
**Marion County Conservation Commission
Jasper, Tennessee**

Audited Financial Statements

June 30, 2009

Marion County Conservation Commission
Jasper, Tennessee
Audit Report
June 30, 2009

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**Marion County Conservation Commission
Jasper, Tennessee
Introductory Section - Unaudited
June 30, 2009**

Roster of Board Members

Board Members

Gene Hargis, Chairman
South Pittsburg, TN

Louin Campbell, Vice Chairman
Jasper, TN

Sheila Grider, Secretary - Treasurer
Jasper, TN

Rodney Easterly, Director
Whitwell, TN

Marshall Raines, Sr., Director
Whiteside, TN

Ralph Pickett, Director
Whitwell, TN

Galen Miller, Director
Whitwell, TN

Josh Jennings, Director
Jasper, TN

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Independent Auditors' Report

To the Board of Directors
Marion County Conservation Commission
Jasper, Tennessee

We have audited the accompanying financial statements of the Marion County Conservation Commission, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Marion County Conservation Commission, as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2010, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Commission has not presented management's discussion and analysis. The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements listed in the table of contents. The introductory section and supplemental schedule listed in the table of contents are presented for additional analysis and are not a required part of the financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it. The supplemental schedule listed in the table of contents was subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Bean, Rhoton & Kelley, PLLC
March 10, 2010

Marion County Conservation Commission
Statement of Net Assets
June 30, 2009

ASSETS

Current assets:

Cash	\$ 54,524.76
Prepaid insurance	<u>202.67</u>
Total current assets	<u>54,727.43</u>

Noncurrent assets:

Capital assets:	
Equipment, net accumulated depreciation	<u>68,216.31</u>
Total noncurrent assets	<u>68,216.31</u>

Total assets	<u>\$ 122,943.74</u>
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LIABILITIES

Current liabilities:

Accounts payable	\$ 11,375.69
Deferred revenue	<u>1,077.00</u>
Total current liabilities	<u>12,452.69</u>

Total liabilities	<u>12,452.69</u>
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NET ASSETS

Invested in capital assets	\$ 68,216.31
Unrestricted	<u>42,274.74</u>
Total net assets	<u>\$ 110,491.05</u>

See accompanying notes to financial statements.

Marion County Conservation Commission
Statement of Revenues, Expenses, and Change in Net Assets
Year ended June 30, 2009

OPERATING REVENUES:	
User fees/vending	\$ 78,568.66
Contributions	8,310.00
Total operating revenues	<u>86,878.66</u>
OPERATING EXPENSES:	
Supplies	\$ 8,305.48
Utilities	23,177.84
Repairs and maintenance	597.98
Administrative services	1,800.00
Depreciation	7,687.21
Professional fees	2,000.00
Insurance	127.25
Office	165.00
Salaries and benefits	20,689.60
Equipment rental	2,600.00
Miscellaneous	6,925.58
Total operating expenses	<u>\$ 74,075.94</u>
Operating income	<u>\$ 12,802.72</u>
NON-OPERATING REVENUES/ (EXPENSES):	
Gain on sale of fixed assets	<u>175.00</u>
Total non-operating revenues / (expenses)	175.00
Change in net assets	12,977.72
Total net assets, July 1, 2008	<u>97,513.33</u>
Total net assets, June 30, 2009	<u><u>\$ 110,491.05</u></u>

See accompanying notes to financial statements.

Marion County Conservation Commission
Statement of Cash Flows
Year ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 77,244.16
Contributions from Marion County	8,310.00
Utilities	(23,177.84)
Salaries & benefits	(20,689.60)
Supplies	(8,470.48)
Gasoline / fuel	(3,857.39)
Equipment rent	(2,600.00)
Other receipts (payments)	<u>(7,176.81)</u>
Net cash provided by operating activities	<u>19,582.04</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of fixed assets	550.00
Purchase of property, plant, equipment	<u>(325.00)</u>
Net cash provided by capital and related financing activities	<u>225.00</u>
Net increase in cash and cash equivalents	19,807.04
Balances - beginning of the year	<u>34,717.72</u>
Balances - end of the year	<u><u>\$ 54,524.76</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	12,802.72
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	7,687.21
Change in assets and liabilities:	
Prepays	(128.75)
Accounts payable	545.36
Deferred revenue	<u>(1,324.50)</u>
Net cash provided by operating activities	<u><u>\$ 19,582.04</u></u>

See accompanying notes to financial statements.

Marion County Conservation Commission
Jasper, Tennessee
Notes to Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Marion County Conservation Commission was organized in 1989 for the purpose of managing the Marion County Park located on Nickajack Lake.

The primary source of revenue for the Marion County Conservation Commission is service fees charged for the use of the park. These are primarily camping fees.

The Marion County Board of Commissioners serve as the Board of Directors for the Conservation Commission as well as appoint two individuals outside of the County Commission to serve on the Board. The County Commission may appropriate funds for the operation and maintenance of the Conservation Commission and must approve long-term debt issued by the Commission.

Fund Financial Statements

The Commission's reports are prepared using the economics resources measurement focus and the accrual basis of accounting. Under the accrual method of accounting, revenues are recorded as such when earned, and expenses are reported when incurred. The Commission applies all GASB pronouncements as well as Financial Accounting Standards Boards pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The financial transactions of the Commission are reported in individual funds in the fund financial statement. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund type is used by the Commission:

Proprietary Funds:

Proprietary funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are the enterprise funds.

- The Enterprise fund is the general operating fund of the Commission. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-And Management's Discussion and Analysis-for State and Local Governments*.

Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt is included in the same net assets component as the unspent proceeds.

Marion County Conservation Commission
Jasper, Tennessee
Notes to Financial Statements
June 30, 2009
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws of regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Flows

For purposes of the statement of cash flows, cash includes cash in bank and cash on hand.

Capital Assets

Equipment and property additions are recorded at cost.

Depreciation is calculated using the straight-line method over the estimated useful life as follows:

Land Improvements	20 years
Mobile Home	20 years
Bathhouse	20 years
Equipment	7 years

NOTE 2 – CASH DEPOSITS

The Commission is authorized to invest in the following types of securities and indebtedness, in accordance with governing statutes:

- Bonds, notes, treasury bills or similar types of indebtedness to the United States.
- Non-convertible debt including Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and Student Loan Marketing Association.
- Other obligations not specified above which provide guaranteed principal and interest by the United States or any of its agencies.
- Repurchase agreements, which involve obligations of the United States or its agencies, provided the term of the repurchase agreement does not extend beyond the maturity date of the obligation and the market value of the security exceeds the cost of the security.
- Money market funds invested in any of the aforementioned securities.

Cash deposits at year end were entirely covered by federal depository insurance. The carrying amount of total cash deposits for the year ended June 30, 2009 was \$54,524.76.

Marion County Conservation Commission
Jasper, Tennessee
Notes to Financial Statements
June 30, 2009
(Continued)

NOTE 3 – LAND USE

The Marion County Park is located on land owned by the Tennessee Valley Commission (TVA). TVA permits Marion County to use the park land at no charge.

NOTE 4 – CHANGE IN CAPITAL ASSETS

A summary of capital assets as of June 30, 2009 is as follows:

	Balance <u>June 30, 2008</u>	Additions	Deletions	Balance <u>June 30, 2009</u>
Mobile Home	\$ 12,112.33	\$ 0.00	\$ 0.00	\$ 12,112.33
Bathhouse	14,769.97	0.00	0.00	14,769.97
Land Improvements	73,954.96	0.00	0.00	73,954.96
Equipment	<u>24,968.29</u>	<u>325.00</u>	<u>(900.00)</u>	<u>24,393.29</u>
	<u>125,805.55</u>	<u>325.00</u>	<u>(900.00)</u>	<u>125,230.55</u>
Accumulated Depreciation	<u>(49,852.03)</u>	<u>(7,687.21)</u>	<u>525.00</u>	<u>(57,014.24)</u>
Total	<u>\$ 75,953.52</u>	<u>\$ (7,362.21)</u>	<u>\$ (375.00)</u>	<u>\$ 68,216.31</u>

NOTE 5 – WAGES

The managers of the Park are compensated by the general government of Marion County. During the year ended June 30, 2009, the Commission reimbursed the County \$20,189.60 relating to salaries, payroll taxes and workers compensation insurance. Additionally, the manager is permitted to live in the mobile home rent free, including utilities.

SUPPLEMENTARY INFORMATION

**MARION COUNTY CONSERVATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF INSURANCE
JUNE 30, 2009**

INSURER

POLICY PERIOD

Foremost Insurance Company
April 12, 2009 to April 12, 2010

COVERAGE

Mobile Home Insurance - \$10,800
Deductible - \$250

Property and casualty and general liability is provided through the general package policies covering the entire Marion County Government. The Conservation Commission reimburses Marion County for the cost of insurance.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Marion County Conservation Commission
Jasper, Tennessee

We have audited the financial statements of the Marion County Conservation Commission, as of and for the year ended June 30, 2009, as listed in the table of contents and have issued our report thereon dated March 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marion County Conservation Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marion County Conservation Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Marion County Conservation Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Marion County Conservation Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Marion County Conservation Commission's financial statements that is more than inconsequential will not be prevented or detected by the Marion County Conservation Commission's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

Current Year's Significant Deficiencies:

1. Significant Deficiency:

In our review of the overall accounting controls of the Commission's accounting system, we found several areas where proper segregation of duties might be obtained.

Recommendation:

Because of the lack of office staff, we do not believe a complete segregation of duties is possible that would eliminate all weaknesses in the Commission's accounting system. However, a thorough study of the internal control aspect of the accounting system should be considered by the Commission. Certain additional procedures and segregation of proper duties could increase the control over the assets.

Commission's Comment:

Because we have no employees, segregation of duties is a rough task. However, as time permits we hope to add additional controls over the accounting system in the future.

2. Significant Deficiency:
Daily receipts are being altered.

Recommendation:

Receipts should be filled out completely with name, date, description of fee or service, amount and signed by individual receiving money. Mistakes on receipts should not be altered but rather voided and patron should be issued a new receipt. All unused or voided receipts should be accounted for. The total daily amount collected per the receipts should agree with the total of the corresponding deposit slip.

Commission's Comment:

We will correct this issue.

3. Significant Deficiency:
During our audit, we found that checks were not always being voided properly.

Recommendation:

All voided checks should have the signature lines removed and the voided check should be marked "void" and stapled to the check stub. In addition, measures should be taken to ensure the check is properly voided in the accounting system.

Commission's Comment:

We will correct this problem.

4. Significant Deficiency:
In our test of disbursements we found at least one invoice paid late, incurring finance charges.

Recommendation:

Late payments and incurring finance charges cause the Commission extra money. All invoices should be paid in their entirety when presented, taking advantage of early payment discounts when offered.

Commission's Comment:

We will correct this problem.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Marion County Conservation Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marion County Conservation Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described below.

Disposition Prior's Audit Findings:

1. Finding:

In our review of receipts and bank deposits, we found monies being held longer than three days before a deposit was made to the bank. – This problem still exists.

Recommendation:

Section 5-8-207, *Tennessee Code Annotated* requires county officials to deposit funds within three days after collection. In order to safeguard public monies, we recommend that all money collected be deposited promptly.

Commission's Comment:

We will correct this problem.

Current Year's Audit Findings:

1. Finding:

In our review of financial institution accounts, it was noted that an unauthorized signer was listed on a financial account and one financial institution account was not interest bearing.

Recommendation:

Financial institution accounts should be reviewed annually for correct signatures on file as well as to ensure that the Commission is receiving competitive rates of return on its money and the service that is expected. Only current members of the Board or current employees should be listed on financial accounts as signers.

Commission's Comment:

We will correct this problem.

2. Finding:

During the course of the audit, it was noted that sales tax was being paid on some invoices.

Recommendation:

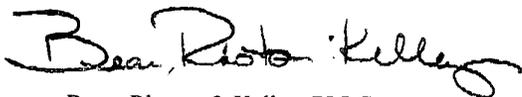
Vendors should be notified of the Commission's exempt status relative to sales and use tax.

Commission's Comment:

We will correct this problem.

Marion County Conservation Commission's response to the findings identified in our audit is described above. We did not audit Marion County Conservation Commission's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.



Bean, Rhoton & Kelley, PLLC
March 10, 2010