

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED
JUNE 30, 2012 AND 2011

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
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INTRODUCTORY SECTION

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
DIRECTORY
June 30, 2012**

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



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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, 2012 and 2011, 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, 2012 and 2011, and the changes in its financial position or, where applicable, 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 previously present fairly, in all material respects, the respective financial position of the System as of June 30, 2012 and 2011, and the respective changes in financial position and, where applicable, 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 21, 2012, 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.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's financial statements. The introductory section and other supplementary information section are presented for purposes of additional analysis and are not a required party of the financial statements. The other supplementary information, except those schedules marked "unaudited", are the responsibility of management and were derived from and relates 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 section and other supplementary information marked "unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Alexander Thompson Arnold PLLC

Certified Public Accountants
Jackson, Tennessee
September 21, 2012

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, 2012. 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 \$33.4 million and exceeded liabilities in the amount of \$26.5 million (i.e. net assets). Total assets increased by \$392 thousand due to increases in current assets.
- Net assets increased \$303 thousand during the current year due to an operating profit. Unrestricted net assets increased by \$577 thousand due primarily to an increase in cash and cash equivalents.
- During fiscal year 2012, the System delivered 430.60 million kWh compared to 450.12 million kWh during the fiscal year 2011.
- Operating revenues were \$38.3 million, an decrease from year 2011 in the amount of \$91 thousand or (0.24%).
- Operating expenses were \$37.5 million, a decrease from year 2011 in the amount of \$189 thousand or (0.5%).
- The operating income for the year was \$759 thousand as compared to a \$661 thousand operating profit during the 2011 fiscal year.
- Ratios of operating income to total operating revenue were 1.98, 1.72, and 2.63, for 2012, 2011, and 2010, 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.

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.

REQUIRED FINANCIAL ANALYSIS

The System's total net assets increased by \$303 thousand and \$225 thousand for the fiscal years ended June 30, 2012 and 2011, 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, 2012	June 30, 2011	Increase (Decrease)	
			\$	%
Current and other assets	\$ 13,284,571	\$ 12,457,211	\$ 827,360	6.64%
Capital assets	20,088,435	20,523,496	(435,061)	-2.12%
Total assets	<u>33,373,006</u>	<u>32,980,707</u>	<u>392,299</u>	<u>1.19%</u>
Long-term liabilities	553,478	683,680	(130,202)	-19.04%
Other liabilities	6,284,995	6,065,235	219,760	3.62%
Total liabilities	<u>6,838,473</u>	<u>6,748,915</u>	<u>89,558</u>	<u>1.33%</u>
Invested in capital assets, net of related debt	19,440,136	19,727,665	(287,529)	-1.46%
Restricted	395,858	382,490	13,368	3.49%
Unrestricted	6,698,539	6,121,637	576,902	9.42%
Total net assets	<u>\$ 26,534,533</u>	<u>\$ 26,231,792</u>	<u>\$ 302,741</u>	<u>1.15%</u>

Table 1B
CONDENSED STATEMENT OF NET ASSETS

	June 30, 2011	June 30, 2010	Increase (Decrease)	
			\$	%
Current and other assets	\$ 12,457,211	\$ 12,287,438	\$ 169,773	1.38%
Capital assets	20,523,496	20,108,477	415,019	2.06%
Total assets	<u>32,980,707</u>	<u>32,395,915</u>	<u>584,792</u>	<u>1.81%</u>
Long-term liabilities	683,680	793,554	(109,874)	-13.85%
Other liabilities	6,065,235	5,595,869	469,366	8.39%
Total liabilities	<u>6,748,915</u>	<u>6,389,423</u>	<u>359,492</u>	<u>5.63%</u>
Invested in capital assets, net of related debt	19,727,665	19,186,655	541,010	2.82%
Restricted	382,490	363,834	18,656	5.13%
Unrestricted	6,121,637	6,456,003	(334,366)	-5.18%
Total net assets	<u>\$ 26,231,792</u>	<u>\$ 26,006,492</u>	<u>\$ 225,300</u>	<u>0.87%</u>

The decrease in capital assets was due primarily to a decrease in construction in process as a result of closing work orders related to the April 2011 storm damage. Construction in process was reduced by the amount of money received from FEMA as there was no contract or receivable in place as of June 30, 2011. The increase in current and other assets was due primarily to an increase in cash and cash equivalents 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, 2012	June 30, 2011	Increase (Decrease)	
			\$	%
Operating revenues	\$ 38,282,176	\$ 38,373,267	\$ (91,091)	-0.24%
Non-operating revenues	67,534	94,947	(27,413)	-28.87%
Total revenues	<u>38,349,710</u>	<u>38,468,214</u>	<u>(118,504)</u>	-0.31%
Cost of sales and service	31,849,409	31,910,486	(61,077)	-0.19%
Operations expense	2,149,281	2,147,338	1,943	0.09%
Maintenance expense	1,167,114	1,344,362	(177,248)	-13.18%
General and administrative expense	1,125,705	1,089,378	36,327	3.33%
Depreciation expense	1,032,505	1,023,166	9,339	0.91%
Transfer out - tax equivalent	482,324	483,006	(682)	-0.14%
Other taxes	199,361	197,745	1,616	0.82%
Interest and amortization	41,270	47,433	(6,163)	-12.99%
Total expenses	<u>38,046,969</u>	<u>38,242,914</u>	<u>(195,945)</u>	-0.51%
Change in net assets	302,741	225,300	77,441	34.37%
Beginning net assets	<u>26,231,792</u>	<u>26,006,492</u>	<u>225,300</u>	0.87%
Ending net assets	<u>\$ 26,534,533</u>	<u>\$ 26,231,792</u>	<u>\$ 302,741</u>	1.15%

Table 2B

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	June 30, 2011	June 30, 2010	Increase (Decrease)	
			\$	%
Operating revenues	\$ 38,373,267	\$ 34,927,656	\$ 3,445,611	9.86%
Non-operating revenues	94,947	123,893	(28,946)	-23.36%
Total revenues	<u>38,468,214</u>	<u>35,051,549</u>	<u>3,416,665</u>	9.75%
Cost of sales and service	31,910,486	28,106,049	3,804,437	13.54%
Operations expense	2,147,338	2,053,806	93,532	4.55%
Maintenance expense	1,344,362	1,415,789	(71,427)	-5.05%
General and administrative expense	1,089,378	1,179,953	(90,575)	-7.68%
Depreciation expense	1,023,166	1,062,501	(39,335)	-3.70%
Transfer out - tax equivalent	483,006	461,447	21,559	4.67%
Other taxes	197,745	196,193	1,552	0.79%
Interest and amortization	47,433	53,217	(5,784)	-10.87%
Total expenses	<u>38,242,914</u>	<u>34,528,955</u>	<u>3,713,959</u>	10.76%
Change in net assets	225,300	522,594	(297,294)	-56.89%
Beginning net assets	<u>26,006,492</u>	<u>25,483,898</u>	<u>522,594</u>	2.05%
Ending net assets	<u>\$ 26,231,792</u>	<u>\$ 26,006,492</u>	<u>\$ 225,300</u>	0.87%

Operating revenues showed an 9.86% increase from 2010 to 2011 and a (0.24%) decrease from 2011 to 2012. Non-operating revenues decreased 23.36% from 2010 to 2011 and decreased 28.87% from 2011 to 2012 as the result of decreasing interest rates on certificates of deposits and savings accounts. Expenses increased 10.20% for the three year period as a result of fluctuation in cost of sales and service due to rate changes by TVA. Ending net assets showed an increase of 2.03% over the 3 year period due to the above mentioned facts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, the system had \$20.09 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 decrease (net of increases and decreases) of \$435 thousand or 2.12% 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, 2012 and 2011. These changes are presented in detail in Note 3D to the financial statements.

Table 3A
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2012	June 30, 2011	Increase (Decrease)	
			Amount	Percent
Transmission plant	\$ 778,719	\$ 820,743	\$ (42,024)	-5.12%
Distribution plant	17,532,390	17,427,123	105,267	0.60%
General plant	1,670,517	1,794,901	(124,384)	-6.93%
Construction in progress	106,809	480,729	(373,920)	-77.78%
Total capital assets (net)	<u>\$ 20,088,435</u>	<u>\$ 20,523,496</u>	<u>\$ (435,061)</u>	-2.12%

Table 3B
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2011	June 30, 2010	Increase (Decrease)	
			Amount	Percent
Transmission plant	\$ 820,743	\$ 858,268	\$ (37,525)	-4.37%
Distribution plant	17,427,123	17,247,022	180,101	1.04%
General plant	1,794,901	1,876,364	(81,463)	-4.34%
Construction in progress	480,729	126,823	353,906	279.06%
Total capital assets (net)	<u>\$ 20,523,496</u>	<u>\$ 20,108,477</u>	<u>\$ 415,019</u>	2.06%

The major portion of the retirements took place in construction in progress. The retirements were a direct result of closing work orders related to repairing the damages from the April 2011 storms. Construction in process was reduced by the amount of money received from FEMA as there was no contract or receivable in place as of June 30, 2011. 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 \$660 thousand as of June 30, 2012. Principal payments are due in the upcoming fiscal year in the amount of \$155 thousand with interest payments totaling approximately \$31 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 fiscal year 2012 economic conditions in the service territory did not show signs of improvement. Although the county's unemployment rate decreased from 13.7% to 11.2% the System's total customer base decreased in all rate classes. Most notable was the loss of a large industrial customer that has ceased operations. The customer base decline was realized by a 2.7% decrease to our commercial based establishments; however residential customers decreased less than 1% during the fiscal year, which is the System's fifth consecutive annual decline for the residential class of service.

Additionally, effective October 2012, the System's energy supplier and regulatory authority is changing its wholesale billing structure to a Modified Time-of-Use rate design. Because of the new wholesale rate change, the System will evaluate its effect on the system during fiscal year 2013 and consider any necessary rate adjustments. Currently, the System's management does not anticipate any rate changes during fiscal year 2013.

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, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash on hand	\$ 3,650	\$ 3,650
Cash and cash equivalents - general	2,803,549	1,939,451
Accounts receivable - trade (net of allowance for uncollectibles)	3,169,868	3,247,477
Accounts receivable - other	227,772	157,895
Materials and supplies	507,978	489,320
Prepayments and other current assets	98,706	348,378
Total current assets	6,811,523	6,186,171
Noncurrent assets		
Restricted cash, cash equivalents, and investments:		
Cash and cash equivalents	144,695	134,203
Investments	256,349	254,622
Total restricted assets	401,044	388,825
Investments	6,064,295	5,872,494
Total noncurrent assets	6,465,340	6,261,319
Other assets		
Unamortized debt expense	7,709	9,721
Total other assets	7,709	9,721
Capital assets, not being depreciated		
Transmission plant	65,819	65,819
Distribution plant	99,331	99,331
General plant	118,920	118,920
Construction in progress	106,809	480,729
Total capital assets, not being depreciated	390,879	764,799
Capital assets, net of accumulated depreciation		
Transmission plant	712,900	754,924
Distribution plant	17,433,059	17,327,792
General plant	1,551,597	1,675,981
Total capital assets (net of accumulated depreciation)	20,088,435	20,523,496
Total noncurrent assets	26,561,483	26,794,536
Total assets	\$ 33,373,006	\$ 32,980,707

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

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	2012	2011
Liabilities		
Current liabilities		
Accounts payable	\$ 3,226,766	\$ 3,172,773
Other accrued expense	776,286	709,285
Customer deposits	927,023	886,072
Compensated absences	1,194,734	1,140,770
Total current liabilities	6,124,809	5,908,899
Current liabilities payable from restricted assets:		
Accrued interest	5,186	6,335
Current maturities of long-term debt	155,000	150,000
Total current liabilities payable from restricted assets	160,186	156,335
Noncurrent liabilities		
Bonds payable (less current maturities)	505,000	660,000
Unamortized discount on bonds payable	(11,701)	(14,169)
Other post employment benefits obligation	60,179	37,849
Total noncurrent liabilities	553,478	683,680
Total liabilities	6,838,473	6,748,915
Net Assets		
Invested in capital assets, net of related debt	19,440,136	19,727,665
Restricted for debt service	395,858	382,490
Unrestricted	6,698,539	6,121,637
Total net assets	\$ 26,534,533	\$ 26,231,792

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

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues		
Charges for sales and services	\$ 37,582,622	\$ 37,577,855
Other electric revenue	699,554	795,412
Total operating revenues	38,282,176	38,373,267
Operating expenses		
Cost of sales and services	31,849,409	31,910,486
Operations expense	2,149,281	2,147,338
Maintenance expense	1,167,114	1,344,362
Administrative expense	1,125,705	1,089,378
Provision for depreciation	1,032,505	1,023,166
Other taxes	199,361	197,745
Total operating expenses	37,523,375	37,712,475
Operating income (loss)	758,801	660,792
Nonoperating revenues (expenses)		
Interest income	67,534	94,947
Interest expense	(36,791)	(43,144)
Amortization of debt expense	(4,479)	(4,289)
Total nonoperating revenues (expenses)	26,264	47,514
Income before transfers	785,065	708,306
Transfers		
Transfer out - tax equivalents	(482,324)	(483,006)
Change in net assets	302,741	225,300
Total net assets - beginning	26,231,792	26,006,492
Total net assets - ending	\$ 26,534,533	\$ 26,231,792

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

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Receipts from customers and users	\$ 38,289,909	\$ 38,147,610
Payments to employees	(2,402,671)	(2,427,518)
Payments to suppliers	(33,659,896)	(33,730,785)
Customer deposits received	227,535	215,635
Customer deposits refunded	(186,584)	(239,286)
Net cash provided (used) by operating activities	2,268,292	1,965,656
Cash flows from capital and related financing activities		
Construction and acquisition of plant	(631,686)	(1,465,324)
Plant removal cost	(134,348)	(119,790)
Materials salvaged from retirements	168,590	146,929
Principal paid on bonds	(150,000)	(140,000)
Interest paid on bonds	(37,940)	(44,170)
Net cash provided (used) by capital and related financing activities	(785,384)	(1,622,355)
Cash flows from non-capital financing activities		
Amounts paid to others - tax equivalents	(482,324)	(483,006)
Net cash provided (used) by non-capital and related financing activities	(482,324)	(483,006)
Cash flows from investing activities		
Purchase of investment	(17,563,573)	(15,796,339)
Proceeds from sale of investments	17,370,045	15,214,538
Interest earned	67,534	94,947
Net cash provided (used) by investing activities	(125,994)	(486,854)
Net increase (decrease) in cash and cash equivalents	874,590	(626,559)
Cash and cash equivalents - beginning of year	2,077,304	2,703,863
Cash and cash equivalents - end of year	\$ 2,951,894	\$ 2,077,304
Unrestricted cash on hand	\$ 3,650	\$ 3,650
Unrestricted cash and cash equivalents on deposit	2,803,549	1,939,451
Restricted cash and cash equivalents on deposit	144,695	134,203
Total cash and cash equivalents	\$ 2,951,894	\$ 2,077,304
Non-cash investing, capital, and financing activities	\$ 126,032	\$ 127,291

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

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011

	2012	2011
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 758,801	\$ 660,792
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	1,032,505	1,023,166
(Increase) decrease in accounts receivable	77,609	(204,058)
(Increase) decrease in materials and supplies	(18,658)	10,818
(Increase) decrease in prepayments and other current assets	179,795	(23,304)
Increase (decrease) in customer deposits	40,951	(23,650)
Increase (decrease) in accounts payable and accrued expenses	197,288	521,892
Net cash provided (used) by operating activities	\$ 2,268,292	\$ 1,965,656

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

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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.

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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.

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
June 30, 2012 and 2011

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

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, 2012 and 2011.

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, 2012 and 2011, all bank deposits were fully collateralized or insured.

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

B. Receivables

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

	June 30,	
	2012	2011
Billed services for utility customers	\$ 3,189,868	\$ 3,285,477
Other receivables for utility service	227,772	157,895
Allowance for doubtful accounts	(20,000)	(38,000)
Total	\$ 3,397,640	\$ 3,405,372

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,	
	2012	2011
The restricted assets consist of the following:		
2001 Electric Plant Revenue Bond Fund		
Interest and sinking fund	\$ 144,695	\$ 134,203
The total funds are represented by:		
Certificates of deposit and savings accounts	\$ 256,349	\$ 254,622

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

D. Capital Assets

Capital asset activity during the year was as follows:

Description	Balance at June 30, 2011	Additions	Disposals	Balance at June 30, 2012
Capital assets, not being depreciated				
Transmission plant	\$ 65,819	\$ -	\$ -	\$ 65,819
Distribution plant	99,331	-	-	99,331
General plant	118,920	-	-	118,920
Construction in progress	480,729	-	373,920	106,809
Total capital assets not being depreciated	<u>764,799</u>	<u>-</u>	<u>373,920</u>	<u>390,879</u>
Capital assets, being depreciated				
Transmission plant	1,429,796	8,519	-	1,438,315
Distribution plant	31,862,406	1,070,407	491,718	32,441,095
General plant	2,848,238	52,712	53,358	2,847,592
Total capital assets being depreciated	<u>36,140,440</u>	<u>1,131,638</u>	<u>545,076</u>	<u>36,727,002</u>
Less accumulated depreciation for:				
Transmission plant	674,872	50,543	-	725,415
Distribution plant	14,534,613	932,018	458,595	15,008,036
General plant	1,172,258	175,976	52,239	1,295,995
Total accumulated depreciation	<u>16,381,743</u>	<u>1,158,537</u>	<u>510,834</u>	<u>17,029,446</u>
Total capital assets, being depreciated, net	<u>19,758,697</u>	<u>(26,899)</u>	<u>34,242</u>	<u>19,697,556</u>
Total capital assets, net	<u><u>\$ 20,523,496</u></u>	<u><u>\$ (26,899)</u></u>	<u><u>\$ 408,162</u></u>	<u><u>\$ 20,088,435</u></u>

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

Description	Balance at June 30, 2010	Additions	Disposals	Balance at June 30, 2011
Capital assets, not being depreciated				
Transmission plant	\$ 65,819	\$ -	\$ -	\$ 65,819
Distribution plant	69,036	30,295	-	99,331
General plant	118,920	-	-	118,920
Construction in progress	126,823	353,906	-	480,729
Total capital assets not being depreciated	\$ 380,598	\$ 384,201	\$ -	\$ 764,799
Capital assets, being depreciated				
Transmission plant	\$ 1,421,936	\$ 9,403	\$ 1,543	\$ 1,429,796
Distribution plant	31,113,067	1,088,406	339,067	31,862,406
General plant	2,860,617	110,605	122,984	2,848,238
Total capital assets being depreciated	35,395,620	1,208,414	463,594	36,140,440
Less accumulated depreciation for:				
Transmission plant	629,487	50,444	5,059	674,872
Distribution plant	13,935,081	922,998	323,466	14,534,613
General plant	1,103,173	177,015	107,930	1,172,258
Total accumulated depreciation	15,667,741	1,150,457	436,455	16,381,743
Total capital assets, being depreciated, net	19,727,879	57,957	27,139	19,758,697
Total capital assets, net	\$ 20,108,477	\$ 442,158	\$ 27,139	\$ 20,523,496

Depreciation expense charged to operations amounted to \$1,032,505 for the fiscal year ended June 30, 2012 and \$1,023,166 for the fiscal year ended June 30, 2011.

E. Long-term Debt

Long-term debt is made up of the following:

	June 30,	
	2012	2011
Revenue Bonds:		
Electric Plant Revenue Bonds, Series 2001, interest at 3.2% to 4.75% due serially through 2016	\$ 660,000	\$ 810,000
Total current portion of Revenue Bonds	\$ 155,000	\$ 150,000
Total long-term portion of Revenue Bonds	\$ 505,000	\$ 660,000

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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, 2012 and 2011:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Due Within one year
Revenue bonds payable	\$ 810,000	\$ -	\$ 150,000	\$ 660,000	\$ 155,000

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Due Within one year
Revenue bonds payable	\$ 950,000	\$ -	\$ 140,000	\$ 810,000	\$ 150,000

The scheduled annual requirements for long-term debt at June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
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
	<u>\$ 660,000</u>	<u>\$ 79,723</u>	<u>\$ 739,723</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:

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

	June 30,	
	2012	2011
Invested in capital assets, net of related liabilities:		
Net property, plant, and equipment in services	\$ 20,088,435	\$ 20,523,496
Unamortized discount	11,701	14,169
Less: Debt as disclosed in Note 3	(660,000)	(810,000)
	\$ 19,440,136	\$ 19,727,665
Restricted for debt service:		
Restricted cash and cash equivalents	\$ 144,695	\$ 134,203
Restricted investments	256,349	254,622
Less: Accrued interest payable from restricted assets	(5,186)	(6,335)
	395,858	382,490
Unrestricted	6,698,539	6,121,637
Total net assets	\$ 26,534,533	\$ 26,231,792

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, 2012 and 2011, total employer contributions were \$219,980 and \$224,131 based on total covered wages of \$2,311,586 and \$2,359,274, respectively.

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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.

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, 2012, 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	\$ 22,497
Interest on Net OPEB Obligation	1,703
Adjustment to Annual Required Contribution	<u>(1,870)</u>
Annual OPEB Cost (Expense)	22,330
Contributions and Subsidy	<u>-</u>
Increase in Net Obligation	22,330
Net OPEB Obligation (BOY)	<u>37,849</u>
Net OPEB (Asset) Obligation (EOY)	<u><u>\$ 60,179</u></u>

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012 and 2011

The System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and 2011 is as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 22,851	8.18%	\$ 37,849
June 30, 2012	\$ 22,330	0.00%	\$ 60,179

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$218,430 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$218,430. The covered payroll (annual payroll of active employees covered by the plan) was \$2,409,347 and the ratio of the UAAL to the covered payroll was 9.07%.

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, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% 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, 2011 was 27 years.

**OTHER SUPPLEMENTARY
INFORMATION SECTION**

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

For the Years Ended June 30, 2012 and 2011

	2012		2011	
	Actual	Percent	Actual	Percent
Operating revenues:				
Charges for sales and services:				
Residential sales	\$ 17,962,135	46.92	\$ 19,430,230	50.63
Small lighting and power sales	3,574,950	9.34	3,589,616	9.35
Large lighting and power sales	15,177,675	39.65	14,768,038	38.49
General power credit	(57,861)	(0.15)	(1,123,429)	(2.93)
Street and athletic lighting sales	375,642	0.98	379,660	0.99
Outdoor lighting	616,624	1.61	621,077	1.62
Uncollectible accounts	(66,543)	(0.17)	(87,338)	(0.23)
Total charges for sales and services	37,582,622	98.17	37,577,855	97.93
Other revenues				
Forfeited discounts	228,229	0.60	265,530	0.69
Miscellaneous service revenue	126,790	0.33	131,243	0.34
Rent from electric property	319,522	0.83	300,638	0.78
Other electric revenue	25,013	0.07	98,001	0.26
Total other revenues	699,554	1.83	795,412	2.07
Total operating revenues	\$ 38,282,176	100.00	\$ 38,373,267	100.00
Operating expenses:				
Cost of sales and services:				
Purchased power	\$ 31,849,409	83.20	\$ 31,910,486	83.16
Operations expenses:				
Distribution expenses:				
Supervision and engineering	170,389	0.45	163,792	0.43
Station expense	21,213	0.06	14,330	0.04
Overhead line expense	812,953	2.12	794,922	2.07
Underground line expense	3,680	0.01	6,163	0.02
Street lighting and signal system	4,152	0.01	5,624	0.01
Meter expense	93,719	0.24	100,234	0.26
Consumer installations	13,068	0.03	13,560	0.04
Rent expense	34,226	0.09	30,426	0.08
Miscellaneous expense	93,742	0.24	91,350	0.24
Total distribution expenses	1,247,142	3.26	1,220,401	3.18
Customer accounts expenses:				
Supervision	81,647	0.21	82,470	0.21
Meter reading	190,545	0.50	198,356	0.52
Consumer records and collection expense	605,303	1.58	621,467	1.62
Total customer accounts expenses	877,495	2.29	902,293	2.35

See independent auditor's report

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
SCHEDULES OF OPERATING REVENUES AND EXPENSES
For the Years Ended June 30, 2012 and 2011

	2012		2011	
	Amount	Percent	Amount	Percent
Sales expenses:				
Customer assistance	\$ 4,200	0.01	\$ 4,200	0.01
Sales expense	20,444	0.05	20,444	0.05
Total sales expenses	<u>24,644</u>	<u>0.06</u>	<u>24,644</u>	<u>0.06</u>
Total operations expenses	<u>2,149,281</u>	<u>5.61</u>	<u>2,147,338</u>	<u>5.60</u>
Administrative expenses:				
Salaries	185,055	0.48	178,939	0.47
Office supplies and expense	25,640	0.07	31,461	0.08
Outside services	23,669	0.06	45,914	0.12
Property insurance	42,129	0.11	39,557	0.10
Injuries and damages	103,772	0.27	83,151	0.22
Duplicate charges	(14,212)	(0.04)	(15,792)	(0.04)
Employee benefits	707,739	1.85	629,162	1.64
Miscellaneous	51,913	0.14	96,987	0.25
Total administrative expenses	<u>1,125,705</u>	<u>2.94</u>	<u>1,089,379</u>	<u>2.84</u>
Maintenance expenses:				
Distribution expenses:				
Supervision and engineering	66,098	0.17	63,405	0.17
Station equipment	69,297	0.18	33,438	0.09
Overhead and underground lines	917,608	2.40	1,085,546	2.83
Line transformers	44,101	0.12	84,507	0.22
Street lighting and signal system	12,397	0.03	12,979	0.03
Meters	4,215	0.01	4,296	0.01
Miscellaneous	13,307	0.03	14,009	0.04
Security lights	18,165	0.05	18,738	0.05
Total distribution expenses	<u>1,145,188</u>	<u>2.99</u>	<u>1,316,918</u>	<u>3.43</u>
General plant and equipment	<u>21,926</u>	<u>0.06</u>	<u>27,444</u>	<u>0.07</u>
Total maintenance expenses	<u>1,167,114</u>	<u>3.05</u>	<u>1,344,362</u>	<u>3.50</u>
Depreciation and amortization	<u>1,032,505</u>	<u>2.70</u>	<u>1,023,166</u>	<u>2.67</u>
Other taxes	<u>199,361</u>	<u>0.52</u>	<u>197,745</u>	<u>0.52</u>
Total operating expenses	<u>\$ 37,523,375</u>	<u>98.02</u>	<u>\$ 37,712,475</u>	<u>98.28</u>

See independent auditor's report

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
SCHEDULE OF LONG-TERM DEBT
 June 30, 2012

Series 2001			
Electric System Revenue			
Bonds Dated May 1, 2001			
	Principal		Interest
2013	\$ 155,000	\$	31,115
2014	160,000		23,908
2015	170,000		16,387
2016	175,000		8,313
	\$ 660,000	\$	79,723

See independent auditor's report

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2012

	<u>Grant Number</u>	<u>Federal CFDA No.</u>	<u>Receivables Balance 7/1/2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivables Balance 6/30/2012</u>
FEDERAL AWARDS						
United States Department of Homeland Security						
Federal Emergency Management Agency:						
Passed through the State of Tennessee						
Emergency Management Agency:						
Disaster Grants - Public Assistance						
(Presidentially Declared Disasters)						
	FEMA-1974-DR-TN	97.036	\$ -	\$ 235,343	\$ 293,540	\$ (58,197)
Disaster Grants - Public Assistance						
(Presidentially Declared Disasters)						
	FEMA-1979-DR-TN	97.036	-	90,399	120,532	(30,133)
	Total Federal Awards		\$ -	\$ 325,742	\$ 414,072	\$ (88,330)

See independent auditor's report

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
ELECTRIC RATES IN FORCE
June 30, 2012**

Residential Rate Schedule	
Customer charge - per delivery point per month	\$ 15.90
Energy charge - cents per kWh - all kWh	\$ 0.08460
General Power Schedule	
GSA1 (Under 50 kW demand & less than 15,000 kWh)	
Customer charge - per delivery point per month	\$ 22.00
Energy charge - cents per kWh	\$ 0.09549
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	\$ 12.33
Energy charge - cents per kWh	
First 15,000 kWh per month	\$ 0.09549
Additional kWh per month	\$ 0.05899
GSA3 (1000 - 5000 kW demand)	
Customer charge - per delivery point per month	\$ 300.00
Demand charges - per kW per month	
First 1000 kW	\$ 11.27
Excess over 1000 kW	\$ 11.08
Energy charge - cents per kWh	\$ 0.06158
Lighting (LS)	
Energy charge - cents per kWh	
All kWh - per kWh per month	\$ 0.06534
GSB (5001 - 15,000 KW demand)	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charge - per kW per month	
All kW - per kW per month	\$ 21.63
Energy charge - cents per kWh	
All kWh - per kWh per month	\$ 0.04983
GSC (15001 - 25,000 KW demand)	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charge - per kW per month	
All kW - per kW per month	\$ 21.12
Energy charge - cents per kWh	
All kWh - per kWh per month	\$ 0.04996
MSB Part 1 (1,000 - 5,000 KW demand)	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charge - per kW per month	
All kW - per kW per month	\$ 18.74
Energy charge - cents per kWh	
All kWh - per kWh per month	\$ 0.04217
MSC (15,001 - 25,000 KW demand)	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charge - per kW per month	
All kW - per kW per month	\$ 18.23
Energy charge - cents per kWh	
All kWh - per kWh per month	\$ 0.04186

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

	FOR THE FISCAL YEARS ENDED JUNE 30,				
	2012	2011	2010	2009	2008
Revenue					
Residential	\$ 17,904,274	\$ 18,306,801	\$ 16,692,188	\$ 18,282,466	\$ 16,207,978
Commercial	3,574,950	3,589,616	3,289,097	3,503,573	3,146,284
Industrial	15,177,675	14,768,038	13,413,196	16,098,497	14,521,689
Street and outdoor lighting	992,266	1,000,738	911,361	1,012,799	894,577
Other operating	633,011	708,074	621,814	684,579	556,517
Interest and other revenue	67,534	94,947	123,893	194,645	345,285
	<u>\$ 38,349,710</u>	<u>\$ 38,468,214</u>	<u>\$ 35,051,549</u>	<u>\$ 39,776,559</u>	<u>\$ 35,672,330</u>
Expense					
Electric power costs	\$ 31,849,409	\$ 31,910,486	\$ 28,106,049	\$ 32,873,049	\$ 29,049,853
Other operating expenses	4,442,100	4,581,079	4,649,548	4,519,556	4,197,329
Provision for depreciation	1,032,505	1,023,166	1,062,501	1,063,537	1,028,176
Amortization of acquisition adjustment	-	-	-	(18,238)	(24,318)
Transfer out	681,685	680,751	657,640	618,891	607,281
Interest and other expense	41,270	47,432	53,217	58,368	63,532
	<u>\$ 38,046,969</u>	<u>\$ 38,242,914</u>	<u>\$ 34,528,955</u>	<u>\$ 39,115,163</u>	<u>\$ 34,921,853</u>
Net Income (Loss)	<u>\$ 302,741</u>	<u>\$ 225,300</u>	<u>\$ 522,594</u>	<u>\$ 661,396</u>	<u>\$ 750,477</u>
Financial					
Plant in service (at original cost)	<u>\$ 37,117,881</u>	<u>\$ 36,905,239</u>	<u>\$ 35,776,218</u>	<u>\$ 35,001,139</u>	<u>\$ 34,202,078</u>
Bonds outstanding	<u>\$ 660,000</u>	<u>\$ 810,000</u>	<u>\$ 950,000</u>	<u>\$ 1,085,000</u>	<u>\$ 1,215,000</u>
Power in use - KWH					
Residential	185,448,737	204,843,626	198,522,575	195,034,851	208,264,802
Commercial	30,009,457	30,525,805	31,258,054	31,002,434	32,714,752
Industrial	205,666,605	205,091,212	204,983,674	210,093,591	232,536,238
Other Customers	9,472,226	9,661,316	9,768,418	9,844,953	9,960,441
Total	<u>430,597,025</u>	<u>450,121,959</u>	<u>444,532,721</u>	<u>445,975,829</u>	<u>483,476,233</u>
Number of customers					
Residential	12,489	12,507	12,596	12,612	12,687
Small commercial	2,707	2,781	2,740	2,756	2,764
Large commercial	208	211	196	194	204
Street and athletic	67	68	66	67	65
Outdoor lighting - Code 78	126	137	75	79	79
	<u>15,597</u>	<u>15,704</u>	<u>15,673</u>	<u>15,708</u>	<u>15,799</u>
Line Loss	<u>4.59%</u>	<u>4.19%</u>	<u>3.61%</u>	<u>4.80%</u>	<u>3.97%</u>

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INTERNAL CONTROL AND COMPLIANCE SECTION



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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 year ended June 30, 2012, and have issued our report thereon dated September 21, 2012. 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 changes in its financial position or where applicable, its cash flows for the year then ended 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

Management of the System is responsible for establishing and maintaining internal controls 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.

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 21, 2012

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
Schedule of Findings and Recommendations
June 30, 2012 and 2011

Financial Statement Findings

None reported for 2012 or 2011