

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED
JUNE 30, 2014 AND 2013

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
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INTRODUCTORY SECTION

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
DIRECTORY
June 30, 2014**

BOARD MEMBERS

John A. Mann, Chairman
Dr. Jerry F. Atkins., Secretary
Robert E. Rutledge, Treasurer
Martha M. Hurley
Paul W. Moore

MANAGEMENT TEAM

Danny Brawner, General Manager
Ryan Drewry, Office Manager
Mike Bailey, 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

Members of:

American Institute of Certified Public Accountants
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Tennessee Society of Certified Public Accountants
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Certified Public Accountants
Offices in Tennessee & Kentucky

227 Oil Well Rd.
Jackson, TN 38305

Phone 731.427.8571
Fax 731.424.5701
www.atacpa.net

Independent Auditor's Report

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

Report on the Financial Statements

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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carroll County Board of Public Utilities, of Carroll County, Tennessee, as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Carroll County Board of Public Utilities enterprise fund and do not purport to, and do not, present fairly the financial position of Carroll County, Tennessee, as of June 30, 2014 and 2013, the changes in its financial position or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other post employment benefits on pages 5-10 and 27 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The introductory section and supplementary and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary and other information section as listed in the Table of Contents, except that which is marked unaudited is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information section as listed in the Table of Contents, except that which has been marked unaudited, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the information marked unaudited in the supplementary and other information section 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering System's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
October 6, 2014

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, 2014. 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 \$33.9 million and exceeded total liabilities in the amount of \$27.5 million (i.e. net position). Total assets increased by \$346 thousand due primarily to increase in prepaid TVA power cost.
- Net position and unrestricted net position increased \$673 thousand and \$691 thousand, respectively, during the current year due to an operating profit.
- During fiscal year 2014, the System delivered 436.41 million kWh compared to 432.90 million kWh during the fiscal year 2013.
- Operating revenues were \$39.3 million, an increase from year 2013 in the amount of \$718 thousand or 1.86%.
- Operating expenses were \$38.3 million, an increase from year 2013 in the amount of \$259 thousand or 0.68%.
- The operating income for the year was \$1.1 million as compared to a \$619 thousand operating income during the 2013 fiscal year.
- Ratios of operating income to total operating revenue were 2.81, 1.60, and 1.98, for 2014, 2013, and 2012, 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 and other 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 Financial Statements and Supplementary Information is made up of four sections: 1) the introductory section, 2) the financial section, 3) the supplementary and other 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, the financial statements with accompanying notes, and the required supplementary information. The supplementary and other 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Position* presents the financial position of the System on a full accrual historical cost basis. The statement includes all of the System's assets, liabilities and deferred inflows/outflows of resources with the difference reported as net position. 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 Position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. 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 Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the System's activities in a way that will help answer this question. These two statements report the net position of the System, and the changes in the net position. Net position is one way to measure the financial health or financial position of the System. Over time, increases or decreases in the System's net position 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 position increased by \$673 thousand and \$259 thousand for the fiscal years ended June 30, 2014 and 2013, respectively. The analysis below focuses on the System's net position (Table 1) and changes in net position (Table 2) during the years.

The increase in current and other assets in 2014 was due primarily to an increase in balance in TVA prepayment account.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1A
CONDENSED STATEMENT OF NET POSITION

	June 30, 2014	June 30, 2013	Increase (Decrease)	
			\$	%
Current and other assets	\$ 13,332,764	\$ 12,794,914	\$ 537,850	4.20%
Capital assets	20,528,234	20,720,542	(192,308)	-0.93%
Total assets	<u>33,860,998</u>	<u>33,515,456</u>	<u>345,542</u>	1.03%
Long-term liabilities	1,270,473	1,399,805	(129,332)	-9.24%
Other liabilities	5,124,548	5,322,516	(197,968)	-3.72%
Total liabilities	<u>6,395,021</u>	<u>6,722,321</u>	<u>(327,300)</u>	-4.87%
Net investment in capital assets	20,189,612	20,224,651	(35,039)	-0.17%
Restricted	426,988	410,275	16,713	4.07%
Unrestricted	6,849,377	6,158,209	691,168	11.22%
Total net position	<u>\$ 27,465,977</u>	<u>\$ 26,793,135</u>	<u>\$ 672,842</u>	2.51%

Table 1B
CONDENSED STATEMENT OF NET POSITION

	June 30, 2013	June 30, 2012	Increase (Decrease)	
			\$	%
Current and other assets	\$ 12,794,914	\$ 13,284,571	\$ (489,657)	-3.69%
Capital assets	20,720,542	20,088,435	632,107	3.15%
Total assets	<u>33,515,456</u>	<u>33,373,006</u>	<u>142,450</u>	0.43%
Long-term liabilities	1,399,805	541,777	858,028	158.37%
Other liabilities	5,322,516	6,296,696	(974,180)	-15.47%
Total liabilities	<u>6,722,321</u>	<u>6,838,473</u>	<u>(116,152)</u>	-1.70%
Net investment in capital assets	20,224,651	19,440,136	784,515	4.04%
Restricted	410,275	395,858	14,417	3.64%
Unrestricted	6,158,209	6,698,539	(540,330)	-8.07%
Total net position	<u>\$ 26,793,135</u>	<u>\$ 26,534,533</u>	<u>\$ 258,602</u>	0.97%

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

	June 30, 2014	June 30, 2013	Increase (Decrease)	
			\$	%
Operating revenues	\$ 39,336,935	\$ 38,618,972	\$ 717,963	1.86%
Non-operating revenues	42,087	46,629	(4,542)	-9.74%
Total revenues	39,379,022	38,665,601	713,421	1.85%
Cost of sales and service	32,079,673	31,903,637	176,036	0.55%
Operations expense	2,347,095	2,210,013	137,082	6.20%
Maintenance expense	1,087,550	1,193,070	(105,520)	-8.84%
General and administrative expense	1,342,566	1,281,349	61,217	4.78%
Depreciation expense	1,076,323	1,043,574	32,749	3.14%
Transfer out - tax equivalent	419,497	372,231	47,266	12.70%
Other taxes	326,079	368,608	(42,529)	-11.54%
Interest and amortization	27,397	34,517	(7,120)	-20.63%
Total expenses	38,706,180	38,406,999	299,181	0.78%
Change in net position	672,842	258,602	414,240	160.18%
Beginning net position	26,793,135	26,534,533	258,602	0.97%
Ending net position	\$ 27,465,977	\$ 26,793,135	\$ 672,842	2.51%

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

	June 30, 2013	June 30, 2012	Increase (Decrease)	
			\$	%
Operating revenues	\$ 38,618,972	\$ 38,282,176	\$ 336,796	0.88%
Non-operating revenues	46,629	67,534	(20,905)	-30.95%
Total revenues	38,665,601	38,349,710	315,891	0.82%
Cost of sales and service	31,903,637	31,849,409	54,228	0.17%
Operations expense	2,210,013	2,149,281	60,732	2.83%
Maintenance expense	1,193,070	1,167,114	25,956	2.22%
General and administrative expense	1,281,349	1,125,705	155,644	13.83%
Depreciation expense	1,043,574	1,032,505	11,069	1.07%
Transfer out - tax equivalent	372,231	482,324	(110,093)	-22.83%
Other taxes	368,608	199,361	169,247	84.89%
Interest and amortization	34,517	41,270	(6,753)	-16.36%
Total expenses	38,406,999	38,046,969	360,030	0.95%
Change in net position	258,602	302,741	(44,139)	-14.58%
Beginning net position	26,534,533	26,231,792	302,741	1.15%
Ending net position	\$ 26,793,135	\$ 26,534,533	\$ 258,602	0.97%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating revenues showed a 0.88% increase from 2012 to 2013 and a 1.86% increase from 2013 to 2014. The increase in operating revenues in 2014 was mainly due to an increase in electric rate during the year as well as to an increase in demand. Non-operating revenues decreased 30.95% from 2012 to 2013 and decreased 9.74% from 2013 to 2014 as the result of decreasing interest rates on certificates of deposits and savings accounts. Expenses increased 1.73% for the three year period as a result of fluctuation in cost of sales and service due to rate changes by TVA. Ending net position showed an increase of 3.51% over the 3 year period due to the above mentioned facts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the system had \$20.53 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 \$193 thousand or (0.93%) 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, 2014 and 2013. These changes are presented in detail in Note 3D to the financial statements.

Table 3A

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2014	June 30, 2013	Increase (Decrease)	
			Amount	Percent
Transmission plant	\$ 679,476	\$ 730,309	\$ (50,833)	-6.96%
Distribution plant	18,220,481	17,498,296	722,185	4.13%
General plant	1,584,305	1,746,239	(161,934)	-9.27%
Construction in progress	43,972	745,698	(701,726)	-94.10%
Total capital assets (net)	<u>\$ 20,528,234</u>	<u>\$ 20,720,542</u>	<u>\$ (192,308)</u>	-0.93%

Table 3B

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2013	June 30, 2012	Increase (Decrease)	
			Amount	Percent
Transmission plant	\$ 730,309	\$ 778,719	\$ (48,410)	-6.22%
Distribution plant	17,498,296	17,532,390	(34,094)	-0.19%
General plant	1,746,239	1,670,517	75,722	4.53%
Construction in progress	745,698	106,809	638,889	598.16%
Total capital assets (net)	<u>\$ 20,720,542</u>	<u>\$ 20,088,435</u>	<u>\$ 632,107</u>	3.15%

During 2014, the System completed the construction of the substation in Clarksburg. The amount for the construction of the substation was then removed from construction in progress and was capitalized as distribution plant, which resulted in a significant change in both construction in progress and distribution plant amounts. The System plans on using existing financial resources to keep upgrading existing systems and adding new systems where it sees fit.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt Administration

The System has outstanding Revenue Bonds of \$345 thousand as of June 30, 2014. Principal payments are due in the upcoming fiscal year in the amount of \$170 thousand with interest payments totaling approximately \$16 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 2014 economic conditions in the service territory still did not show signs of improvement. The System's total customer base continued to decrease. The residential class declined for the seventh consecutive year, but a small increase did occur in the small commercial customer class.

Currently, the system's management does not anticipate any rate changes for fiscal year 2015.

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 POSITION
June 30, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash on hand	\$ 3,650	\$ 3,650
Cash and cash equivalents - general	2,793,308	2,802,884
Accounts receivable - trade (net of allowance for uncollectibles)	3,176,795	3,104,552
Accounts receivable - other	169,298	239,372
Materials and supplies	520,716	516,352
Prepayments and other current assets	725,083	327,409
Total current assets	7,388,850	6,994,219
Noncurrent assets		
Restricted cash, cash equivalents, and investments:		
Cash and cash equivalents	171,311	156,884
Investments	258,408	257,376
Total restricted assets	429,719	414,260
Investments	5,510,508	5,380,737
Other assets		
Unamortized debt expense	3,687	5,698
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	43,972	745,698
Total capital assets, not being depreciated	328,042	1,029,768
Capital assets, net of accumulated depreciation		
Transmission plant	613,657	664,490
Distribution plant	18,121,150	17,398,965
General plant	1,465,385	1,627,319
Total capital assets (net of accumulated depreciation)	20,528,234	20,720,542
Total noncurrent assets	26,472,148	26,521,237
Total assets	\$ 33,860,998	\$ 33,515,456

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

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
STATEMENTS OF NET POSITION
June 30, 2014 and 2013

	2014	2013
Liabilities		
Current liabilities		
Accounts payable	\$ 3,070,549	\$ 3,177,802
Other accrued expense	785,622	811,624
Customer deposits	824,985	908,203
Compensated absences - current portion	267,661	260,902
Total current liabilities	4,948,817	5,158,531
Current liabilities payable from restricted assets:		
Accrued interest	2,731	3,985
Current maturities of long-term debt	170,000	160,000
Total current liabilities payable from restricted assets	172,731	163,985
Noncurrent liabilities		
Bonds payable (less current maturities)	168,622	335,891
Compensated absences - noncurrent portion	1,006,917	981,490
Other post employment benefits obligation	97,934	82,424
Total noncurrent liabilities	1,273,473	1,399,805
Total liabilities	6,395,021	6,722,321
Net Position		
Net investment in capital assets	20,195,990	20,233,760
Restricted for debt service	426,988	410,275
Unrestricted	6,842,999	6,149,100
Total net position	\$ 27,465,977	\$ 26,793,135

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 POSITION
For the Years Ended June 30, 2014 and 2013

	2014	2013
Operating revenues		
Charges for sales and services	\$ 38,554,696	\$ 37,815,704
Other electric revenue	782,239	803,268
Total operating revenues	39,336,935	38,618,972
Operating expenses		
Cost of sales and services	32,079,673	31,903,637
Operations expense	2,347,095	2,210,013
Maintenance expense	1,087,550	1,193,070
Administrative expense	1,342,566	1,281,349
Provision for depreciation	1,076,323	1,043,574
Payment in lieu of taxes and other taxes	326,079	368,608
Total operating expenses	38,259,286	38,000,251
Operating income (loss)	1,077,649	618,721
Nonoperating revenues (expenses)		
Interest income	42,087	46,629
Interest expense	(22,654)	(29,914)
Amortization of debt expense and bond discount	(4,743)	(4,603)
Total nonoperating revenues (expenses)	14,690	12,112
Income before transfers	1,092,339	630,833
Transfers		
Transfer out - tax equivalents	(419,497)	(372,231)
Change in net position	672,842	258,602
Total net position - beginning	26,793,135	26,534,533
Total net position - ending	\$ 27,465,977	\$ 26,793,135

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, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Receipts from customers and users	39,334,766	38,672,688
Payments to employees	(2,980,029)	(2,926,533)
Payments to suppliers	(34,690,531)	(34,210,944)
Customer deposits received	310,925	305,125
Customer deposits refunded	(394,143)	(323,945)
Net cash provided (used) by operating activities	1,580,988	1,516,391
Cash flows from capital and related financing activities		
Construction and acquisition of plant	(865,592)	(1,706,243)
Plant removal cost	(117,721)	(108,406)
Materials salvaged from retirements	99,297	138,968
Principal paid on bonds	(160,000)	(155,000)
Interest paid on bonds	(23,908)	(31,115)
Net cash provided (used) by capital and related financing activities	(1,067,924)	(1,861,796)
Cash flows from non-capital financing activities		
Amounts paid to others - tax equivalents	(419,497)	(372,231)
Net cash provided (used) by non-capital and related financing activities	(419,497)	(372,231)
Cash flows from investing activities		
Purchase of investment	(14,358,806)	(16,544,897)
Proceeds from sale of investments	14,228,003	17,227,428
Interest earned	42,087	46,629
Net cash provided (used) by investing activities	(88,716)	729,160
Net increase (decrease) in cash and cash equivalents	4,851	11,524
Cash and cash equivalents - beginning of year	2,963,418	2,951,894
Cash and cash equivalents - end of year	2,968,269	2,963,418
Unrestricted cash on hand	3,650	3,650
Unrestricted cash and cash equivalents on deposit	2,793,308	2,802,884
Restricted cash and cash equivalents on deposit	171,311	156,884
Total cash and cash equivalents	2,968,269	2,963,418

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, 2014 and 2013

	2014	2013
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 1,077,649	\$ 618,721
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	1,076,323	1,043,574
(Increase) decrease in accounts receivable and accounts receivable other	(2,169)	65,316
(Increase) decrease in materials and supplies	(4,364)	(8,374)
(Increase) decrease in prepayments and other current assets	(397,674)	(240,303)
Increase (decrease) in customer deposits	(83,218)	(18,820)
Increase (decrease) in accounts payable and accrued expenses	(85,559)	56,277
Net cash provided (used) by operating activities	\$ 1,580,988	\$ 1,516,391

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

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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 accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The System's financial statements are reported using the economic resources measurement focus and 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 accounting principles generally accepted in the United States of America as defined by the *Governmental Accounting Standards Board (GASB)*.

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, Deferred Outflows/ Inflows of Resources and Net Position

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, 2014 and 2013

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 statement of net position 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 are 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 and sick leave have been accrued and are reflected as current liabilities and long-term liabilities 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 other assets and amortized over the term of the related debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The System presently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The System presently has no items that qualify for reporting in this category.

Net Position

Equity is classified as net position and displayed in the following three components:

- Net Investment in Capital Assets – 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 assets for which constraints are placed thereon by lenders less any related liabilities.
- Unrestricted – All other net position that does not meet the description of the above categories.

Impact of Recently Issued Accounting Pronouncements

In March of 2012, the GASB issued statement no. 65 – *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for financial periods beginning after December 15, 2012. The Utility will continue to report bond issuance costs as an asset and amortize those over the life of the bonds instead of expensing those costs in the current year in accordance with certain provisions included in GASB 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This regulatory option as part of GASB 65 is available due to the above mentioned cost being used for rate setting by the System.

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflow/inflow of resources, the disclosure of contingent amounts and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014 and 2013

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, 2014 and 2013.

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, and the state pooled investment fund. 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, 2014 and 2013, 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,	
	2014	2013
Billed services for utility customers	\$ 3,201,795	\$ 3,129,552
Other receivables for utility service	169,298	239,372
Allowance for doubtful accounts	(25,000)	(25,000)
Total	\$ 3,346,093	\$ 3,343,924

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.

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

	June 30,	
	2014	2013
The restricted assets consist of the following:		
2001 Electric Plant Revenue Bond Fund		
Interest and sinking fund	\$ 171,311	\$ 156,884
The total funds are represented by:		
Certificates of deposit and savings accounts	\$ 258,408	\$ 257,376

D. Capital Assets

Capital asset activity during the years was as follows:

Description	Balance at June 30, 2013	Additions	Disposals	Balance at June 30, 2014
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	745,698	-	701,726	43,972
Total capital assets not being depreciated	1,029,768	-	701,726	328,042
Capital assets, being depreciated				
Transmission plant	1,440,220	-	-	1,440,220
Distribution plant	33,053,121	1,666,694	345,284	34,374,531
General plant	3,039,695	37,941	49,684	3,027,952
Total capital assets being depreciated	37,533,036	1,704,635	394,968	38,842,703
Less accumulated depreciation for:				
Transmission plant	775,730	50,833	-	826,563
Distribution plant	15,654,156	965,565	366,340	16,253,381
General plant	1,412,376	197,241	47,050	1,562,567
Total accumulated depreciation	17,842,262	1,213,639	413,390	18,642,511
Total capital assets, being depreciated, net	19,690,774	490,996	(18,422)	20,200,192
Total capital assets, net	\$ 20,720,542	\$ 490,996	\$ 683,304	\$ 20,528,234

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

Description	Balance at June 30, 2012	Additions	Disposals	Balance at June 30, 2013
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	638,889	-	745,698
Total capital assets not being depreciated	<u>390,879</u>	<u>638,889</u>	<u>-</u>	<u>1,029,768</u>
Capital assets, being depreciated				
Transmission plant	1,438,315	2,190	285	1,440,220
Distribution plant	32,441,095	917,580	305,554	33,053,121
General plant	2,847,592	275,309	83,206	3,039,695
Total capital assets being depreciated	<u>36,727,002</u>	<u>1,195,079</u>	<u>389,045</u>	<u>37,533,036</u>
Less accumulated depreciation for:				
Transmission plant	725,415	50,803	488	775,730
Distribution plant	15,008,036	940,826	294,706	15,654,156
General plant	1,295,995	179,670	63,289	1,412,376
Total accumulated depreciation	<u>17,029,446</u>	<u>1,171,299</u>	<u>358,483</u>	<u>17,842,262</u>
Total capital assets, being depreciated, net	<u>19,697,556</u>	<u>23,780</u>	<u>30,562</u>	<u>19,690,774</u>
Total capital assets, net	<u>\$ 20,088,435</u>	<u>\$ 662,669</u>	<u>\$ 30,562</u>	<u>\$ 20,720,542</u>

Depreciation expense charged to operations amounted to \$1,076,323 for the fiscal year ended June 30, 2014 and \$1,043,574 for the fiscal year ended June 30, 2013.

E. Long-term Debt

Long-term debt is made up of the following:

	June 30,	
	2014	2013
Revenue Bonds:		
Electric Plant Revenue Bonds, Series 2001, interest at 3.2% to 4.75% due serially through 2016	\$ 345,000	\$ 505,000
Total current portion of Revenue Bonds	<u>\$ 170,000</u>	<u>\$ 160,000</u>
Total long-term portion of Revenue Bonds	<u>\$ 175,000</u>	<u>\$ 345,000</u>

During 2001, Carroll County issued \$2,000,000 Electric System Revenue Bonds, Series 2001, for the purpose of financing the construction and equipping of extensions and improvements to the

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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 years ended June 30, 2014 and 2013:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Due Within one year
Revenue bonds payable	\$ 505,000	\$ -	\$ 160,000	\$ 345,000	\$ 170,000
Discount	(9,109)	-	(2,731)	(6,378)	-
Total bonds payable	495,891	-	157,269	338,622	170,000

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within one year
Revenue bonds payable	\$ 660,000	\$ -	\$ 155,000	\$ 505,000	\$ 160,000
Discount	(11,701)	-	(2,592)	(9,109)	-
Total bonds payable	648,299	-	152,408	495,891	160,000

The scheduled annual requirements for long-term debt at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 170,000	\$ 16,387	\$ 186,387
2016	175,000	8,313	183,313
	\$ 345,000	\$ 24,700	\$ 369,700

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.

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

F. Net Position

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

	June 30,	
	2014	2013
Net investment in capital assets:		
Net property, plant, and equipment in services	\$ 20,528,234	\$ 20,720,542
Unamortized discount	6,378	9,109
Less: Debt as disclosed in Note 3	(345,000)	(505,000)
	\$ 20,189,612	\$ 20,224,651
Restricted for debt service:		
Restricted cash and cash equivalents	\$ 171,311	\$ 156,884
Restricted investments	258,408	257,376
Less: Accrued interest payable from restricted position	(2,731)	(3,985)
	426,988	410,275
Unrestricted	6,849,377	6,158,209
Total net position	\$ 27,465,977	\$ 26,793,135

G. Leases

Operating Leases

The Utility leases one of its copy machines. This lease has been classified as an operating lease for reporting purposes. The initial lease agreement began in January 2011 and will expire in January 2016 with a monthly payment of \$230.

Lease expense for the years ended June 30, 2014 and 2013 was \$2,760 and \$2,760, respectively

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

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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, 2014 and 2013, total employer contributions were \$299,221 and \$229,143 based on total covered wages of \$2,493,512 and \$2,411,234, 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.

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, 2014, 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.

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

Components of Net OPEB Obligation

	<u>2014</u>	<u>2013</u>
Annual Required Contribution	\$ 22,497	\$ 22,497
Interest on Net OPEB Obligation	3,709	2,708
Adjustment to Annual Required Contribution	<u>(4,380)</u>	<u>(2,960)</u>
Annual OPEB Cost (Expense)	21,826	22,245
Contributions and Subsidy	<u>(6,316)</u>	<u>-</u>
Increase in Net Obligation	15,510	22,245
Net OPEB Obligation (BOY)	<u>82,424</u>	<u>60,179</u>
Net OPEB (Asset) Obligation (EOY)	<u>\$ 97,934</u>	<u>\$ 82,424</u>

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

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ <u>23,526</u>	122.40%	\$ <u>(5,273)</u>
June 30, 2010	\$ <u>22,078</u>	8.20%	\$ <u>14,998</u>
June 30, 2011	\$ <u>22,851</u>	0.00%	\$ <u>37,849</u>
June 30, 2012	\$ <u>21,826</u>	0.00%	\$ <u>60,179</u>
June 30, 2013	\$ <u>22,245</u>	0.00%	\$ <u>82,424</u>
June 30, 2014	\$ <u>21,826</u>	28.90%	\$ <u>97,934</u>

Funded Status and Funding Progress - As of July 1, 2013, 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 \$2,763,269 and the ratio of the UAAL to the covered payroll was 7.91%.

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

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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, 2013 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, 2013 was 25 years.

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
 June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2013	\$ -	\$ 218,430	\$ (218,430)	0.00%	\$ 2,763,269	7.91%
7/1/2012	-	218,430	\$ (218,430)	0.00%	2,542,725	8.59%
7/1/2011	-	218,430	\$ (218,430)	0.00%	2,409,347	9.07%

The above information is for the year ended June 30, 2013 It is the most current information available.

The information above is presented for all years that information is available.

See independent auditor's report

SUPPLEMENTARY AND OTHER INFORMATION SECTION

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
SCHEDULES OF OPERATING REVENUES AND EXPENSES
For the Years Ended June 30, 2014 and 2013

	2014		2013	
	Actual	Percent	Actual	Percent
Operating revenues:				
Charges for sales and services:				
Residential sales	\$ 19,188,404	48.78	\$ 18,321,103	47.44
Small lighting and power sales	3,995,007	10.16	3,537,283	9.16
Large lighting and power sales	14,633,938	37.20	15,083,156	39.06
General power credit	(214,582)	(0.55)	(35,532)	(0.09)
Street and athletic lighting sales	370,714	0.94	372,610	0.96
Outdoor lighting	658,602	1.67	617,594	1.60
Uncollectible accounts	(77,387)	(0.20)	(80,510)	(0.21)
Total charges for sales and services	38,554,696	98.01	37,815,704	97.92
Other revenues				
Forfeited discounts	249,112	0.63	245,393	0.64
Miscellaneous service revenue	114,995	0.29	135,060	0.35
Rent from electric property	357,662	0.91	331,241	0.86
Other electric revenue	60,470	0.15	91,574	0.24
Total other revenues	782,239	1.99	803,268	2.08
Total operating revenues	\$ 39,336,935	100.00	\$ 38,618,972	100.00
Operating expenses:				
Cost of sales and services:				
Purchased power	\$ 32,079,673	81.55	\$ 31,903,637	82.61
Operations expenses:				
Distribution expenses:				
Supervision and engineering	175,163	0.45	173,174	0.45
Station expense	29,140	0.07	22,777	0.06
Overhead line expense	864,343	2.20	854,706	2.21
Underground line expense	3,289	0.01	3,466	0.01
Street lighting and signal system	4,299	0.01	4,703	0.01
Meter expense	93,386	0.24	84,505	0.22
Consumer installations	13,361	0.03	13,866	0.04
Rent expense	33,189	0.08	32,967	0.09
Miscellaneous expense	101,594	0.26	94,205	0.24
Total distribution expenses	1,317,764	3.35	1,284,369	3.33
Customer accounts expenses:				
Supervision	82,566	0.21	88,004	0.23
Meter reading	205,662	0.52	187,033	0.48
Consumer records and collection expense	716,459	1.82	625,963	1.62
Total customer accounts expenses	1,004,687	2.55	901,000	2.33

See independent auditor's report

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
SCHEDULES OF OPERATING REVENUES AND EXPENSES
For the Years Ended June 30, 2014 and 2013

	2014		2013	
	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	24,644	0.06	24,644	0.06
Total operations expenses	2,347,095	5.97	2,210,013	5.72
Administrative expenses:				
Salaries	197,175	0.50	192,683	0.50
Office supplies and expense	28,863	0.07	28,946	0.07
Outside services	28,639	0.07	25,893	0.07
Property insurance	44,300	0.11	43,398	0.11
Injuries and damages	148,528	0.38	133,860	0.35
Duplicate charges	(16,137)	(0.04)	(14,890)	(0.04)
Employee benefits	863,583	2.20	758,073	1.96
Miscellaneous	47,615	0.12	113,386	0.29
Total administrative expenses	1,342,566	3.41	1,281,349	3.32
Maintenance expenses:				
Distribution expenses:				
Supervision and engineering	66,822	0.17	66,301	0.17
Station equipment	42,168	0.11	48,915	0.13
Overhead and underground lines	844,551	2.15	933,109	2.42
Line transformers	54,094	0.14	57,811	0.15
Street lighting and signal system	12,910	0.03	22,573	0.06
Meters	6,665	0.02	5,499	0.01
Miscellaneous	12,027	0.03	13,168	0.03
Security lights	23,911	0.06	17,743	0.05
Total distribution expenses	1,063,148	2.70	1,165,119	3.02
General plant and equipment	24,402	0.06	27,951	0.07
Total maintenance expenses	1,087,550	2.76	1,193,070	3.09
Depreciation and amortization	1,076,323	2.74	1,043,574	2.70
Other taxes	326,079	0.83	368,608	0.95
Total operating expenses	\$ 38,259,286	97.26	\$ 38,000,251	98.40

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CARROLL COUNTY BOARD OF PUBLIC UTILITIES
SCHEDULE OF LONG-TERM DEBT
 June 30, 2014

<u>Series 2001</u>		
<u>Electric System Revenue</u>		
<u>Bonds Dated May 1, 2001</u>		
	<u>Principal</u>	<u>Interest</u>
2015	\$ 170,000	\$ 16,387
2016	175,000	8,313
	<u>\$ 345,000</u>	<u>\$ 24,700</u>

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**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 June 30, 2014**

	<u>Grant Number</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
FEDERAL AWARDS			
United States Department of Homeland Security			
Federal Emergency Management Agency:			
Passed through the State of Tennessee, Department of Military			
Tennessee Emergency Management Agency:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4171-DR-TN	97.036	<u>28,265</u>
Total Federal Awards			<u>\$ 28,265</u>

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CARROLL COUNTY BOARD OF PUBLIC UTILITIES
ELECTRIC RATES IN FORCE
 June 30, 2014

Residential Rate Schedule	
Customer charge - per delivery point per month	\$ 20.40
Energy charge - cents per kWh - all kWh	\$ 0.09077
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	\$ 0.10170
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	\$ 12.59
Energy charge - cents per kWh	
First 15,000 kWh per month	\$ 0.10170
Additional kWh per month	\$ 0.06431
GSA3 (1000 - 5000 kW demand)	
Customer charge - per delivery point per month	\$ 300.00
Demand charges - per kW per month	
First 1000 kW	\$ 11.53
Excess over 1000 kW	\$ 11.34
Energy charge - cents per kWh	\$ 0.06697
Lighting (LS)	
Energy charge - cents per kWh	
All kWh - per kWh per month	\$ 0.07068
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	\$ 22.16
Energy charge - cents per kWh	
All kWh - per kWh per month	\$ 0.05293
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	\$ 21.65
Energy charge - cents per kWh	
All kWh - per kWh per month	\$ 0.05306
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	\$ 19.19
Energy charge - cents per kWh	
All kWh - per kWh per month	\$ 0.04506
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	\$ 18.68
Energy charge - cents per kWh	
All kWh - per kWh per month	\$ 0.04475

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

	FOR THE FISCAL YEARS ENDED JUNE 30,					
	2014	2013	2012	2011	2010	2009
Revenue						
Residential	\$ 18,973,822	\$ 18,285,571	\$ 17,904,274	\$ 18,306,801	\$ 16,692,188	\$ 18,282,466
Commercial	3,995,007	3,537,283	3,574,950	3,589,616	3,289,097	3,503,573
Industrial	14,633,938	15,083,156	15,177,675	14,768,038	13,413,196	16,098,497
Street and outdoor lighting	1,029,316	990,204	992,266	1,000,738	911,361	1,012,799
Other operating	704,852	722,758	633,011	708,074	621,814	684,579
Interest and other revenue	42,087	46,629	67,534	94,947	123,893	194,645
	<u>\$ 39,379,022</u>	<u>\$ 38,665,601</u>	<u>\$ 38,349,710</u>	<u>\$ 38,468,214</u>	<u>\$ 35,051,549</u>	<u>\$ 39,776,559</u>
Expense						
Electric power costs	\$ 32,079,673	\$ 31,903,637	\$ 31,849,409	\$ 31,910,486	\$ 28,106,049	\$ 32,873,049
Other operating expenses	4,777,211	4,684,432	4,442,100	4,581,079	4,649,548	4,519,556
Provision for depreciation	1,076,323	1,043,574	1,032,505	1,023,166	1,062,501	1,063,537
Amortization of acquisition adjustment	-	-	-	-	-	(18,238)
Tax equivalents (including county portion)	745,576	740,839	681,685	680,751	657,640	618,891
Interest and other expense	27,397	34,517	41,270	47,432	53,217	58,368
	<u>\$ 38,706,180</u>	<u>\$ 38,406,999</u>	<u>\$ 38,046,969</u>	<u>\$ 38,242,914</u>	<u>\$ 34,528,955</u>	<u>\$ 39,115,163</u>
Net Income (Loss)	<u>\$ 672,842</u>	<u>\$ 258,602</u>	<u>\$ 302,741</u>	<u>\$ 225,300</u>	<u>\$ 522,594</u>	<u>\$ 661,396</u>
Financial						
Plant in service (at original cost)	<u>\$ 39,170,745</u>	<u>\$ 38,562,804</u>	<u>\$ 37,117,881</u>	<u>\$ 36,905,239</u>	<u>\$ 35,776,218</u>	<u>\$ 35,001,139</u>
Bonds outstanding	<u>\$ 338,622</u>	<u>\$ 505,000</u>	<u>\$ 660,000</u>	<u>\$ 810,000</u>	<u>\$ 950,000</u>	<u>\$ 1,085,000</u>
Power in use - KWH						
Residential	194,260,269	190,109,225	185,448,737	204,843,626	198,522,575	195,034,851
Commercial	32,984,133	29,568,168	30,009,457	30,525,805	31,258,054	31,002,434
Industrial	199,939,848	203,890,442	205,666,605	205,091,212	204,983,674	210,093,591
Other Customers	9,221,259	9,332,209	9,472,226	9,661,316	9,768,418	9,844,953
Total	<u>436,405,509</u>	<u>432,900,044</u>	<u>430,597,025</u>	<u>450,121,959</u>	<u>444,532,721</u>	<u>445,975,829</u>
Number of customers						
Residential	12,141	12,264	12,489	12,507	12,596	12,612
Small commercial	2,929	2,842	2,707	2,781	2,740	2,756
Large commercial	205	213	208	211	196	194
Street and athletic	83	67	67	68	66	67
Outdoor lighting - Code 78	130	125	126	137	75	79
	<u>15,488</u>	<u>15,511</u>	<u>15,597</u>	<u>15,704</u>	<u>15,673</u>	<u>15,708</u>
Line Loss	<u>3.99%</u>	<u>4.15%</u>	<u>4.59%</u>	<u>4.19%</u>	<u>3.61%</u>	<u>4.80%</u>

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INTERNAL CONTROL AND COMPLIANCE SECTION

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Certified Public Accountants
Offices in Tennessee & Kentucky

227 Oil Well Rd.
Jackson, TN 38305

Phone 731.427.8571
Fax 731.424.5701
www.atacpa.net

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Carroll County Board of Public Utilities (the System), an enterprise fund of Carroll County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated October 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

In addition, we noted other matters involving the internal control and its operation that we reported to management of the System in a separate letter dated October 6, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alvanda Thompson Arnold LLC

Jackson, Tennessee
October 6, 2014

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
Schedule of Findings and Recommendations
June 30, 2014 and 2013

Financial Statement Findings

There are no current year findings reported.

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
Schedule of Prior Year Findings and Recommendations
For the Fiscal Years Ended June 30, 2014 and 2013

Financial Statement Findings

There were no prior findings reported.