

**CARROLL COUNTY WATERSHED AUTHORITY**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2014**

**CARROLL COUNTY WATERSHED AUTHORITY  
TABLE OF CONTENTS**

Page

**Introductory Section**

Directory

**Financial Section**

Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3

Basic Financial Statements:

Statements of Net Position and Governmental Fund Balance Sheet .....	7
Statements of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance.....	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual....	10
Notes to Financial Statements .....	12

**Supplementary Information**

Schedule of Principal and Interest Requirements General Obligation Debt – Authority .....	18
Schedule of State Financial Assistance.....	19

**Internal Control and Compliance Section**

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 <i>Government Auditing Standards</i> .....	20
Schedule of Findings and Responses .....	22
Schedule of Prior Year Findings .....	23

## **INTRODUCTORY SECTION**

**CARROLL COUNTY WATERSHED AUTHORITY**  
**DIRECTORY**  
June 30, 2014

**BOARD MEMBERS**

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

**MANAGEMENT TEAM**

Martha Taylor, Recording Secretary  
Kim Carter, Accountant

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Alexander Thompson Arnold PLLC  
Jackson, Tennessee

## **FINANCIAL SECTION**

**Members of:**

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



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](http://www.atacpa.net)

---

## Independent Auditor's Report

Board of Directors  
Carroll County Watershed Authority  
Huntingdon, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Carroll County Watershed Authority (the Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Carroll County Watershed Authority, as of June 30, 2014, and the respective changes in financial position and the

respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, the schedule of principal and interest requirements, and the schedule of state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of principal and interest requirements and the schedule of state financial assistance are the responsibility of management and were derived from and relate 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 schedule of principal and interest requirements and the schedule of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Authority's internal control over financial reporting and compliance.

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
February 13, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Carroll County Watershed Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2014. All amounts, unless otherwise indicated, are expressed in actual dollars. Comparative analyses of key elements of total governmental funds have been provided.

### FINANCIAL HIGHLIGHTS

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

- Total assets at year-end were \$16.25 million and exceeded liabilities in the amount of \$6.21 million (i.e. net position).
- Net position decreased \$347 thousand during the current year due to the Authority issuing debt to meet current and future financial needs.
- Operating revenues were \$5.37 million: an increase from year 2013 in the amount of \$4.96 million, due to receipt of \$5 million in state appropriations.
- Operating expenses were \$5.76 million, an increase from year 2013 in the amount of \$4.96 million, due to the pay off and consolidation of old debt agreements.
- The operating loss for the year was \$394 thousand as compared to a \$395 thousand loss during the 2013 fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's strategic plan, budget, bond resolutions and other management tools were used for this analysis. The Financial Statements are made up of four sections: 1) the introductory section, 2) the financial section, 3) supplementary information, and 4) the internal control and compliance section. The introductory section includes the Authority's directory. The financial section includes the MD&A, the independent auditor's report, and the financial statements with accompanying notes. The supplemental information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance.

### REQUIRED FINANCIAL STATEMENTS

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

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

The *Statements of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* presents the results of the business activities over the course of the fiscal year and

## MANAGEMENT'S DISCUSSION AND ANALYSIS

information as to how the net position and fund balances changed during the year. All changes in net position and fund balance are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Authority's operations and can be used to determine whether the Authority has successfully recovered all of its costs. This statement also measures the Authority's profitability and credit worthiness.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual* presents the results of activities over the course of the fiscal year in comparison with the original and final budget. An additional column is presented showing the differences between the final budget and the actual expenditures for the year.

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Statement of Net Position** - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$6.21 million at the close of the most recent fiscal year. A portion of the Authority's net position (\$4.53 million) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1A  
CONDENSED STATEMENT OF NET POSITION

	June 30, 2014	June 30, 2013	Increase (Decrease)	
			\$	%
Current and other assets	\$ 1,771,542	\$ 270,065	\$ 1,501,477	555.97%
Capital assets (net of accumulated depreciation)	14,479,742	14,582,547	(102,805)	-0.70%
Total assets	<u>16,251,284</u>	<u>14,852,612</u>	<u>1,398,672</u>	<u>9.42%</u>
Long-term liabilities	9,994,180	7,807,947	2,186,233	28.00%
Other liabilities	47,146	487,670	(440,524)	-90.33%
Total liabilities	<u>10,041,326</u>	<u>8,295,617</u>	<u>1,745,709</u>	<u>21.04%</u>
Net investment in capital assets	4,527,302	6,438,762	(1,911,460)	-29.69%
Unrestricted	1,682,656	118,233	1,564,423	1323.17%
<b>Total net position</b>	<u><b>\$ 6,209,958</b></u>	<u><b>\$ 6,556,995</b></u>	<u><b>\$ (347,037)</b></u>	<u><b>-5.29%</b></u>

During the year, the Authority's net position decreased by \$347 thousand. During the year the Authority issued a series 2014 bond for \$10 million dollars and received state appropriations of \$5 million. The \$15 million was used for the purpose of financing the costs of improvements to the Carroll County Watershed Lake Project by consolidating all old outstanding debt. Capital assets decreased by \$103 thousand. This decrease was due primarily to annual depreciation of the Authority's property. Long-term liabilities increased by \$2.2 million. This increase was due primarily to the issuance of the series 2014 bond.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Statement of Activities** – Expenses in the governmental activities column exceeded revenues by \$394 thousand. Revenues increased during the year due to the Authority receiving \$5 million in state appropriation funds.

Table 2A

<b>CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION</b>				
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<b>Increase (Decrease)</b>	
			<u>\$</u>	<u>%</u>
Operating revenues	\$ 5,368,107	\$ 412,528	\$ 4,955,579	1201.27%
Non-operating revenues	382	304	78	25.66%
Total revenues	<u>5,368,489</u>	<u>412,832</u>	<u>4,955,657</u>	1200.41%
Operating expenditures	5,635,568	681,791	4,953,777	726.58%
Depreciation and amortization	127,406	126,043	1,363	1.08%
Total expenses	<u>5,762,974</u>	<u>807,834</u>	<u>4,955,140</u>	613.39%
<b>Change in net position</b>	<b>(394,485)</b>	<b>(395,002)</b>	<b>517</b>	<b>0.13%</b>
Beginning net position	6,556,995	6,951,997	(395,002)	-5.68%
Prior period adjustment	47,448	-	47,448	100.00%
Fund balance/net position - beginning (restated)	<u>6,604,443</u>	<u>6,951,997</u>	<u>(347,554)</u>	-5.00%
Ending net position	<u>\$ 6,209,958</u>	<u>\$ 6,556,995</u>	<u>\$ (347,037)</u>	-5.29%

### COMMENTS ON FUND FINANCIAL STATEMENTS

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

**Governmental fund** – The focus of the Authority's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Revenues in the general fund increased from last year by approximately \$4.97 million. The most significant changes in revenues and other financing sources in the general fund were:

- The Authority received state appropriation funds of \$5 million in the 2014 year.

Expenditures in the general fund increased from last year by approximately \$12.38 million. The most significant changes in expenditures and other financing uses in the general fund were:

- The Authority's continued operations and maintenance during the 2014 fiscal year.
- Consolidation and pay off of old debt agreements.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GENERAL FUND BUDGETARY HIGHLIGHTS

#### Final Budgeted and Actual Amounts

Actual revenues were greater than the final budgeted amounts by \$6 thousand. Significant variances were:

- LPRF grant revenues were budgeted for \$50 thousand and the actual revenue was \$56 thousand.

Expenditures were less than the final budgeted amounts by \$41 thousand in the current year. Significant variances were:

- Principal payments were budgeted for \$8.35 million and the actual expenditure was \$8.17 million.
- Interest payments were budgeted for \$213 thousand and the actual expenditure was \$389 thousand.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets** - At the end of the fiscal year, the Authority had invested \$14.48 million net of accumulated depreciation in a variety of capital assets. Depreciation expense during the period was \$127 thousand.

**Long-term debt** – At the end of the current fiscal year, the Authority had long-term debt in the amount of \$10.16 million (principal).

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As daily operations and maintenance of the lake continue, the Authority continues to plan further development and construction. In the up coming year, those plans include construction of an RV park and marina for the lake. There are no foreseen developments at this time that would hold up progress of the lake or hinder daily operations.

### REQUESTS FOR INFORMATION

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

**CARROLL COUNTY WATERSHED AUTHORITY**  
**STATEMENTS OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET**  
June 30, 2014

	<u>General Fund</u>	<u>Adjustments (Note 3A)</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Cash	\$ 1,609,289	\$ -	\$ 1,609,289
Cash on hand	600	-	600
Accounts receivable	63,360	-	63,360
Due from State of Tennessee	55,624	-	55,624
Prepaid expense	929	-	929
Bond insurance cost	-	41,740	41,740
Capital assets (net of accumulated depreciation):			
Land	-	4,971,245	4,971,245
Building and Improvements	-	9,416,139	9,416,139
Infrastructure	-	74,018	74,018
Other Capital Assets	-	18,340	18,340
Total assets	<u>1,729,802</u>	<u>14,521,482</u>	<u>16,251,284</u>
<b>Liabilities</b>			
Accounts payable	35,581	-	35,581
Payroll liabilities	10,859	-	10,859
Due to state-sales tax	553	-	553
Due to state-real machine	153	-	153
Debt payable			
Due in more than one year	-	9,994,180	9,994,180
Total liabilities	<u>47,146</u>	<u>9,994,180</u>	<u>10,041,326</u>
<b>Fund Balance</b>			
Non spendable	929	(929)	-
Unassigned	1,681,727	(1,681,727)	-
Total fund balance	<u>1,682,656</u>	<u>(1,682,656)</u>	<u>-</u>
<b>Total liabilities and fund balance</b>	<b><u>\$ 1,729,802</u></b>		
<b>Net Position</b>			
Net investment in capital assets		4,527,302	4,527,302
Unrestricted		1,682,656	1,682,656
<b>Total net position</b>		<b><u>\$ 4,527,302</u></b>	<b><u>\$ 6,209,958</u></b>

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

**CARROLL COUNTY WATERSHED AUTHORITY**  
**STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**  
For the Fiscal Year Ended June 30, 2014

	<u>General Fund</u>	<u>Adjustments (Note 3B)</u>	<u>Statement of Activities</u>
<b>Revenues:</b>			
Wheel tax receipts	\$ 245,678	\$ -	\$ 245,678
State grant	5,000,000	-	5,000,000
LPRF grant	55,624	(12,648)	42,976
Licenses and permits	64,256	-	64,256
Bait/supplies	2,488	-	2,488
Concessions	9,055	-	9,055
Business Ventures	2,654	-	2,654
Future contributions/donations	1,000	-	1,000
Interest income	382	-	382
Total revenue	<u>5,381,137</u>	<u>(12,648)</u>	<u>5,368,489</u>
<b>Expenditures:</b>			
Surety bonds for officials	180	-	180
Bait/supplies	2,145	-	2,145
Construction expense	38,830	(13,600)	25,230
Outdoor furnishings	224	-	224
Office machinery and equipment	1,536	-	1,536
Environmental review	9,000	-	9,000
Dues and membership fees	8,250	-	8,250
Accounting and auditing services	5,460	-	5,460
Tennessee state planning	2,156	-	2,156
Other operating supplies	2,861	-	2,861
Salaries/wages part-time	70,859	-	70,859
OASI (employer's share)	5,421	-	5,421
Hospital and health insurance	4,969	-	4,969
Retirement	1,667	-	1,667
Worker's compensation	2,048	-	2,048
Unemployment insurance	587	-	587
Postage	408	-	408
Printing/reference books/publications	2,978	-	2,978
General liability	100	-	100
Insurance on vehicles and equipment	836	-	836
Travel	153	-	153
Concessions	7,088	-	7,088
State fees	105	-	105
Machine and equipment	929	-	929
Buildings and grounds	11,868	-	11,868
Beach	7,234	-	7,234
Electric	11,066	-	11,066
Water	960	-	960
Telephone	\$ 3,929	\$ -	\$ 3,929

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

**CARROLL COUNTY WATERSHED AUTHORITY**  
**STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**  
For the Fiscal Year Ended June 30, 2014

	<u>General Fund</u>	<u>Adjustments (Note 3B)</u>	<u>Statement of Activities</u>
<b>Expenditures</b>			
Professional services	\$ 18,680	\$ (11,000)	\$ 7,680
Insurance - buildings	3,448	-	3,448
Payments for debt to Town of Huntingdon	4,854,908	-	4,854,908
Depreciation	-	127,406	127,406
Waste disposal	902	-	902
Janitorial supplies	1,515	-	1,515
Office supplies and material	732	-	732
Small items of equipment	2,739	-	2,739
Petroleum products	1,106	-	1,106
Debt service:			
Principal	8,171,021	(8,171,021)	-
Interest expense	388,859	-	388,859
Bond Issuance Cost	390,992	(207,560)	183,432
Total expenditures	<u>14,038,749</u>	<u>(8,275,775)</u>	<u>5,762,974</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from bond issue	<u>10,160,000</u>	<u>(10,160,000)</u>	<u>-</u>
 <b>Net changes in fund balance/net position</b>	 <b>1,502,388</b>	 <b>(1,896,873)</b>	 <b>(394,485)</b>
Fund balance/net position - beginning	<u>75,268</u>	<u>6,481,727</u>	<u>6,556,995</u>
Prior period adjustment	<u>105,000</u>	<u>(57,552)</u>	<u>47,448</u>
Fund balance/net position - beginning (restated)	<u>180,268</u>	<u>6,424,175</u>	<u>6,604,443</u>
 Fund balance/net position - ending	 <u>\$ 1,682,656</u>	 <u>\$ 4,527,302</u>	 <u>\$ 6,209,958</u>

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

**CARROLL COUNTY WATERSHED AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>Revenues:</b>				<u>Over (Under)</u>
Wheel tax receipts	\$ 245,500	\$ 245,650	\$ 245,678	\$ 28
State grant	5,000,000	5,000,000	5,000,000	-
LPRF grant	61,250	49,850	55,624	5,774
Licenses and permits	70,700	64,200	64,256	56
Bait/supplies	2,000	2,400	2,488	88
Concessions	-	9,000	9,055	55
Business Ventures	-	2,650	2,654	4
Future contributions/donations	-	1,000	1,000	-
Interest income	250	350	382	32
Total revenues	<u>5,379,700</u>	<u>5,375,100</u>	<u>5,381,137</u>	<u>6,037</u>
<b>Expenditures:</b>				
Surety bonds for officials	100	200	180	(20)
Bait/supplies	2,000	2,150	2,145	(5)
Construction expense	120,500	44,650	38,830	(5,820)
Marina construction	500,000	-	-	-
Outdoor furnishings	500	250	224	(26)
Office machinery and equipment	1,000	1,650	1,536	(114)
Environmental review	-	9,000	9,000	-
Dues and membership fees	8,250	8,250	8,250	-
Accounting and auditing services	8,900	5,500	5,460	(40)
Tennessee state planning	2,900	2,200	2,156	(44)
Other operating supplies	2,000	2,700	2,861	161
Salaries/wages part-time	55,000	70,350	70,859	509
OASI (employer's share)	4,200	5,400	5,421	21
Hospital and health insurance	5,450	5,000	4,969	(31)
Retirement	-	1,700	1,667	(33)
Worker's compensation	2,000	2,050	2,048	(2)
Unemployment insurance	100	600	587	(13)
Minor medical and physicals	100	-	-	-
Postage	-	450	408	(42)
Printing/reference books/publications	1,500	3,000	2,978	(22)
General liability	200	100	100	-
Insurance on vehicles and equipment	800	850	836	(14)
Travel	-	200	153	(47)
Concessions	-	7,150	7,088	(62)
State fees	-	100	105	5
Repair and maintenance				
Machine and equipment	3,500	1,000	929	(71)
Buildings and grounds	2,000	11,700	11,868	168
Beach	2,000	7,100	7,234	134
Flag project	2,000	-	-	-
Electric	2,300	11,200	11,066	(134)
Sewer	35,000	35,000	-	(35,000)
Water	1,500	1,050	960	(90)
Telephone	\$ 3,000	\$ 3,950	\$ 3,929	\$ (21)

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

**CARROLL COUNTY WATERSHED AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2014

<b>Expenditures</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
Professional services	\$ 19,500	\$ 18,750	\$ 18,680	\$ (70)
Insurance - buildings	2,500	3,450	3,448	(2)
Payments to Town of Huntingdon	4,889,040	4,854,950	4,854,908	(42)
Waste disposal	1,300	900	902	2
Janitorial supplies	1,500	1,550	1,515	(35)
Office supplies and material	500	800	732	(68)
Small items of equipment	500	2,800	2,739	(61)
Petroleum products	1,200	1,200	1,106	(94)
Administrative expense	370,000	-	-	-
Debt service:				
Principal payments	7,363,100	8,347,100	8,171,021	(176,079)
Interest expense	338,200	212,850	388,859	176,009
Bond issuance cost	-	391,050	390,992	(58)
Total expenditures	<u>13,754,140</u>	<u>14,079,900</u>	<u>14,038,749</u>	<u>(41,151)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from bond issue	<u>9,414,500</u>	<u>10,160,000</u>	<u>10,160,000</u>	<u>-</u>
<b>Net change in fund balance</b>	<b><u>\$ 1,040,060</u></b>	<b><u>\$ 1,455,200</u></b>	<b><u>1,502,388</u></b>	<b><u>\$ 47,188</u></b>
Fund balance - beginning			75,268	
Prior period adjustment			<u>105,000</u>	
Fund balance - beginning (restated)			<u>180,268</u>	
Fund balance - ending			<u>\$ 1,682,656</u>	

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

**CARROLL COUNTY WATERSHED AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

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

**A. Reporting Entity**

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

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

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

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

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

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

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

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

**D. Assets and Liabilities**

**Deposits and Investments**

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

**CARROLL COUNTY WATERSHED AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

**Capital Assets**

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

Depreciation of the capital assets is computed by the straight-line method over the estimated useful lives of the various assets as follows:

Building and improvements	5 - 50 years
Infrastructure	5 - 50 years
Other capital assets	5 - 50 years

**Net Position/Fund Balance**

As prescribed by GASB Statement No.54, governmental funds report fund balance in classifications based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

- **Nonspendable fund balance:**  
This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes terms that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- **Restricted fund balance:**  
This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.
- **Committed fund balance:**  
This classification includes amounts that can only be used for the specific purposes determined by a formal action of the Authority’s highest level of decision-making authority, the Board of Directors of the Carroll County Watershed Authority. Commitments may be changed or lifted only by the Authority taking the same formal action that imposed the constraint originally (for example: ordinance).
- **Assigned fund balance:**  
This classification includes amounts intended to be used by the Authority for specific purposes that are neither restricted nor committed. The Board and its designee, the Recording Secretary, have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.
- **Unassigned fund balance:**  
This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

**Impact of Recently Issued Accounting Pronouncements**

In March of 2012, the GASB issued statement no. 65 – *Items Previously Reported as Assets and Liabilities*. GASB statement no. 65 establishes accounting and financial reporting standards that

**CARROLL COUNTY WATERSHED AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

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. As of June 30, 2014, the Authority has no items to report as deferred outflows/inflows of resources. Bond issuance costs are now expensed in the year incurred rather than amortized over the life of the debt.

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

**A. Budgetary Information**

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

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

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

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

Adjustments to the balance sheet of governmental funds to the statement of net position include the following items:

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

Cost of capital assets	\$ 14,918,296
Accumulated depreciation	(438,554)
	<u>\$ 14,479,742</u>

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

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

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

Capital outlay	\$ 24,600
Depreciation expense	(127,406)
Difference	<u>\$ (102,806)</u>

“Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$8,378,581 difference are as follows:

**CARROLL COUNTY WATERSHED AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

Bond payable	\$ 8,171,021
Bond cost	<u>207,560</u>
Total	<u>\$ 8,378,581</u>

“Unavailable revenues under the modified accrual basis of accounting may be revenues on the government-wide statements under the accrual basis of accounting.” The details of this \$12,648 Difference are as follows:

Unavailable revenue	<u>\$ 12,648</u>
---------------------	------------------

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

**A. Deposits and Investments**

*Custodial Credit Risk*

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

**B. Capital Assets**

Capital asset activity during the year was as follows:

Description	Balance at June 30, 2013	Additions	Disposals	Balance at June 30, 2014
Capital assets, not being depreciated				
Land	\$ 4,971,245	\$ -	\$ -	\$ 4,971,245
Total capital assets, not being depreciated	<u>4,971,245</u>	<u>-</u>	<u>-</u>	<u>4,971,245</u>
Capital assets, being depreciated				
Building and Improvements	9,789,929	11,000	-	9,800,929
Infrastructure	75,845	13,600	-	89,445
Other Fixed Assets	<u>56,677</u>	<u>-</u>	<u>-</u>	<u>56,677</u>
Total capital assets being depreciated	<u>9,922,451</u>	<u>24,600</u>	<u>-</u>	<u>9,947,051</u>
Less accumulated depreciation for:				
Building and Improvements	267,483	117,307	-	384,790
Infrastructure	10,219	5,208	-	15,427
Other Fixed Assets	<u>33,446</u>	<u>4,891</u>	<u>-</u>	<u>38,337</u>
Total accumulated depreciation	<u>311,148</u>	<u>127,406</u>	<u>-</u>	<u>438,554</u>
Total capital assets, being depreciated, net	<u>9,611,303</u>	<u>(102,806)</u>	<u>-</u>	<u>9,508,497</u>
<b>Total capital assets, net</b>	<b><u>\$ 14,582,548</u></b>	<b><u>\$ (102,806)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 14,479,742</u></b>

**CARROLL COUNTY WATERSHED AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

Depreciation expense amounted to \$127,406 for the fiscal year ended June 30, 2014.

**C. Long-term Debt**

In July 2007, the Authority took out a bond with TVA for power line relocations in the amount of \$1,610,518 at an interest rate of 3.75%. As of January 15, 2013, the Authority refinanced the TVA bond with a note payable from Carroll Bank and Trust. The refinanced debt has a maturity date of January 15, 2023 and a per annum interest rate of 4.250%.

In 2011, the Authority took out a Series 2011 Bond in the amount of \$6,539,346 at an interest rate of 4.00%. In 2013, the bondholder agreed to capitalize the interest of \$273,070 for 2013 and add it to the end of the bond payment schedule.

The Authority also issued as Series 2012 Bond during the 2013 fiscal year for the purpose of financing the costs of improvement to the Carroll County Watershed Lake Project.

In 2014 the authority took out a series 2014 bond in the amount of 10,160,000 at an interest rate of 4.00% - 5.25%. The bond was issued for the purpose of consolidation and pay off of all previously outstanding debt agreements. Build America Assurance Company has issued its Municipal Bond Insurance Policy guaranteeing the payment of principal and interest on the Bonds.

Long-term debt activity for the year ended June 30, 2014 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Governmental activities:					
Notes payable	\$ 747,031	\$ -	\$ 747,031	\$ -	\$ -
Series 2012	300,000	-	300,000	-	-
Series 2011	7,123,990	-	7,123,990	-	-
Series 2014	-	10,160,000	-	10,160,000	-
	<u>8,171,021</u>	<u>10,160,000</u>	<u>8,171,021</u>	<u>10,160,000</u>	<u>-</u>
Discounts	-	(165,820)	-	(165,820)	-
Total bonds payable	<u>\$ 8,171,021</u>	<u>\$ 9,994,180</u>	<u>\$ 8,171,021</u>	<u>\$ 9,994,180</u>	<u>\$ -</u>

The annual requirements to amortize the Authority's outstanding debt is as follows:

<b>Year Ending June 30,</b>	<b>Bond Payable</b>		<b>Total</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	-	352,088	-	352,088	352,088.00
2016	-	467,719	-	467,719	467,719.00
2017	-	467,719	-	467,719	467,719.00
2018	-	467,719	-	467,719	467,719.00
2019	-	467,719	-	467,719	467,719.00
2020-2024	460,000	2,320,795	460,000	2,320,795	2,780,795.00
2025-2029	890,000	2,182,281	890,000	2,182,281	3,072,281.00
2030-2034	1,080,000	1,994,333	1,080,000	1,994,333	3,074,333.00
2035-2039	1,325,000	1,751,783	1,325,000	1,751,783	3,076,783.00
2040-2044	1,645,000	1,428,877	1,645,000	1,428,877	3,073,877.00
2045-2049	2,095,000	979,976	2,095,000	979,976	3,074,976.00
2050-2054	2,665,000	408,427	2,665,000	408,427	3,073,427.00
	<u>\$ 10,160,000</u>	<u>\$ 13,289,436</u>	<u>\$ 10,160,000</u>	<u>\$ 13,289,436</u>	<u>\$ 23,449,436</u>

**CARROLL COUNTY WATERSHED AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

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

On July 24, 2008, the Authority entered into an agreement with the Town of Huntingdon, Tennessee (the Town) pursuant to TCA 64-1-801 for the purpose of obtaining capital financing for various expenditures related to the construction and development of the Carroll County Lake in Carroll County, Tennessee. As part of this agreement the Town agreed to incur indebtedness not to exceed \$10,000,000 in debt issued through the Tennessee public building authority in the Town's name. The debt is secured by the full faith and credit of the Town, and its taxing power pledged to the payment of such indebtedness. However, it is the intention of both parties that all sums due under such indebtedness shall be paid by the Authority and not the Town. All assets built, purchased, etc. by the Authority with the funding will be owned by the Authority and are not used to secure the above references indebtedness. During the fiscal year 2014, \$4,854,908 was transferred to the Town by the Authority to pay off the debt held by the Town.

**NOTE 5 – OTHER INFORMATION**

**A. Carroll County Lake Development**

Passed in 2000 and implemented in 2002, Carroll County passed a wheel tax referendum to add an additional \$10 wheel tax to the present wheel tax for the purpose of raising the funds required for the 30% local match of the cost of development of the lake. The remaining 70% of the cost is to be provided by Federal, State, and other agencies. Wheel tax revenues for 2014 were \$246 thousand.

**B. Risk Management**

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

**C. Prior-Period Adjustments**

In 2014, the Authority Adopted and implemented GASB statement no. 65 *Items Previously Reported as Assets and Liabilities*. This adoption and implementation requires retroactive recognition of bond issuance costs in the period incurred resulting in an adjustment of \$57,552. Therefore, a restatement to the 2014 Governmental financial statements was required. The result of this was a restatement of the 2014 financial statements in the amount of \$57,552. The restatement represents a decrease in assets, and a decrease to the 2014 net position.

In 2014, the Town of Huntingdon forgave sewer use fees that had been accrued as payable since 2011. This forgiveness requires retroactive recognition of sewer use expenses in the period incurred resulting in an adjustment of \$105,000. Therefore, a restatement to the 2014 General fund financial statements was required. The result of this was a restatement of the 2014 financial statements in the amount of \$105,000. The restatement represents a decrease in Liabilities, and a increase to the 2014 net position.

**CARROLL COUNTY WATERSHED AUTHORITY**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**GENERAL OBLIGATION DEBT - AUTHORITY**  
For the Fiscal Year Ended June 30, 2014

Year	Capital Improvements and Refunding Bonds Series 2014		Total		
	Principal	Interest	Principal	Interest	Total
2015	\$ -	\$ 352,088	\$ -	\$ 352,088	\$ 352,088
2016	-	467,719	-	467,719	467,719
2017	-	467,719	-	467,719	467,719
2018	-	467,719	-	467,719	467,719
2019	-	467,719	-	467,719	467,719
2020	-	467,719	-	467,719	467,719
2021	-	467,719	-	467,719	467,719
2022	145,000	467,719	145,000	467,719	612,719
2023	155,000	461,919	155,000	461,919	616,919
2024	160,000	455,719	160,000	455,719	615,719
2025	165,000	449,319	165,000	449,319	614,319
2026	170,000	443,131	170,000	443,131	613,131
2027	180,000	436,756	180,000	436,756	616,756
2028	185,000	430,006	185,000	430,006	615,006
2029	190,000	423,069	190,000	423,069	613,069
2030	200,000	415,944	200,000	415,944	615,944
2031	205,000	407,694	205,000	407,694	612,694
2032	215,000	399,238	215,000	399,238	614,238
2033	225,000	390,369	225,000	390,369	615,369
2034	235,000	381,088	235,000	381,088	616,088
2035	245,000	371,394	245,000	371,394	616,394
2036	255,000	361,288	255,000	361,288	616,288
2037	265,000	350,769	265,000	350,769	615,769
2038	275,000	339,838	275,000	339,838	614,838
2039	285,000	328,494	285,000	328,494	613,494
2040	300,000	316,738	300,000	316,738	616,738
2041	310,000	301,938	310,000	301,938	611,938
2042	330,000	286,613	330,000	286,613	616,613
2043	345,000	270,313	345,000	270,313	615,313
2044	360,000	253,275	360,000	253,275	613,275
2045	380,000	235,275	380,000	235,275	615,275
2046	400,000	216,700	400,000	216,700	616,700
2047	415,000	196,925	415,000	196,925	611,925
2048	440,000	176,413	440,000	176,413	616,413
2049	460,000	154,663	460,000	154,663	614,663
2050	485,000	131,913	485,000	131,913	616,913
2051	505,000	107,925	505,000	107,925	612,925
2052	530,000	82,938	530,000	82,938	612,938
2053	560,000	56,688	560,000	56,688	616,688
2054	585,000	28,963	585,000	28,963	613,963
	<u>10,160,000</u>	<u>13,289,436</u>	<u>10,160,000</u>	<u>13,289,436</u>	<u>23,449,436</u>

*See independent auditor's report.*

**CARROLL COUNTY WATERSHED AUTHORITY  
SCHEDULE OF STATE FINANCIAL ASSISTANCE**

For the Fiscal Year Ended June 30, 2014

<u>Grantor</u>	<u>CFDA #</u>	<u>Grant Number</u>	<u>Expenditures</u>
State Assistance:			
State of Tennessee Department of Finance and Administration Community and Rural Development	N/A	330.07	\$ <u>5,000,000</u>
Tennessee Department of Environment and Conservation: LPRF Grant	N/A	GG-1235850	\$ <u>42,976</u>
<b>Total State Assistance</b>			\$ <u>5,042,976</u>

*See independent auditor's report.*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

**Members of:**

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



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](http://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 Watershed Authority  
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 governmental activities and the major fund of Carroll County Watershed Authority (the Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated February 13, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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*.

**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.

Alexander Thompson Arnold PLLC

Jackson, Tennessee  
January 15, 2015

**CARROLL COUNTY WATERSHED AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2014

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

There are no current year findings reported.

**CARROLL COUNTY WATERSHED AUTHORITY**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
For the Fiscal Year Ended June 30, 2014

**Financial Statement Findings**

There were no prior findings reported.