

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED
JUNE 30, 2016 AND 2015

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
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INTRODUCTORY SECTION

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
DIRECTORY**
June 30, 2016

BOARD MEMBERS

John A. Mann, Chairman
Dr. Jerry F. Atkins., Secretary
Martha M. Hurley, Treasurer
James R. Halford
William T. Howell

MANAGEMENT TEAM

Danny Brawner, General Manager
Ryan Drewry, Office Manager
Mike Bailey, Operations Manager
Gail Eubanks, Chief Accountant

COUNSEL

Robert Keeton, Jr.
Huntingdon, Tennessee

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION

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Independent Auditor's Report

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

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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 as listed in the table of contents 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 supplementary and other information section except that which is marked 'unaudited' as listed in the Table of Contents, 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 25, 2016, 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 25, 2016

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, 2016. 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 \$34.4 million and exceeded total liabilities in the amount of \$28.2 million (i.e. net position). Total assets increased by \$337 thousand due primarily to increase in unrestricted investments.
- Net position and unrestricted net position increased \$375 thousand and \$712 thousand, respectively. The increase was the result of an operating profit and the release of restricted funds due to the full repayment of their revenue bonds during current year.
- During fiscal year 2016, the System delivered 414.24 million kWh compared to 424.71 million kWh during the fiscal year 2015.
- Operating revenues were \$35.7 million, a decrease from year 2015 in the amount of \$601 thousand or (1.66%).
- Operating expenses were \$34.9 million, a decrease from year 2015 in the amount of \$591 thousand or (1.66%).
- The operating income for the year was \$767 thousand as compared to a \$778 thousand operating income during the 2015 fiscal year.
- Ratios of operating income to total operating revenue were 2.15, 2.14, and 2.83, for 2016, 2015, and 2014, 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 \$375 thousand and \$386 thousand for the fiscal years ended June 30, 2016 and 2015, 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 2016 was due primarily to an increase in unrestricted investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1A
CONDENSED STATEMENT OF NET POSITION

	June 30, 2016	June 30, 2015	Increase (Decrease)	
			\$	%
Current and other assets	\$ 14,071,940	\$ 13,667,346	\$ 404,594	2.96%
Capital assets	20,365,084	20,432,861	(67,777)	-0.33%
Total assets	<u>34,437,024</u>	<u>34,100,207</u>	<u>336,817</u>	0.99%
Long-term liabilities	974,389	941,041	33,348	3.54%
Other liabilities	5,235,808	5,306,845	(71,037)	-1.34%
Total liabilities	<u>6,210,197</u>	<u>6,247,886</u>	<u>(37,689)</u>	-0.60%
Net investment in capital assets	20,365,084	20,261,158	103,926	0.51%
Restricted	-	441,075	(441,075)	-100.00%
Unrestricted	7,861,743	7,150,088	711,655	9.95%
Total net position	<u>\$ 28,226,827</u>	<u>\$ 27,852,321</u>	<u>\$ 374,506</u>	1.34%

Table 1B
CONDENSED STATEMENT OF NET POSITION

	June 30, 2015	June 30, 2014	Increase (Decrease)	
			\$	%
Current and other assets	\$ 13,667,346	\$ 13,332,764	\$ 334,582	2.51%
Capital assets	20,432,861	20,528,234	(95,373)	-0.46%
Total assets	<u>34,100,207</u>	<u>33,860,998</u>	<u>239,209</u>	0.71%
Long-term liabilities	941,041	1,273,473	(332,432)	-26.10%
Other liabilities	5,306,845	5,121,548	185,297	3.62%
Total liabilities	<u>6,247,886</u>	<u>6,395,021</u>	<u>(147,135)</u>	-2.30%
Net investment in capital assets	20,261,158	20,189,612	71,546	0.35%
Restricted	441,075	426,988	14,087	3.30%
Unrestricted	7,150,088	6,849,377	300,711	4.39%
Total net position	<u>\$ 27,852,321</u>	<u>\$ 27,465,977</u>	<u>\$ 386,344</u>	1.41%

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, 2016	June 30, 2015	Increase (Decrease)	
			\$	%
Operating revenues	\$ 35,716,524	\$ 36,317,639	\$ (601,115)	-1.66%
Non-operating revenues	33,224	39,656	(6,432)	-16.22%
Total revenues	<u>35,749,748</u>	<u>36,357,295</u>	<u>(607,547)</u>	-1.67%
Cost of sales and service	28,358,772	29,283,790	(925,018)	-3.16%
Operations expense	2,527,841	2,407,342	120,499	5.01%
Maintenance expense	1,270,265	1,019,256	251,009	24.63%
General and administrative expense	1,356,238	1,377,201	(20,963)	-1.52%
Depreciation expense	1,125,417	1,102,499	22,918	2.08%
Transfer out - tax equivalent	418,051	410,901	7,150	1.74%
Other taxes	310,862	349,828	(38,966)	-11.14%
Interest and amortization	7,796	20,134	(12,338)	-61.28%
Total expenses	<u>35,375,242</u>	<u>35,970,951</u>	<u>(595,709)</u>	-1.66%
Change in net position	374,506	386,344	(11,838)	-3.06%
Beginning net position	<u>27,852,321</u>	<u>27,465,977</u>	<u>386,344</u>	1.41%
Ending net position	<u>\$ 28,226,827</u>	<u>\$ 27,852,321</u>	<u>\$ 374,506</u>	1.34%

Table 2B

	CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
	June 30, 2015	June 30, 2014	Increase (Decrease)	
			\$	%
Operating revenues	\$ 36,317,639	\$ 39,336,935	\$ (3,019,296)	-7.68%
Non-operating revenues	39,656	42,087	(2,431)	-5.78%
Total revenues	<u>36,357,295</u>	<u>39,379,022</u>	<u>(3,021,727)</u>	-7.67%
Cost of sales and service	29,283,790	32,079,673	(2,795,883)	-8.72%
Operations expense	2,407,342	2,347,095	60,247	2.57%
Maintenance expense	1,019,256	1,087,550	(68,294)	-6.28%
General and administrative expense	1,377,201	1,342,566	34,635	2.58%
Depreciation expense	1,102,499	1,076,323	26,176	2.43%
Transfer out - tax equivalent	410,901	419,497	(8,596)	-2.05%
Other taxes	349,828	326,079	23,749	7.28%
Interest and amortization	20,134	27,397	(7,263)	-26.51%
Total expenses	<u>35,970,951</u>	<u>38,706,180</u>	<u>(2,735,229)</u>	-7.07%
Change in net position	386,344	672,842	(286,498)	-42.58%
Beginning net position	<u>27,465,977</u>	<u>26,793,135</u>	<u>672,842</u>	2.51%
Ending net position	<u>\$ 27,852,321</u>	<u>\$ 27,465,977</u>	<u>\$ 386,344</u>	1.41%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating revenues showed a 7.68% decrease from 2014 to 2015 and a 1.66% decrease from 2015 to 2016. The decrease in operating revenues in 2016 was mainly due to a decrease in demand. Non-operating revenues decreased 5.78% from 2014 to 2015 and decreased 16.22% from 2015 to 2016 as the result of decreasing interest rates on certificates of deposits and savings accounts. Expenses decreased 8.61% for the three year period as a result of fluctuation in cost of sales and service. Ending net position showed an increase of 2.77% over the 3 year period due to operating profits in all 3 years.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, the system had \$20.37 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 \$68 thousand or (0.33%) 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, 2016 and 2015. These changes are presented in detail in Note 3D to the financial statements.

Table 3A
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2016	June 30, 2015	Increase (Decrease)	
			Amount	Percent
Transmission plant	\$ 623,959	\$ 633,816	\$ (9,857)	-1.56%
Distribution plant	18,250,450	18,188,947	61,503	0.34%
General plant	1,422,126	1,474,848	(52,722)	-3.57%
Construction in progress	68,549	135,250	(66,701)	-49.32%
Total capital assets (net)	<u>\$ 20,365,084</u>	<u>\$ 20,432,861</u>	<u>\$ (67,777)</u>	-0.33%

Table 3B
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2015	June 30, 2014	Increase (Decrease)	
			Amount	Percent
Transmission plant	\$ 633,816	\$ 679,476	\$ (45,660)	-6.72%
Distribution plant	18,188,947	18,220,481	(31,534)	-0.17%
General plant	1,474,848	1,584,305	(109,457)	-6.91%
Construction in progress	135,250	43,972	91,278	207.58%
Total capital assets (net)	<u>\$ 20,432,861</u>	<u>\$ 20,528,234</u>	<u>\$ (95,373)</u>	-0.46%

The System plans on using existing financial resources to keep upgrading existing systems and adding new systems where it sees fit.

Debt Administration

The System has paid in full the Revenue Bonds, series 2001 during fiscal year ended June 30, 2016. Details relating to the debt can be found in Note 3E. The System also has no current plans to issue new debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S RATES

During fiscal year 2016, economic conditions remained relatively the same as the prior fiscal year. A mild winter impacted kWh sales, contributing to an overall decrease in kWh sales. The number of customers in the Residential Class increased for the first time in nine years, resulting in the System's overall customer base being slightly greater this fiscal year. Residential growth or new industry in the area would increase sales revenue and better the System's overall financial condition.

The System's energy supplier and regulatory authority, TVA, budget contains a 1.5% effective retail rate increase beginning October 1, 2016. This is passed on to our customers.

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, 2016 and 2015

	2016	2015
Assets		
Current Assets		
Cash on hand	\$ 3,650	\$ 3,650
Cash and cash equivalents - general	3,269,434	3,683,176
Accounts receivable - trade (net of allowance for uncollectibles)	2,963,132	2,918,815
Accounts receivable - other	138,590	141,234
Materials and supplies	551,177	525,606
Prepayments and other current assets	241,690	246,221
Total current assets	7,167,673	7,518,702
Noncurrent assets		
Restricted cash, cash equivalents, and investments:		
Cash and cash equivalents	-	183,276
Investments	-	259,184
Total restricted assets	-	442,460
Investments	6,904,267	5,704,508
Other assets		
Unamortized debt expense	-	1,676
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	68,549	135,250
Total capital assets, not being depreciated	352,619	419,320
Capital assets, net of accumulated depreciation		
Transmission plant	558,140	567,997
Distribution plant	18,151,119	18,089,616
General plant	1,303,206	1,355,928
Total capital assets (net of accumulated depreciation)	20,365,084	20,432,861
Total noncurrent assets	27,269,351	26,581,505
Total assets	\$ 34,437,024	\$ 34,100,207

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

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
STATEMENTS OF NET POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 3,094,689	\$ 3,141,431
Other accrued expense	831,613	787,745
Customer deposits	994,178	908,341
Compensated absences - current portion	<u>315,328</u>	<u>296,240</u>
Total current liabilities	<u>5,235,808</u>	<u>5,133,757</u>
Current liabilities payable from restricted assets:		
Accrued interest	-	1,385
Current maturities of long-term debt	<u>-</u>	<u>171,703</u>
Total current liabilities payable from restricted assets	<u>-</u>	<u>173,088</u>
Noncurrent liabilities		
Compensated absences - noncurrent portion	897,473	843,146
Other post employment benefits obligation	<u>76,916</u>	<u>97,895</u>
Total noncurrent liabilities	<u>974,389</u>	<u>941,041</u>
Total liabilities	<u>6,210,197</u>	<u>6,247,886</u>
Net Position		
Net investment in capital assets	20,365,084	20,261,158
Restricted for debt service	-	441,075
Unrestricted	<u>7,861,743</u>	<u>7,150,088</u>
Total net position	<u>\$ 28,226,827</u>	<u>\$ 27,852,321</u>

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, 2016 and 2015

	2016	2015
Operating revenues		
Charges for sales and services (net of \$2,133,295 credit and \$28,961 uncollectible accounts)	\$ 34,874,998	\$ 35,566,820
Other electric revenue	841,526	750,819
Total operating revenues	35,716,524	36,317,639
Operating expenses		
Cost of sales and services	28,358,772	29,283,790
Operations expense	2,527,841	2,407,342
Maintenance expense	1,270,265	1,019,256
Administrative expense	1,356,238	1,377,201
Provision for depreciation	1,125,417	1,102,499
Payment in lieu of taxes and other taxes	310,862	349,828
Total operating expenses	34,949,395	35,539,916
Operating income (loss)	767,129	777,723
Nonoperating revenues (expenses)		
Interest income	33,224	39,656
Interest expense	(2,824)	(15,042)
Amortization of debt expense and bond discount	(4,972)	(5,092)
Total nonoperating revenues (expenses)	25,428	19,522
Income before transfers	792,557	797,245
Transfers		
Transfer out - tax equivalents	(418,051)	(410,901)
Change in net position	374,506	386,344
Total net position - beginning	27,852,321	27,465,977
Total net position - ending	\$ 28,226,827	\$ 27,852,321

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, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Receipts from customers and users	35,674,851	36,603,682
Payments to employees	(2,755,245)	(3,247,820)
Payments to suppliers	(31,040,211)	(30,777,851)
Customer deposits received	337,710	347,960
Customer deposits refunded	(251,873)	(264,603)
Net cash provided (used) by operating activities	1,965,232	2,661,368
Cash flows from capital and related financing activities		
Construction and acquisition of plant	(1,012,076)	(995,056)
Plant removal cost	(124,134)	(119,843)
Materials salvaged from retirements	78,570	107,773
Principal paid on bonds	(175,000)	(170,000)
Interest paid on bonds	(4,208)	(16,388)
Net cash provided (used) by capital and related financing activities	(1,236,848)	(1,193,514)
Cash flows from non-capital financing activities		
Amounts paid to others - tax equivalents	(418,051)	(410,901)
Net cash provided (used) by non-capital and related financing activities	(418,051)	(410,901)
Cash flows from investing activities		
Purchase of investment	(23,069,598)	(15,065,542)
Proceeds from sale of investments	22,129,023	14,870,766
Interest earned	33,224	39,656
Net cash provided (used) by investing activities	(907,351)	(155,120)
Net increase (decrease) in cash and cash equivalents	(597,018)	901,833
Cash and cash equivalents - beginning of year	3,870,102	2,968,269
Cash and cash equivalents - end of year	3,273,084	3,870,102
Unrestricted cash on hand	3,650	3,650
Unrestricted cash and cash equivalents on deposit	3,269,434	3,683,176
Restricted cash and cash equivalents on deposit	-	183,276
Total cash and cash equivalents	3,273,084	3,870,102

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, 2016 and 2015

	2016	2015
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 767,129	\$ 777,723
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	1,125,417	1,102,499
(Increase) decrease in accounts receivable and accounts receivable other	(41,673)	286,043
(Increase) decrease in materials and supplies	(25,571)	(4,890)
(Increase) decrease in prepayments and other current assets	4,531	478,862
Increase (decrease) in customer deposits	85,837	83,357
Increase (decrease) in accounts payable and accrued expenses	49,562	(62,226)
Net cash provided (used) by operating activities	\$ 1,965,232	\$ 2,661,368

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

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

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, 2016 and 2015

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. The System will continue to report bond cost 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 Statement No. 62 — Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

Pronouncements. This regulatory option as part of GASB Statement No. 65 is available due to the above mentioned cost being used for rate setting by the System.

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 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 June 2015, the GASB issued Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. The purpose of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements in this Statement improve financial reporting by raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance, emphasizes the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature.

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

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.

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, 2016 and 2015.

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, 2016 and 2015, 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,	
	2016	2015
Billed services for utility customers	\$ 2,988,132	\$ 2,943,815
Other receivables for utility service	138,590	141,234
Allowance for doubtful accounts	(25,000)	(25,000)
Total	\$ 3,101,722	\$ 3,060,049

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

C. Restricted Assets

During fiscal year ended June 30, 2016, the System paid their bond obligation in full and therefore, the System's restricted asset balance is \$0 at the end of the fiscal year. Other special funds set aside to repair and replace plant are at the discretion of the Board of Directors and there are no applicable legal requirements or restrictions on these funds.

	June 30,	
	2016	2015
The restricted assets consist of the following:		
2001 Electric Plant Revenue Bond Fund		
Interest and sinking fund	\$ -	\$ 183,276
The total funds are represented by:		
Certificates of deposit and savings accounts	\$ -	\$ 259,184

D. Capital Assets

Capital asset activity during the years was as follows:

Description	Balance at June 30, 2015	Additions	Disposals	Balance at June 30, 2016
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	135,250	-	66,701	68,549
Total capital assets not being depreciated	419,320	-	66,701	352,619
Capital assets, being depreciated				
Transmission plant	1,445,608	38,179	3,795	1,479,992
Distribution plant	35,019,809	1,025,743	352,109	35,693,443
General plant	3,079,274	155,671	50,213	3,184,732
Total capital assets being depreciated	39,544,691	1,219,593	406,117	40,358,167
Less accumulated depreciation for:				
Transmission plant	877,611	51,615	7,374	921,852
Distribution plant	16,930,193	1,010,977	398,846	17,542,324
General plant	1,723,346	203,644	45,464	1,881,526
Total accumulated depreciation	19,531,150	1,266,236	451,684	20,345,702
Total capital assets, being depreciated, net	20,013,541	(46,643)	(45,567)	20,012,465
Total capital assets, net	\$ 20,432,861	\$ (46,643)	\$ 21,134	\$ 20,365,084

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

Description	Balance at June 30, 2014	Additions	Disposals	Balance at June 30, 2015
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	91,278	-	135,250
Total capital assets not being depreciated	<u>328,042</u>	<u>91,278</u>	<u>-</u>	<u>419,320</u>
Capital assets, being depreciated				
Transmission plant	1,440,220	8,512	3,124	1,445,608
Distribution plant	34,374,531	940,742	295,464	35,019,809
General plant	3,027,952	92,759	41,437	3,079,274
Total capital assets being depreciated	<u>38,842,703</u>	<u>1,042,013</u>	<u>340,025</u>	<u>39,544,691</u>
Less accumulated depreciation for:				
Transmission plant	826,563	50,881	(167)	877,611
Distribution plant	16,253,381	991,048	314,236	16,930,193
General plant	1,562,567	198,807	38,028	1,723,346
Total accumulated depreciation	<u>18,642,511</u>	<u>1,240,736</u>	<u>352,097</u>	<u>19,531,150</u>
Total capital assets, being depreciated, net	<u>20,200,192</u>	<u>(198,723)</u>	<u>(12,072)</u>	<u>20,013,541</u>
Total capital assets, net	<u>\$ 20,528,234</u>	<u>\$ (107,445)</u>	<u>\$ (12,072)</u>	<u>\$ 20,432,861</u>

Depreciation expense charged to operations amounted to \$1,125,417 for the fiscal year ended June 30, 2016 and \$1,102,499 for the fiscal year ended June 30, 2015.

E. Long-term Debt

Long-term debt for the fiscal year ended June 30, 2016 and 2015 is made up of the following:

	June 30,	
	2016	2015
Revenue Bonds:		
Electric Plant Revenue Bonds, Series 2001, interest at 3.2% to 4.75% due serially through 2016	\$ -	\$ 175,000
Total current portion of Revenue Bonds	<u>\$ -</u>	<u>\$ 175,000</u>
Total long-term portion of Revenue Bonds	<u>\$ -</u>	<u>\$ -</u>

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

During 2001, Carroll County issued \$2,000,000 Electric System Revenue Bonds, Series 2001, for the purpose of financing the construction and equipping of extensions and improvements to the system. The bonds bear interest at rates from 3.2% to 4.75% and mature serially in varying amounts from \$135,000 in fiscal year 2009 to \$175,000 in fiscal year 2016. The bonds are secured by a pledge of revenues by the System. Expenses incurred in the issuance of the bonds were amortized by equal charges to operations over the life of the bonds. During fiscal year 2016, the System paid in full the Electric System Revenue Bonds, Series 2001, and the balance of the bonds at June 30, 2016 is \$0.

The following is a summary of long-term debt transactions for the years ended June 30, 2016 and 2015:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Due Within one year
Revenue bonds payable	\$ 175,000	\$ -	\$ 175,000	\$ -	\$ -
Discount	(3,297)	-	(3,297)	-	-
Total bonds payable	<u>171,703</u>	<u>-</u>	<u>171,703</u>	<u>-</u>	<u>-</u>
	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Due Within one year
Revenue bonds payable	\$ 345,000	\$ -	\$ 170,000	\$ 175,000	\$ 175,000
Discount	(6,378)	-	(3,081)	(3,297)	-
Total bonds payable	<u>338,622</u>	<u>-</u>	<u>166,919</u>	<u>171,703</u>	<u>175,000</u>

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

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

F. Net Position

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

**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

	June 30,	
	2016	2015
Net investment in capital assets:		
Net property, plant, and equipment in services	\$ 20,365,084	\$ 20,432,861
Unamortized discount	-	3,297
Less: Debt as disclosed in Note 3	-	(175,000)
	\$ 20,365,084	\$ 20,261,158
Restricted for debt service:		
Restricted cash and cash equivalents	\$ -	\$ 183,276
Restricted investments	-	259,184
Less: Accrued interest payable from restricted position	-	(1,385)
	-	441,075
Unrestricted	7,861,743	7,150,088
Total net position	\$ 28,226,827	\$ 27,852,321

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 lease agreement began in October 2014 and will expire in October 2019 with a monthly payment of \$284.

Lease expense for the years ended June 30, 2016 and 2015 was \$3,408 and \$3,192, respectively.

NOTE 4 – OTHER INFORMATION

A. Pension Plan

Effective on January 1, 1997 the System adopted a defined contribution, profit sharing pension plan titled the Carroll County Electrical Department Profit Sharing Plan. Carroll County Board of Public Utilities is the Plan administrator. The Plan is to be interpreted and administered in a manner consistent with the provisions of the Internal Revenue Code of 1986, as amended. Participants of the Plan must meet the Plan's eligibility requirements. Once an employee becomes a Participant, the System will maintain an Individual Account for each employee. Each Plan Year, employee accounts will be adjusted to reflect contributions, gains, losses, etc. The percentage of each employee account to which an employee is entitled upon separation from the System depends on the Plan's vesting schedule. Participants will generally be vested in their Individual Account after three years of service. All contributions made to the Plan on an employee's behalf will be placed in a trust fund established to hold dollars for the benefit of all Participants. Each Participants Individual Account will be used to track their share in the total trust fund.

Each year, the managing body of the System will determine the amount, if any, which it will contribute to the Plan. Employer Contributions to a profit sharing plan in general can range from 1% to 15% of Participants' compensation each year. Compensation shall be determined as the Participant's wages excluding overtime, commissions and bonuses. Employees' contribution into the Plan is not permitted.

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

At June 30, 2016, the System reported a payable of \$0 for the outstanding amount of contributions to the Plan required at the year ended June 30, 2016.

For the years ended June 30, 2016 and 2015, total employer contributions were \$278,467 and \$308,823 based on total covered wages of \$2,320,592 and \$2,573,525, 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, 2016, 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, 2016 and 2015

Components of Net OPEB Obligation

	2016	2015
Annual Required Contribution	\$ 28,436	\$ 30,094
Interest on Net OPEB Obligation	4,405	4,407
Adjustment to Annual Required Contribution	(4,995)	(4,997)
Annual OPEB Cost (Expense)	27,846	29,504
Contributions and Subsidy	(48,825)	(29,543)
Increase in Net Obligation	(20,979)	(39)
Net OPEB Obligation (BOY)	97,895	97,934
Net OPEB (Asset) Obligation (EOY)	\$ 76,916	\$ 97,895

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, 2012	\$ 27,846	0.00%	\$ 60,179
June 30, 2013	\$ 22,245	0.00%	\$ 82,424
June 30, 2014	\$ 21,826	28.90%	\$ 97,934
June 30, 2015	\$ 29,504	100.10%	\$ 97,895
June 30, 2016	\$ 27,846	175.30%	\$ 76,916

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$344,911 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$344,911. The covered payroll (annual payroll of active employees covered by the plan) was \$2,755,000 and the ratio of the UAAL to the covered payroll was 12.52%.

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

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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.

The last complete actuarial valuation was performed as of July 1, 2014 and the results were “rolled forward” to July 1, 2015 using established actuarial techniques and methods. The July 1, 2014 actuarial valuation was based on the projected unit credit actuarial cost method. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses) 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 30-year period.

E. Major Customer

For the year ended June 30, 2016 and 2015, one customer comprised approximately 17.01% and 16.07%, respectively, of total revenues.

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
 June 30, 2016

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)
7/1/2015	\$ -	\$ 344,911	\$ (344,911)	0.00%	\$ 2,755,000	12.52%
7/1/2014	-	386,554	\$ (386,554)	0.00%	2,594,925	14.90%
7/1/2013	-	218,430	\$ (218,430)	0.00%	2,763,269	7.91%

The above information is for the year ended June 30, 2014. It is the most current information 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, 2016 and 2015

	2016		2015	
	Actual	Percent	Actual	Percent
Operating revenues:				
Charges for sales and services:				
Residential sales	\$ 17,754,003	49.71	\$ 18,560,125	51.10
Small lighting and power sales	3,907,798	10.94	4,044,186	11.14
Large lighting and power sales	14,354,866	40.19	14,467,134	39.84
General power credit	(2,133,295)	(5.97)	(2,485,559)	(6.84)
Street and athletic lighting sales	357,813	1.00	371,605	1.02
Outdoor lighting	662,774	1.86	670,775	1.85
Uncollectible accounts	(28,961)	(0.08)	(61,446)	(0.17)
Total charges for sales and services	34,874,998	97.64	35,566,820	97.93
Other revenues				
Forfeited discounts	231,085	0.65	240,781	0.66
Miscellaneous service revenue	121,173	0.34	117,000	0.32
Rent from electric property	381,900	1.07	365,129	1.01
Other electric revenue	107,368	0.30	27,909	0.08
Total other revenues	841,526	2.36	750,819	2.07
Total operating revenues	\$ 35,716,524	100.00	\$ 36,317,639	100.00
Operating expenses:				
Cost of sales and services:				
Purchased power	28,358,772	79.40	\$ 29,283,790	80.63
Operations expenses:				
Distribution expenses:				
Supervision and engineering	197,124	0.55	207,434	0.57
Station expense	23,819	0.07	30,649	0.08
Overhead line expense	956,008	2.68	891,545	2.45
Underground line expense	1,135	0.00	3,431	0.01
Street lighting and signal system	4,571	0.01	3,516	0.01
Meter expense	105,395	0.30	101,696	0.28
Consumer installations	5,381	0.02	3,661	0.01
Rent expense	33,052	0.09	33,552	0.09
Miscellaneous expense	150,512	0.42	102,326	0.28
Total distribution expenses	1,476,997	4.14	1,377,810	3.79
Customer accounts expenses:				
Supervision	93,956	0.26	81,466	0.22
Meter reading	227,368	0.64	227,505	0.63
Consumer records and collection expense	704,876	1.97	696,167	1.92
Total customer accounts expenses	1,026,200	2.87	1,005,138	2.77

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CARROLL COUNTY BOARD OF PUBLIC UTILITIES
SCHEDULES OF OPERATING REVENUES AND EXPENSES
For the Years Ended June 30, 2016 and 2015

	2016		2015	
	Amount	Percent	Amount	Percent
Sales expenses:				
Customer assistance	\$ 4,200	0.01	\$ 4,200	0.01
Sales expense	20,444	0.06	20,194	0.06
Total sales expenses	<u>24,644</u>	<u>0.07</u>	<u>24,394</u>	<u>0.07</u>
Total operations expenses	<u>2,527,841</u>	<u>7.08</u>	<u>2,407,342</u>	<u>6.63</u>
Administrative expenses:				
Salaries	175,810	0.49	190,306	0.52
Office supplies and expense	34,317	0.10	29,252	0.08
Outside services	23,769	0.07	25,438	0.07
Property insurance	56,342	0.16	49,816	0.14
Injuries and damages	133,447	0.37	148,692	0.41
Duplicate charges	(13,504)	(0.04)	(15,262)	(0.04)
Employee benefits	882,095	2.47	884,029	2.43
Miscellaneous	63,962	0.18	64,930	0.18
Total administrative expenses	<u>1,356,238</u>	<u>3.80</u>	<u>1,377,201</u>	<u>3.79</u>
Maintenance expenses:				
Distribution expenses:				
Supervision and engineering	74,210	0.21	80,965	0.22
Station equipment	47,958	0.13	35,697	0.10
Overhead and underground lines	981,081	2.75	760,135	2.09
Line transformers	71,792	0.20	50,209	0.14
Street lighting and signal system	9,608	0.03	11,251	0.03
Meters	6,220	0.02	5,229	0.01
Miscellaneous	18,735	0.05	15,297	0.04
Security lights	34,185	0.10	27,973	0.08
Total distribution expenses	<u>1,243,789</u>	<u>3.48</u>	<u>986,756</u>	<u>2.72</u>
General plant and equipment	<u>26,476</u>	<u>0.07</u>	<u>32,500</u>	<u>0.09</u>
Total maintenance expenses	<u>1,270,265</u>	<u>3.56</u>	<u>1,019,256</u>	<u>2.81</u>
Depreciation and amortization	<u>1,125,417</u>	<u>3.15</u>	<u>1,102,499</u>	<u>3.04</u>
Other taxes	<u>310,862</u>	<u>0.87</u>	<u>349,828</u>	<u>0.96</u>
Total operating expenses	<u>\$ 34,949,395</u>	<u>97.85</u>	<u>\$ 35,539,916</u>	<u>97.86</u>

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CARROLL COUNTY BOARD OF PUBLIC UTILITIES
ELECTRIC RATES IN FORCE
June 30, 2016

Residential Rate Schedule	
Customer charge - per delivery point per month	\$ 20.40
Energy charge - cents per kWh - all kWh	\$ 0.08731
General Power Schedule	
GSA1 (Under 50 kW demand & less than 15,000 kWh)	
Customer charge - per delivery point per month	\$ 25.00
Energy charge - cents per kWh	\$ 0.09737
GSA2 (51-1000 kW demand or more than 15,000 kWh)	
Customer charge - per delivery point per month	\$ 100.00
Demand charges - per kW per month	
First 50 kW	No charge
Excess over 50 kW	\$ 13.16
Energy charge - cents per kWh	
First 15,000 kWh per month	\$ 0.09737
Additional kWh per month	\$ 0.05829
GSA3 (1000 - 5000 kW demand)	
Customer charge - per delivery point per month	\$ 300.00
Demand charges - per kW per month	
First 1000 kW	\$ 12.10
Excess over 1000 kW	\$ 11.91
Energy charge - cents per kWh	\$ 0.06110
Lighting (LS)	
Energy charge - cents per kWh	
All kWh - per kWh per month	\$ 0.06420
GSB (5001 - 15,000 KW demand)	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charge - per kW	
OnPeak kW	\$ 10.12
Maximum kW	\$ 4.92
Excess over contract kW	\$ 10.12
Energy charge - cents per kWh	
OnPeak kWh	\$ 0.08946
OffPeak kWh - first 200 hours	\$ 0.06622
OffPeak kWh - next 200 hours	\$ 0.02306
OffPeak kWh - additional ours	\$ 0.01989
GSC (15001 - 25,000 KW demand)	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charge - per kW	
OnPeak kW	\$ 10.12
Maximum kW	\$ 4.41
Excess over contract kW	\$ 10.12000
Energy charge - cents per kWh	
OnPeak kWh	\$ 0.08946
OffPeak kWh - first 200 hours	\$ 0.06622
OffPeak kWh - next 200 hours	\$ 0.02306
OffPeak kWh - additional ours	\$ 0.01989

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**CARROLL COUNTY BOARD OF PUBLIC UTILITIES
ELECTRIC RATES IN FORCE**

June 30, 2016

MSB (5,001 - 15,000 KW demand)		
Customer charge - per delivery point per month	\$	1,500.00
Administrative charge	\$	350.00
Demand charge - per kW		
OnPeak kW	\$	9.52
Maximum kW	\$	2.14
Excess over contract kW	\$	9.52
Energy charge - cents per kWh		
OnPeak kWh	\$	0.07150
OffPeak kWh - first 200 hours	\$	0.04827
OffPeak kWh - next 200 hours	\$	0.02069
OffPeak kWh - additional ours	\$	0.01831
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		
OnPeak kW	\$	9.52
Maximum kW	\$	1.63
Excess over contract kW	\$	9.52
Energy charge - cents per kWh		
OnPeak kWh	\$	0.07045
OffPeak kWh - first 200 hours	\$	0.04722
OffPeak kWh - next 200 hours	\$	0.02200
OffPeak kWh - additional ours	\$	0.02200

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

FOR THE FISCAL YEARS ENDED JUNE 30,

	2016	2015	2014	2013	2012	2011	2010	2009
Revenue								
Residential	\$ 15,620,708	\$ 16,074,566	\$ 18,973,822	\$ 18,285,571	\$ 17,904,274	\$ 18,306,801	\$ 16,692,188	\$ 18,282,466
Commercial	3,907,798	4,044,186	3,995,007	3,537,283	3,574,950	3,589,616	3,289,097	3,503,573
Industrial	14,354,866	14,467,134	14,633,938	15,083,156	15,177,675	14,768,038	13,413,196	16,098,497
Street and outdoor lighting	1,020,587	1,042,380	1,029,316	990,204	992,266	1,000,738	911,361	1,012,799
Other operating	812,565	689,373	704,852	722,758	633,011	708,074	621,814	684,579
Interest and other revenue	33,224	39,656	42,087	46,629	67,534	94,947	123,893	194,645
	<u>\$ 35,749,748</u>	<u>\$ 36,357,295</u>	<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	\$ 28,358,772	\$ 29,283,790	\$ 32,079,673	\$ 31,903,637	\$ 31,849,409	\$ 31,910,486	\$ 28,106,049	\$ 32,873,049
Other operating expenses	5,154,344	4,803,799	4,777,211	4,684,432	4,442,100	4,581,079	4,649,548	4,519,556
Provision for depreciation	1,125,417	1,102,499	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)	728,913	760,729	745,576	740,839	681,685	680,751	657,640	618,891
Interest and other expense	7,796	20,134	27,397	34,517	41,270	47,432	53,217	58,368
	<u>\$ 35,375,242</u>	<u>\$ 35,970,951</u>	<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>\$ 374,506</u>	<u>\$ 386,344</u>	<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>\$ 40,710,786</u>	<u>\$ 39,964,011</u>	<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>\$ -</u>	<u>\$ 171,703</u>	<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	174,277,546	184,128,326	194,260,269	190,109,225	185,448,737	204,843,626	198,522,575	195,034,851
Commercial	31,621,242	32,828,503	32,984,133	29,568,168	30,009,457	30,525,805	31,258,054	31,002,434
Industrial	199,380,951	198,589,065	199,939,848	203,890,442	205,666,605	205,091,212	204,983,674	210,093,591
Other Customers	8,964,188	9,161,764	9,221,259	9,332,209	9,472,226	9,661,316	9,768,418	9,844,953
Total	<u>414,243,927</u>	<u>424,707,658</u>	<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	12,211	12,120	12,141	12,264	12,489	12,507	12,596	12,612
Small commercial	2,973	2,964	2,929	2,842	2,707	2,781	2,740	2,756
Large commercial	213	206	205	213	208	211	196	194
Street and athletic	89	89	83	67	67	68	66	67
Outdoor lighting - Code 78	117	123	130	125	126	137	75	79
	<u>15,603</u>	<u>15,502</u>	<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>4.33%</u>	<u>4.72%</u>	<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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**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, 2016, 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 25, 2016.

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*.

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.


Jackson, Tennessee
October 25, 2016

CARROLL COUNTY BOARD OF PUBLIC UTILITIES
Schedule of Findings and Recommendations
June 30, 2016 and 2015

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, 2016 and 2015

Financial Statement Findings

There were no prior findings reported.