfers	984,041	1,085,762
Transfers:		
Transfer out - tax equivalents	<u>(461,447)</u>	<u>(424,366)</u>
Change in net assets	522,594	661,396
Total net assets - beginning	<u>25,483,898</u>	<u>24,822,502</u>
Total net assets - ending	<u>\$ 26,006,492</u>	<u>\$ 25,483,898</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,	
	2 0 1 0	2 0 0 9
Cash flows from operating activities:		
Receipts from customers and users	\$ 34,866,844	\$ 39,699,517
Payments to employees	(2,500,122)	(2,333,809)
Payments to suppliers	(30,108,720)	(35,007,003)
Net cash provided (used) by operating activities	2,258,002	2,358,705
Cash flows from capital and related financing activities:		
Construction and acquisition of plant	(1,204,386)	(1,249,882)
Plant removal cost	(136,164)	(142,032)
Materials salvaged from retirements	150,081	166,318
Principal paid on bonds	(135,000)	(130,000)
Interest paid on bonds	(50,042)	(55,633)
Net cash provided (used) by capital and related financing activities	(1,375,511)	(1,411,229)
Cash flows from non-capital financing activities:		
Amounts paid to others - tax equivalents	(461,447)	(424,366)
Net cash provided (used) by non-capital and related financing activities	(461,447)	(424,366)
Cash flows from investing activities:		
Purchase of investment	(11,013,845)	(14,092,059)
Proceeds from sale of investments	10,996,154	13,382,483
Interest earned	123,893	194,645
Net cash provided (used) by investing activities	106,202	(514,931)
Net increase (decrease) in cash and cash equivalents	527,246	8,179
Cash and cash equivalents - beginning of year	2,176,617	2,168,438
Cash and cash equivalents - end of year	\$ 2,703,863	\$ 2,176,617
Unrestricted cash on hand	\$ 3,650	\$ 3,650
Unrestricted cash and cash equivalents on deposit	2,580,285	2,066,851
Restricted cash and cash equivalents on deposit	119,928	106,116
Total cash and cash equivalents	\$ 2,703,863	\$ 2,176,617
Non-cash investing, capital, and financing activities:	\$ 126,287	\$ 123,040

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,	
	2010	2009
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 913,365	\$ 949,485
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	1,062,501	1,063,537
Amortization and acquisition adjustment	-	(18,238)
(Increase) decrease in accounts receivable	(69,973)	14,589
(Increase) decrease in materials and supplies	(38,953)	34,573
(Increase) decrease in prepayments and other current assets	79,170	234,511
Increase (decrease) in customer deposits	29,631	41,819
Increase (decrease) in accounts payable and accrued expenses	282,261	38,429
Net cash provided (used) by operating activities	\$ 2,258,002	\$ 2,358,705

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

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009

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, 2010 AND 2009

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, 2010 AND 2009

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, 2010 and 2009.

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, 2010 and 2009, 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,	
	2010	2009
Billed services for utility customers	\$ 3,060,419	\$ 2,988,446
Other receivables for utility service	136,295	115,825
Allowance for doubtful accounts	(17,000)	(15,000)
Total	\$ 3,179,714	\$ 3,089,271

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS (Cont.)
 JUNE 30, 2010 AND 2009

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,	
	2010	2009
The restricted assets consist of the following:		
2001 Electric Plant Revenue Bond Fund		
Interest and sinking fund	\$ 119,928	\$ 106,116
The total funds are represented by:		
Certificates of deposit and savings accounts	\$ 251,268	\$ 245,480

D. Capital Assets

Capital asset activity during the year was as follows:

Description	Balance at June 30, 2009	Additions	Disposals	Balance at June 30, 2010
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	78,977	47,846	-	126,823
Total capital assets not being depreciated	\$ 332,752	\$ 47,846	\$ -	\$ 380,598
Capital assets, being depreciated				
Transmission plant	\$ 1,408,209	\$ 16,834	\$ 3,107	\$ 1,421,936
Distribution plant	30,461,674	1,067,583	416,190	31,113,067
General plant	2,798,504	198,410	136,297	2,860,617
Total capital assets being depreciated	34,668,387	1,282,827	555,594	35,395,620
Less accumulated depreciation for:				
Transmission plant	583,952	49,938	4,403	629,487
Distribution plant	13,390,144	957,913	412,976	13,935,081
General plant	1,046,534	180,937	124,298	1,103,173
Total accumulated depreciation	15,020,630	1,188,788	541,677	15,667,741
Total capital assets, being depreciated, net	19,647,757	94,039	13,917	19,727,879
Total capital assets, net	\$ 19,980,509	\$ 141,885	\$ 13,917	\$ 20,108,477

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS (Cont.)
 JUNE 30, 2010 AND 2009

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, 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	<u>\$ 382,719</u>	<u>\$ 1,296,849</u>	<u>\$ 1,346,816</u>	<u>\$ 332,752</u>
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	2,704,378	228,355	134,229	2,798,504
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	120,581	1,046,534
Total accumulated depreciation	<u>14,401,866</u>	<u>1,186,577</u>	<u>567,813</u>	<u>15,020,630</u>
Total capital assets, being depreciated, net	<u>19,417,492</u>	<u>295,902</u>	<u>65,637</u>	<u>19,647,757</u>
Total capital assets, net	<u>\$ 19,800,211</u>	<u>\$ 1,592,751</u>	<u>\$ 1,412,453</u>	<u>\$ 19,980,509</u>

Depreciation expense charged to operations amounted to \$1,062,501 for the fiscal year ended June 30, 2010 and \$1,063,537 for the fiscal year ended June 30, 2009.

E. Long-term Debt

Long-term debt is made up of the following:

	June 30,	
	2010	2009
Revenue Bonds:		
Electric Plant Revenue Bonds, Series 2001, interest at 3.2% to 4.75% due serially through 2016	<u>\$ 950,000</u>	<u>\$ 1,085,000</u>
Total current portion of Revenue Bonds	<u>\$ 140,000</u>	<u>\$ 135,000</u>
Total long-term portion of Revenue Bonds	<u>\$ 810,000</u>	<u>\$ 950,000</u>

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS (Cont.)
 JUNE 30, 2010 AND 2009

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

E. Long-term Debt (Cont.)

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.

The following is a summary of long-term debt transactions for the year ended June 30, 2010 and 2009:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010	Due Within one year
Revenue bonds payable	\$ 1,085,000	\$ -	\$ 135,000	\$ 950,000	\$ 140,000

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

The scheduled annual requirements for long-term debt at June 30, 2010, are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 140,000	\$ 44,170	\$ 184,170
2012	150,000	37,940	187,940
2013	155,000	31,115	186,115
2014	160,000	23,908	183,908
2015	170,000	16,387	186,387
2016	175,000	8,313	183,313
	\$ 950,000	\$ 161,833	\$ 1,111,833

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:

	June 30,	
	2010	2009
Invested in capital assets, net of related liabilities:		
Net property, plant, and equipment in services	\$ 20,108,477	\$ 19,980,509
Unamortized debt expense	11,732	13,743
Unamortized discount	16,446	18,588
Less: Debt as disclosed in Note 3	(950,000)	(1,085,000)
	\$ 19,186,655	\$ 18,927,840

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS (Cont.)
 JUNE 30, 2010 AND 2009

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

F. Net Assets (Cont.)

	June 30,	
	2010	2009
Restricted for debt service:		
Restricted cash and cash equivalents	\$ 119,928	\$ 106,116
Restricted investments	251,268	245,480
Less: Accrued interest payable from restricted assets	(7,362)	(8,340)
	363,834	343,256
Unrestricted	6,456,003	6,212,802
Total net assets	\$ 26,006,492	\$ 25,483,898

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, 2010 and 2009, total employer contributions were \$218,873 and \$203,270 based on total covered wages of \$2,303,929 and \$2,139,284, 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, 2010 AND 2009

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, 2010, 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. 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	\$ 22,035
Interest on Net OPEB Obligation	(237)
Adjustment to Annual Required Contribution	<u>280</u>
Annual OPEB Cost (Expense)	22,078
Contributions and Subsidy	(1,807)
Increase in Net Obligation	20,271
Net OPEB Obligation (BOY)	<u>(5,273)</u>
Net OPEB (Asset) Obligation (EOY)	<u>\$ 14,998</u>

The System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and 2009 is as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	<u>\$ 23,526</u>	122.41%	<u>\$ (5,273)</u>
June 30, 2010	<u>\$ 22,078</u>	8.18%	<u>\$ 14,998</u>

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010 AND 2009

E. OPEB Disclosure (cont.)

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$214,260 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$214,260. The covered payroll (annual payroll of active employees covered by the plan) was \$2,494,041 and the ratio of the UAAL to the covered payroll was 8.59%.

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, 2009 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, 2009 was 29 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 1 0		2 0 0 9	
	Actual	Percent	Actual	Percent
Operating revenues:				
Charges for sales and services:				
Residential sales	\$ 16,929,466	48.47	\$ 18,447,522	46.61
Small lighting and power sales	3,289,097	9.42	3,503,573	8.85
Large lighting and power sales	13,413,196	38.40	16,098,497	40.67
General power credit	(237,278)	(0.68)	(165,056)	(0.42)
Street and athletic lighting sales	340,035	0.97	384,639	0.97
Outdoor lighting	571,326	1.64	628,160	1.59
Uncollectible accounts	(57,772)	(0.17)	(91,535)	(0.23)
Total charges for sales and services	34,248,070	98.05	38,805,800	98.04
Other revenues				
Forfeited discounts	227,855	0.65	251,844	0.64
Miscellaneous service revenue	127,590	0.37	124,130	0.31
Rent from electric property	272,064	0.78	236,334	0.60
Other electric revenue	52,077	0.15	163,806	0.41
Total other revenues	679,586	1.95	776,114	1.96
Total operating revenues	\$ 34,927,656	100.00	\$ 39,581,914	100.00
Operating expenses:				
Cost of sales and services:				
Purchased power	\$ 28,106,049	80.47	\$ 32,873,049	83.05
Operations expenses:				
Distribution expenses:				
Supervision and engineering	159,785	0.46	159,015	0.40
Station expense	15,910	0.05	16,441	0.04
Overhead line expense	777,271	2.23	743,959	1.88
Underground line expense	3,206	0.01	3,101	0.01
Street lighting and signal system	5,449	0.02	6,859	0.02
Meter expense	93,038	0.27	91,965	0.23
Consumer installations	12,088	0.03	13,663	0.03
Rent expense	29,620	0.08	26,456	0.07
Miscellaneous expense	90,616	0.26	89,945	0.23
Total distribution expenses	1,186,983	3.40	1,151,404	2.91
Customer accounts expenses:				
Supervision	78,994	0.23	67,932	0.17
Meter reading	189,053	0.54	182,880	0.46
Consumer records and collection expense	579,243	1.66	600,655	1.52
Total customer accounts expenses	847,290	2.43	851,467	2.15

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

ELECTRIC DEPARTMENT

	FOR THE FISCAL YEARS ENDED JUNE 30,			
	2 0 1 0		2 0 0 9	
	Amount	Percent	Amount	Percent
Operating expenses (cont.):				
Operations expenses (cont.):				
Sales expenses:				
Customer assistance	\$ 4,200	0.01	\$ 4,200	0.01
Sales expense	15,333	0.04	20,444	0.05
Total sales expenses	<u>19,533</u>	<u>0.06</u>	<u>24,644</u>	<u>0.06</u>
Total operations expenses	<u>2,053,806</u>	<u>5.88</u>	<u>2,027,515</u>	<u>5.12</u>
Administrative expenses:				
Salaries	167,945	0.48	148,428	0.37
Office supplies and expense	28,879	0.08	36,877	0.09
Outside services	74,027	0.21	24,879	0.06
Property insurance	40,418	0.12	38,415	0.10
Injuries and damages	106,810	0.31	101,452	0.26
Duplicate charges	(13,595)	(0.04)	(15,327)	(0.04)
Employee benefits	712,054	2.04	666,124	1.68
Miscellaneous	63,415	0.18	144,960	0.37
Total administrative expenses	<u>1,179,953</u>	<u>3.38</u>	<u>1,145,808</u>	<u>2.89</u>
Maintenance expenses:				
Distribution expenses:				
Supervision and engineering	63,396	0.18	62,204	0.16
Station equipment	20,165	0.06	57,979	0.15
Overhead and underground lines	1,160,043	3.32	1,088,524	2.75
Line transformers	92,747	0.27	60,275	0.15
Street lighting and signal system	16,786	0.05	16,879	0.04
Meters	4,985	0.01	4,109	0.01
Miscellaneous	16,094	0.05	13,487	0.03
Security lights	15,663	0.04	20,319	0.05
Total distribution expenses	<u>1,389,879</u>	<u>3.98</u>	<u>1,323,776</u>	<u>3.34</u>
General plant and equipment	<u>25,910</u>	<u>0.07</u>	<u>22,457</u>	<u>0.06</u>
Total maintenance expenses	<u>1,415,789</u>	<u>4.05</u>	<u>1,346,233</u>	<u>3.40</u>
Depreciation and amortization	<u>1,062,501</u>	<u>3.04</u>	<u>1,063,537</u>	<u>2.69</u>
Amortization of acquisition adjustment	<u>-</u>	<u>-</u>	<u>(18,238)</u>	<u>(0.05)</u>
Other taxes	<u>196,193</u>	<u>0.56</u>	<u>194,525</u>	<u>0.49</u>
Total operating expenses	<u>\$ 34,014,291</u>	<u>97.38</u>	<u>\$ 38,632,429</u>	<u>97.60</u>

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
ELECTRIC PLANT IN SERVICE
 JUNE 30, 2010

	Electric Plant in Service				Depreciation Rate	Accumulated Provision for Depreciation			
	Balance 7/1/09	Additions	Retirements	Balance 6/30/10		Balance 7/1/09	Additions	Retirements	Balance 6/30/10
TRANSMISSION PLANT									
Land and land rights	\$ 65,819	\$ -	\$ -	\$ 65,819		\$ -	\$ -	\$ -	\$ -
Towers and fixtures	3,742	-	-	3,742	3.00	3,676	-	-	3,676
Poles and fixtures	751,591	16,269	2,680	765,180	4.00	269,103	30,347	3,180	296,270
Overhead conductors and devices	652,876	565	427	653,014	3.00	311,173	19,591	1,223	329,541
Total Transmission Plant	1,474,028	16,834	3,107	1,487,755		583,952	49,938	4,403	629,487
DISTRIBUTION PLANT									
Land and land rights	69,036	-	-	69,036		-	-	-	-
Structures and improvements	9,275	-	-	9,275	2.50	1,359	232	-	1,591
Station equipment	4,911,190	75,295	-	4,986,485	4.00	3,721,744	174,274	-	3,896,018
Poles, towers and fixtures	8,653,040	394,793	157,497	8,890,336	3.00	2,153,839	263,092	185,769	2,231,162
Overhead conductors and devices	5,114,700	147,646	42,553	5,219,793	2.50	2,181,527	129,192	(6,479)	2,317,198
Underground conductors and device	338,410	53,693	2,336	389,767	2.50	62,583	8,722	3,864	67,441
Line transformers	6,101,960	130,618	41,756	6,190,822	2.50	3,106,078	153,448	40,344	3,219,182
Services	2,348,017	102,122	58,815	2,391,324	4.75	1,194,488	106,775	67,767	1,233,496
Meters and metering equipment	1,272,683	41,298	39,361	1,274,620	2.00	153,745	28,556	38,640	143,661
Customers security lighting	1,201,077	89,554	58,328	1,232,303	6.00	436,359	72,817	66,762	442,414
Street lighting and signal system	511,322	32,564	15,544	528,342	4.00	378,422	20,805	16,309	382,918
Total Distribution Plant	30,530,710	1,067,583	416,190	31,182,103		13,390,144	957,913	412,976	13,935,081
GENERAL PLANT									
Land and land rights	118,920	-	-	118,920		-	-	-	-
Structures and improvements	868,635	-	-	868,635	2.00	279,171	17,373	-	296,544
Office furniture and equipment	153,668	4,054	8,300	149,422	3.50	79,830	19,114	8,300	90,644
Transportation equipment	1,479,504	177,287	114,738	1,542,053	Various	556,144	126,282	102,738	579,688
Stores equipment	57,749	-	-	57,749	8.00	43,865	4,620	-	48,485
Tools, shop and garage equipment	49,775	-	-	49,775	3.50	29,728	1,742	-	31,470
Laboratory equipment	14,088	5,720	4,007	15,801	10.00	10,211	1,409	4,007	7,613
Power operated equipment	16,924	-	-	16,924	10.00	14,772	-	-	14,772
Communications equipment	107,023	11,349	9,252	109,120	8.00	22,478	8,607	9,253	21,832
Miscellaneous equipment	51,138	-	-	51,138	3.50	10,335	1,790	-	12,125
Total General Plant	2,917,424	198,410	136,297	2,979,537		1,046,534	180,937	124,298	1,103,173
Total Electric Plant in Service	34,922,162	1,282,827	555,594	35,649,395		15,020,630	1,188,788	541,677	15,667,741
Construction work in progress	78,977	47,846	-	126,823		-	-	-	-
Total Electric Plant	\$ 35,001,139	\$ 1,330,673	\$ 555,594	\$ 35,776,218		\$ 15,020,630	\$ 1,188,788	\$ 541,677	\$ 15,667,741
							\$ 1,062,501		
							126,287		
							<u>\$ 1,188,788</u>		
								\$ 555,594	
								<u>(13,917)</u>	
								<u>\$ 541,677</u>	

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
SCHEDULE OF LONG-TERM DEBT
 JUNE 30, 2010

Series 2001		
Electric System Revenue		
Bonds Dated May 1, 2001		
	Principal	Interest
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
	\$ 950,000	\$ 161,833

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
INSURANCE IN FORCE
 JUNE 30, 2010

Property or Contingency Covered	Hazard Insured Against	Amount of Coverage
Employee surety bond	Commercial blanket	250,000
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	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	675,500
	Deductible	500
		90% Co-Insurance
Contents of buildings	Property damage	62,870
	Deductible	100
		80% Co-Insurance
Directors and officers	Personal liability	1,000,000
	Deductible	15,000
Transformers and substations	All substations	5,797,500
	Deductible	50,000
	Aggregate per occurrence flood	2,000,000
	Aggregate per occurrence earthquake	2,000,000
	Equipment breakdown	5,796,000
	Deductible	5,000
	Deductible	10,000
Excess Liability	Aggregate	2,250,000
	Each Occurrence	750,000
Pollution Legal Liability	Each Occurrence	750,000
	Aggregate	34,500,000
Fudiciary Bond Pension	Each Occurrence	500,000

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
ELECTRIC RATES IN FORCE - UNAUDITED
 JUNE 30, 2010

Residential Rate Schedule	
Customer charge - per delivery point per month	\$ 11.50
Energy charge - cents per kWh - all kWh	\$ 0.08218
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	\$ 0.09438
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	\$ 13.63
Energy charge - cents per kWh	
First 15,000 kWh per month	\$ 0.09438
Additional kWh per month	\$ 0.05009
GSA3 (1000 - 5000 kW demand)	
Customer charge - per delivery point per month	\$ 300.00
Demand charges - per kW per month	
First 1000 kW	\$ 13.70
Excess over 1000 kW	\$ 15.40
Energy charge - cents per kWh	\$ 0.05009
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	\$ 15.40
Energy charge - cents per kWh for up to 620 hours use of metered demand per month	\$ 0.04336
Per kWh for all additional kWh per month	\$ 0.03576
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	\$ 14.89
Energy charge - cents per kWh for up to 620 hours use of metered demand per month	\$ 0.04336
Per kWh for all additional kWh per month	\$ 0.03576
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	\$ 13.27
Energy charge - cents per kWh	
Per kWh for up to 620 hours use of demand	\$ 0.03722
Per kWh for all additional kWh per month	\$ 0.03075
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	\$ 12.59
Energy charge - cents per kWh	
Per kWh for up to 620 hours use of demand	\$ 0.03545
Per kWh for all additional kWh per month	\$ 0.02932
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	\$ 12.08
Energy charge - cents per kWh	
Per kWh for up to 620 hours use of demand	\$ 0.03545
Per kWh for all additional kWh per month	\$ 0.02932

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

	FOR THE FISCAL YEARS ENDED JUNE 30,				
	2010	2009	2008	2007	2006
Revenue					
Residential	\$ 16,692,188	\$ 18,282,466	\$ 16,207,978	\$ 15,061,265	\$ 14,134,863
Commercial	3,289,097	3,503,573	3,146,284	2,963,561	2,773,655
Industrial	13,413,196	16,098,497	14,521,689	13,943,310	13,503,768
Street and outdoor lighting	911,361	1,012,799	894,577	857,359	831,684
Other operating	621,814	684,579	556,517	539,994	613,180
Interest and other revenue	123,893	194,645	345,285	350,196	160,483
	<u>\$ 35,051,549</u>	<u>\$ 39,776,559</u>	<u>\$ 35,672,330</u>	<u>\$ 33,715,685</u>	<u>\$ 32,017,633</u>
Expense					
Electric power costs	\$ 28,106,049	\$ 32,873,049	\$ 29,049,853	\$ 27,086,341	\$ 25,866,809
Other operating expenses	4,649,548	4,519,556	4,197,329	4,015,276	3,555,759
Provision for depreciation	1,062,501	1,063,537	1,028,176	998,583	971,808
Amortization of acquisition adjustment	-	(18,238)	(24,318)	(24,318)	(24,318)
Transfer out	657,640	618,891	607,281	584,385	426,804
Interest and other expense	53,217	58,368	63,532	68,447	72,992
	<u>\$ 34,528,955</u>	<u>\$ 39,115,163</u>	<u>\$ 34,921,853</u>	<u>\$ 32,728,714</u>	<u>\$ 30,869,854</u>
Net Income (Loss)	<u>\$ 522,594</u>	<u>\$ 661,396</u>	<u>\$ 750,477</u>	<u>\$ 986,971</u>	<u>\$ 1,147,779</u>
Financial					
Plant in service (at original cost)	<u>\$ 35,776,218</u>	<u>\$ 35,001,139</u>	<u>\$ 34,202,078</u>	<u>\$ 33,202,913</u>	<u>\$ 32,206,498</u>
Bonds outstanding	<u>\$ 950,000</u>	<u>\$ 1,085,000</u>	<u>\$ 1,215,000</u>	<u>\$ 1,340,000</u>	<u>\$ 1,460,000</u>
Power in use - KWH					
Residential	198,522,575	195,034,851	208,264,802	202,071,445	203,120,466
Commercial	31,258,054	31,002,434	32,714,752	32,112,239	31,748,074
Industrial	204,983,674	210,093,591	232,536,238	233,799,826	239,649,792
Other Customers	9,768,418	9,844,953	9,960,441	10,018,346	10,049,121
Total	<u>444,532,721</u>	<u>445,975,829</u>	<u>483,476,233</u>	<u>478,001,856</u>	<u>484,567,453</u>
Number of customers					
Residential	12,596	12,612	12,687	12,726	12,768
Small commercial	2,740	2,756	2,764	2,802	2,729
Large commercial	196	194	204	196	199
Street and athletic	66	67	65	67	48
Outdoor lighting - Code 78	75	79	79	85	99
	<u>15,673</u>	<u>15,708</u>	<u>15,799</u>	<u>15,876</u>	<u>15,843</u>
Line Loss	<u>3.61%</u>	<u>4.80%</u>	<u>3.97%</u>	<u>4.35%</u>	<u>4.19%</u>

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

www.atacpa.net

227 Oil Well Road
Jackson, TN 38305

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

Members of

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
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 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, 2010 and 2009, and have issued our report thereon dated September 2, 2010. Our report disclosed that the financial statements include only the financial activities of the Carroll County Board of Public Utilities enterprise fund and are not intended to present fairly the financial position of Carroll County, Tennessee, and the results of its operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 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*.

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 Thompson Arnold PLLC

Certified Public Accountants
Jackson, Tennessee
September 2, 2010