Marion County Conservation Commission
Jasper, Tennessee

Audited Financial Statements

June 30, 2010

Marion County Conservation Commission
Jasper, Tennessee
Audit Report
June 30, 2010

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Marion County Conservation Commission
Jasper, Tennessee
Introductory Section - Unaudited
June 30, 2010

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

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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, 2010, 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Marion County Conservation Commission, as of June 30, 2010, 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 February 23, 2011, on our consideration of the Marion County Conservation 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 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 opinions 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 purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedule listed in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Bean, Rhoton & Kelley

Bean, Rhoton & Kelley, PLLC
February 23, 2011

Marion County Conservation Commission
Jasper, Tennessee
Statement of Net Assets
June 30, 2010

ASSETS	
Current assets:	
Cash	$ 50,643.56
Prepaid insurance	202.67
Total current assets	50,846.23
Noncurrent assets:	
Capital assets:	
Equipment, net accumulated depreciation	72,025.39
Total noncurrent assets	72,025.39
Total assets	$ 122,871.62
LIABILITIES	
Current liabilities:	
Accounts payable	$ 2,651.12
Deferred revenue	1,067.00
Total current liabilities	3,718.12
Total liabilities	3,718.12
NET ASSETS	
Invested in capital assets	$ 72,025.39
Unrestricted	47,128.11
Total net assets	$ 119,153.50

See accompanying notes to financial statements.

Marion County Conservation Commission
Jasper, Tennessee
Statement of Revenues, Expenses, and Change in Net Assets
Year ended June 30, 2010

OPERATING REVENUES:	
User fees/vending	$ 78,637.45
Miscellaneous	503.23
Total operating revenues	79,140.68
OPERATING EXPENSES:	
Supplies	4,029.61
Utilities	20,888.17
Repairs and maintenance	6,199.61
Administrative services	2,100.00
Depreciation	7,190.92
Professional fees	2,000.00
Insurance	256.00
Office	130.93
Salaries and benefits	21,203.76
Equipment rental	3,660.00
Miscellaneous	4,119.23
Total operating expenses	71,778.23
Operating income	7,362.45
NON-OPERATING REVENUES/ (EXPENSES):	
Gain on sale of fixed assets	1,300.00
Total non-operating revenues / (expenses)	1,300.00
Change in net assets	8,662.45
Total net assets, July 1, 2009	110,491.05
Total net assets, June 30, 2010	$ 119,153.50

See accompanying notes to financial statements.

Marion County Conservation Commission
Jasper, Tennessee
Statement of Cash Flows
Year ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	79,130.68
Utilities		(20,888.17)
Salaries & benefits		(21,203.76)
Supplies		(4,117.11)
Gasoline / fuel		(1,586.12)
Equipment rent		(3,660.00)
Other receipts (payments)		(21,856.72)
Net cash provided by operating activities		5,818.80
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of fixed assets		1,300.00
Purchase of property, plant, equipment		(11,000.00)
Net cash used by capital and related financing activities		(9,700.00)
Net decrease in cash and cash equivalents		(3,881.20)
Balances - beginning of the year		54,524.76
Balances - end of the year	$	50,643.56

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITES		
Operating income	$	7,362.45
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		7,190.92
Change in assets and liabilities:		
Accounts payable		(8,724.57)
Deferred revenue		(10.00)
Net cash provided by operating activities	$	5,818.80

See accompanying notes to financial statements.

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, primarily camping fees.

The Marion County Board of Commissioners serves 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 economic 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 we 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Restricted – This component of net assets consists of constraints place 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 on 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 or 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 statues:

- 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, 2010 was $50,643.56.

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, 2010 is as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Mobile Home	$ 12,112.33	$ 0.00	$ 0.00	$ 12,112.33
Bathhouse	14,769.97	0.00	(100.00)	14,669.97
Land Improvements	73,954.96	100.00	0.00	74,054.96
Equipment	24,393.29	11,000.00	(8,900.00)	26,493.29
	125,230.55	11,100.00	(9,000.00)	127,330.55
Accumulated Depreciation	(57,014.24)	(7,190.92)	8,900.00	(55,305.16)
Total	$ 68,216.31	$ 3,909.08	$ (100.00)	$ 72,025.39

NOTE 5 – WAGES

The managers of the Park are compensated by the general government of Marion County. During the year ended June 30, 2010, the Commission reimbursed the County $21,203.76 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
Jasper, Tennessee
Supplementary Information
Schedule of Insurance
June 30, 2010

INSURER POLICY PERIOD	COVERAGE
Foremost Insurance Company April 12, 2010 to April 12, 2011	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, 2010, as listed in the table of contents and have issued our report thereon dated February 23, 2011. 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 Marion County Conservation Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. (09-1, 09-2, 10-1). 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. We do not consider any of the deficiencies in internal control over financial reporting to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items (09-5, 09-6, 09-7).

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

This report is intended solely for the information and use of management, State of Tennessee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bean, Rhoton & Kelley, PLLC
February 23, 2011

I. Summary of Auditors' Results

A. The auditors' report expresses an unqualified opinion on the financial statements of the Marion County Conservation Commission.

B. Significant deficiencies in internal control were disclosed by the audit and is discussed below in findings 09-1, 09-2 and 10-1.

C. Reportable conditions in compliance were disclosed by the audit and is discussed below in finding 09-5, 09-6, 09-7.

II. Findings Related to the Financial Statements which are required to be reported in Accordance with Government Auditing Standards

(09-1) Segregation of duties

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. The Commission's inability to properly segregate the control of funds from record-keeping duties is a significant weakness in controls. It is understood that due to the lack of available personnel this situation does and will continue to exist. The Board should realize the additional responsibilities imposed.

Recommendation:
Because of the number of office staff working for the Commission, 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 of the size and nature of the Commission's operation, there is no practical way to remedy this situation. We will work on these issues to mitigate the risks.

(09-2) Receipts

Daily receipts are being altered and/or not filled out completely.

Recommendation:
Pre-numbered receipts should be filled out in sequence and 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.

(09-3) Voided Checks

During our audit, we found that checks were not always being voided properly. – This problem no longer exists.

(09-4) Finance Charges

In our test of disbursements we found at least one invoice paid late, incurring finance charges. – This problem no longer exists.

(09-5) Deposits

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.

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.

(09-6) Unauthorized signer

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.

(09-7) Sales tax

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.

(10-1) Expenditures

During our review of disbursements, there was a lack of documentation for some expenditures.

Recommendation:
Invoices, receiving reports (signed), and other documents should be obtained for all purchases. They should be attached together and filed in such a way that they can be easily found for future reference and audit. Each invoice should be stamped, perforated, or otherwise marked as paid when each check is written. Care should be taken when recording the transactions in the general ledger, paying close attention to distribution accounts.

Commission's Comment:
We will strive to maintain documentation for all expenditures and record them in the general ledger properly.