

**DOE MOUNTAIN RECREATION AUTHORITY  
MOUNTAIN CITY, TENNESSEE  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2022**

# DOE MOUNTAIN RECREATION AUTHORITY

## ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2022

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# **INTRODUCTORY SECTION**

**Doe Mountain Recreation Authority  
Board of Directors  
June 30, 2022**

Mike Taylor	Chairman
Gabby Lynch	Vice Chairman
Kristy Herman	Treasurer
Mona Alderson	Corresponding Secretary
Gerald Parish	Director
Frank Arnold	Director
Anthony Duncan	Director
Jerry Jordan	Director
Dave Jones	Director
Jerry Grindstaff	Director
Tim Sain	Director
Ron Ramsey	Director
Ray Stout	Director
Lynn Tully	Director

# **FINANCIAL SECTION**

# ***The MG Group, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Doe Mountain Recreation Authority  
Mountain City, Tennessee

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and the major fund of the Doe Mountain Recreation Authority (the "Authority") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Doe Mountain Recreation Authority as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis of Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Doe Mountain Recreation Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Doe

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**16053 Rankin Avenue, Dunlap, Tennessee 37327**

**Phone (931) 393-3307**

**Fax (931) 563-5585**

Mountain Recreation Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, and *Government Auditing Standards* will always detect a material misstatement when it exist. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there are a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and access the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Doe Mountain Recreation Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Doe Mountain Recreation Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information

is the responsibility of management, and although not 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 statement, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinions on the financial statements that collectively comprise Doe Mountain Recreation Authority's basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe in in our report.



***Other Information***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2023 on our consideration of the Doe Mountain Recreation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Authority's 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 Doe Mountain Recreation Authority's internal control over financial reporting and compliance.

*MG Group, P.C.*

Tullahoma, Tennessee

January 24, 2023

## **DOE MOUNTAIN RECREATIONAL AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section presents management's analysis and overview of the Doe Mountain Recreational Authority's financial performance during the fiscal year that ended June 30, 2022. Please read it in conjunction with the financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources at year-end were \$14,000,225 and exceeded liabilities and deferred inflows of resources by \$13,798,445 (i.e., net position). Of the total net position, \$1,974,405 was unrestricted and available to support short term operations.
- The amount by which assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources increased by \$792,189.
- Unrestricted fund balance increased by \$160,284.
- Revenues decreased by \$202,955 compared to fiscal year 2021.
- Expenditures increased by \$306,579 compared to fiscal year 2021.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Doe Mountain Recreational Authority's basic financial statements. The Authority's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The Government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Activities presents information showing how the Authority's net position changed during the most recent fiscal 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The

## **DOE MOUNTAIN RECREATIONAL AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Governmental Funds – Governmental funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may be better able to understand the long-term impact of the Authority's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains a single general fund for all its operations. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances of both funds.

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

### **FINANCIAL ANALYSIS**

The statement of net position and the statement of changes in net position report information about the Authority's activities. These two statements report the net position of the Authority and the changes in them. One can think of the Authority's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position is one indicator of whether its financial health is improving or deteriorating.

**DOE MOUNTAIN RECREATIONAL AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SUMMARIZED FINANCIAL INFORMATION**

	<b>Net Position</b>			<b>Percent</b>
	<b>2022</b>	<b>2021</b>	<b>Change</b>	<b>Change</b>
Current and other assets	\$ 2,319,071	\$ 1,888,033	\$ 431,038	22.83%
Capital assets	11,681,154	11,192,135	489,019	4.37%
Total Assets	14,000,225	13,080,168	920,057	7.03%
Current liabilities	22,925	-	22,925	100.00%
Long-term liabilities	12,032	-	12,032	100.00%
Total Liabilities	34,957	-	34,957	100.00%
Deferred inflows of resources	166,823	73,912	92,911	125.70%
Net position:				
Investment in capital assets	11,514,330	11,192,135	322,195	2.88%
Restricted	309,710	-	-	N/A
Unrestricted	1,974,405	1,814,121	160,284	8.84%
Total Net Position	\$ 13,798,445	\$ 13,006,256	\$ 792,189	6.09%

	<b>Changes in Net Position</b>			<b>Percent</b>
	<b>2022</b>	<b>2021</b>	<b>Change</b>	<b>Change</b>
Operating revenues	\$ 1,426,192	\$ 1,606,949	\$ (180,757)	-11.25%
Nonoperating revenues	(18,641)	3,557	(22,198)	-624.07%
Total Revenues	1,407,551	1,610,506	(202,955)	-12.60%
Depreciation	62,621	34,866	27,755	79.60%
Other operating expense	552,741	273,917	278,824	101.79%
Total Expenses	615,362	308,783	306,579	99.29%
Change in Net Position	792,189	1,301,723	(509,534)	-39.14%
Beginning Net Position	13,006,256	11,704,533	1,301,723	11.12%
Ending Net Position	\$ 13,798,445	\$ 13,006,256	\$ 792,189	6.09%

While the statement of net position shows the change in financial position, the statement of changes in net position provides answers as to the nature and source of these changes.

**DOE MOUNTAIN RECREATIONAL AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSETS**

At June 30, 2022, the Authority had an investment in capital assets of \$11,681,154.

	<b>Capital Assets</b>			<b>Total</b>
	<b>2022</b>	<b>2021</b>	<b>Change</b>	<b>Percent Change</b>
Capital Assets				
Land	\$ 10,700,000	\$ 10,700,000	\$ -	0.00%
Construction in progress	-	43,845	(43,845)	-100.00%
Site development	695,784	455,770	240,014	52.66%
Intangible assets indefinite life	28,821	28,821	-	0.00%
Building	65,000	-	65,000	100.00%
Equipment	347,868	57,597	290,271	503.97%
Less: accumulated depreciation	(156,319)	(93,898)	(62,421)	66.48%
Totals	<u>\$ 11,681,154</u>	<u>\$ 11,192,135</u>	<u>\$ 489,019</u>	<u>4.37%</u>

**CONTACT INFORMATION**

This financial report is designed to provide our patrons with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Mayor Larry Potter, 1203 Harbin Hill Road, Mountain City, Tennessee 37683.

# **BASIC FINANCIAL STATEMENTS**

**Doe Mountain Recreation Authority**  
**Statement of Net Position**  
**June 30, 2022**

	<b>Governmental</b>
	<b>Activities</b>
	<hr/>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,532,113
Investments	730,587
Due from other governments	50,471
Inventory	5,900
Capital assets (net)	11,681,154
Total assets	<hr/> 14,000,225 <hr/>
<b>LIABILITIES</b>	
Accounts payable	19,300
Accrued liabilities	3,626
Compensated absences	12,031
Total liabilities	<hr/> 34,957 <hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenue - leases	166,823
Total deferred inflows of resources	<hr/> 166,823 <hr/>
<b>NET POSITION</b>	
Investment in capital assets	11,514,330
Restricted	309,710
Unrestricted	1,974,405
Total Net Position	<hr/> \$ 13,798,445 <hr/>

The accompanying notes are an integral part of this statement

**Doe Mountain Recreation Authority**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Fines	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	Governmental Activities
Governmental activities:					
Recreational Trails Program	\$ 615,362	\$ 132,036	\$ 1,294,156		\$ 810,830
General revenues:					
Loss on investments					(18,641)
Total general revenues					(18,641)
Change in net position					792,189
Net position - beginning					13,006,256
Net position - ending					\$ 13,798,445

The accompanying notes are an integral part of this statement



**Doe Mountain Recreation Authority**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2022**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 1,532,113
Accounts receivable	50,471
Investments	730,587
Inventory	5,900
Total assets	<u>\$ 2,319,071</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 19,300
Accrued liabilities	3,625
Total liabilities	<u>22,925</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenue - keases	\$ 166,823
Total deferred inflows of resources	<u>166,823</u>
<b>FUND BALANCES</b>	
Nonspendable	5,900
Assigned	62,471
Committed	250,418
Unassigned	1,810,534
Total fund balances	<u>2,129,323</u>
Total liabilities and fund balance	<u>\$ 2,296,146</u>

The accompanying notes are an integral part of this statement.

**Doe Mountain Recreation Authority**  
**Reconciliation of the Balance Sheet of the Governmental Fund to**  
**the Government Wide Statement of Net Position**  
**June 30, 2022**

Total fund balance, governmental fund	\$ 2,129,323
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	11,681,153
Amounts reported as long term obligations are not payable with current financial resources.	(12,031)
	<hr/>
Net position of governmental activities	<u><u>\$ 13,798,445</u></u>

The accompanying statements are an integral part of this statement

**Doe Mountain Recreation Authority**  
**Governmental Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2022**

	General Fund
<b>Revenues:</b>	
Federal through state	\$ 73,464
Community development	1,097,967
Licenses and permits	132,036
Income (loss) on investments	(18,643)
Donations and other income	74,450
Total revenues	<u>1,359,274</u>
<b>Expenditures:</b>	
Personnel and related expenditures	396,440
Contracts	126,803
General administration	47,090
Repairs	25,652
Equipment rental	17,311
Grounds maintenance	36,141
Supplies	41,614
Equipment	301,996
Travel	216
Uniforms	1,860
Construction	38,995
Prizes and awards	4,217
Miscellaneous	14,815
Total expenditures	<u>1,053,150</u>
<b>Net change in fund balance</b>	306,124
<b>Fund balance - beginning</b>	<u>1,823,199</u>
<b>Fund balance - ending</b>	<u><u>\$ 2,129,323</u></u>

The accompanying notes are an integral part of this statement.

**Doe Mountain Recreation Authority**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance of the Governmental Fund to the**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

Net change in fund balances - total governmental funds	\$	306,124
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Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:

Add: capital assets purchased in the current period	551,440	
Less: current-year depreciation expense	<u>(62,421)</u>	489,019
Less changes in expenditures related to this period and employee obligations for compensated absences		<u>(2,954)</u>
Change in net position of governmental activities	\$	<u><u>792,189</u></u>

The accompanying notes are an integral part of this statement.

**Doe Mountain Recreation Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

**NOTE 1 – DEFINITION OF THE REPORTING ENTITY**

The Doe Mountain Recreation Authority (the Authority) was created by Public Chapter No. 1106 of the Tennessee legislature in 2012 to protect and conserve the natural resources of Doe Mountain. With an 8,600 acre tract of mountain land, the Authority was able to develop multiuse recreational opportunities for public participation and entertainment, as well as create jobs and facilitate economic development. The Authority was able to achieve these goals through diligent planning, promoting, financing, construction, and management.

The operations of the Authority are conducted by a board of directors consisting of fifteen members. This board consists of the Johnson County Mayor, the Mayor of Mountain City, the Director of the Wildlife Resources Agency or the director's designee, the Commissioner of the Department of Economic and Community Development or the commissioner's designee, the Commissioner of the Department of Tourism Development or the commissioner's designee, one member appointed by the Johnson County Mayor from a list of three submitted by the board of directors of the Johnson County's Chamber of Commerce, one member appointed by the Johnson County Mayor who shall be a resident of Johnson County and active in a locally organized conservation or outdoor recreation organization, one member appointed by the Governor of the State of Tennessee who shall have a background in conservation, one member appointed by the Johnson County Commission, one member appointed by the Tennessee Speaker of the Senate, one member appointed by the Tennessee Speaker of the House of Representative, one member appointed by the governor from a list of three names submitted by The Nature Conservancy, and one member appointed by the governor from the public at large.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Method of Accounting***

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described here:

*(1) Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

**Doe Mountain Recreation Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

*(2) Measurement focus basis of accounting, and financial statement presentation*

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as is required under the accrual method of accounting.

In the government-wide financial statements, equity is classified as net position and may be displayed in the following components:

Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation. It should be noted that the only outstanding long-term debt is long-term leases.

Restricted net position – Consists of net position with constraints placed on the use either by (A) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (B) law through constitutional provisions or enabling legislation.

**Doe Mountain Recreation Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Non-spendable fund balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal vote of the Authority's Board of Directors, the Authority's highest level of decision-making authority. June 30, 2022

Assigned fund balance – includes amounts that are constrained by the Authority's intent to be used for specific purposes, but are neither restricted or committed.

Unassigned fund balance – the residual classification of the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When this occurs the Authority's Board of Directors will determine the best use of funds based on the specific facts and circumstances at that time.

*(3) Net position flow assumption*

The Authority will, on occasion, fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate

**Doe Mountain Recreation Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In addition to assets, the statement of net 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any items that qualify for reporting in this category as of June 30, 2022.

*(4) Deferred outflows/inflows of resources*

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period time. The Authority has a deferred inflow related to leases.

*(5) Budgeting*

The Authority is required by State statute to adopt an annual budget.

*(6) Capital assets*

Capital assets, which include property, plant, equipment, infrastructure assets and intangible assets, are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation is calculated over the estimated useful lives of the individual assets on a straight-line basis.

Expenditures for maintenance and repairs, which do not improve or extend the life of the asset, are charged to expenditures as incurred. Purchases of capital assets and improvements that exceed \$1,000 are capitalized as projects are constructed. The capital assets of the Authority are depreciated using the straight-line method over estimated useful lives as follows:



**Doe Mountain Recreation Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

Land Improvements	15 years
Buildings	40 years
Equipment	7 – 10 years
Vehicles	5 years

*(7) Investments*

Investments consist of US Treasury securities and are carried at the quoted fair market value on the last business day of the reporting period. The changes in unrealized gains and losses are recognized currently in the statement of activities.

Fair values are based primarily on other observable values, such as interest rate and yield curves. The methods described above may produce fair value calculation that may not be indicative of the net realizable value or reflective of future fair value. Furthermore, while the Authority believes its valuation methodologies are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

*(8) Inventory for Resale*

The Authority maintains a gift shop. The items for resale are accounted for at cost. Inventory is counted annually and adjustments are reflected in the statement of activities.

**NOTE 3 - RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, errors and omissions, personal injuries, and natural disasters. The Authority's only one significant asset is capital assets which consists of land and the cost of the development. The Authority has completed two bridges, a viewing platform and steps. Claims have not exceeded insurance coverage in the past four fiscal years.

**Doe Mountain Recreation Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

The Authority is authorized by law to invest idle funds in obligations of the U.S. Government or its agencies, repurchase agreements, secured certificates of deposit and other evidences of deposit at state and federal chartered banks and savings and loan associations. The Authority may also choose to invest idle funds in the pooled investment fund established by Title 9, Chapter 4, Part 7, *Tennessee Code Annotated*. The Authority does not have a formal policy that limits custodial credit risk for deposits. Custodial credit risk is the risk that in the event of a bank failure the Authority's deposits may not be returned to it. However, the Authority follows state statutes requiring all deposits with financial institutions to be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure. For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the government.

The Authority has chosen to deposit some of these funds with the Johnson County Trustee with the exception of cash on hand which is maintained as a checking account with Johnson County Bank with a balance of \$1,130,175 and a savings account of \$401,938 at June 30, 2022. The funds on deposit with the Johnson County Trustee are presented as Due from Other Governments in the financial statements of this report.

The Authority established an investment fund with Edward D Jones & Co, LP in August 2021. The funds are invested in US Treasury notes and presented as fair market value. The fund balance is \$730,587 at June 30, 2022. The Authority transferred \$500,000 and the value decreased by \$62. At November 30, 2022, the investment fund value was \$1,230,525.

**NOTE 5 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund balance sheet. Historical cost of capital assets net of depreciation at June 30, 2022, totaled \$11,681,154. Employees of Johnson County that work for the Authority had accrued compensatory time of \$12,031 (Note 13).

**Doe Mountain Recreation Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

**NOTE 6 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES AND THE STATEMENT OF  
ACTIVITIES**

Governmental funds reported capital outlays as expenditures of \$551,440 for the year ended June 30, 2022, while governmental activities reported capital outlays as assets and reported depreciation expense of \$62,621 to allocate those expenditures over the life of the assets. Personnel expenditures reflect payroll paid by the Authority.

**NOTE 7 - SIGNIFICANT REVENUE CONTRACTS**

On October 10, 2017, Doe Mountain Recreation Authority made an agreement with Blue Source, LLC to market and sell Emission Reduction Benefits. The Authority receives 75% of these sales while the contractor receives 25% for their services. The Authority received \$1,097,967 during the period and this has been reflected on the statement of activities as community development.

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Capital assets not being depreciated</u></b>				
Land	\$ 10,700,000	\$ -	\$ -	\$10,700,000
Construction in Progress	43,845	-	43,845	-
Intangible assets indefinite life	28,821	-	-	28,821
Total capital assets not being depreciated	<u>10,772,666</u>	<u>-</u>	<u>43,845</u>	<u>10,728,821</u>
<b><u>Capital assets being depreciated</u></b>				
Site development	455,770	240,014	-	695,784
Building	-	65,000	-	65,000
Vehicles & Equipment	57,597	290,271	-	347,868
Total capital assets being depreciated	<u>513,367</u>	<u>595,285</u>	<u>-</u>	<u>1,108,652</u>
Less: accumulated depreciation	<u>(93,898)</u>	<u>(62,421)</u>	<u>-</u>	<u>(156,319)</u>
Net capital assets being depreciated	<u>419,469</u>	<u>532,864</u>	<u>-</u>	<u>952,333</u>
<b>Net capital assets</b>	<u>\$ 11,192,135</u>	<u>\$ 532,864</u>	<u>\$ 43,845</u>	<u>\$11,681,154</u>

Depreciation expense recorded during the year was 62,421.

**Doe Mountain Recreation Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

During the 2012-2013 fiscal year the state donated the land (Doe Mountain) to the Doe Mountain Recreation Authority. The value of this property is based on the market value from an appraisal performed as of December 20, 2011.

During the 2013-2014 fiscal year the Authority engaged an engineering firm to develop a “Master Plan” for the operation of the Authority. In accordance with Governmental Accounting Standards Board Statement 51, the cost of the “Master Plan” has been capitalized as an intangible asset with an indefinite life and the completed projects were also capitalized and depreciated during the year.

**NOTE 9 – CONTINGENT LIABILITIES**

The Doe Mountain Recreation Authority had no contingent liabilities as of the date of this report.

**NOTE 10 – SUBSEQUENT EVENTS**

The Doe Mountain Recreation Authority had no subsequent events to report at the date of this report.

**NOTE 11 – OTHER EVENTS**

On October 1, 2015, Doe Mountain Recreation Authority was awarded a grant of \$250,000 from the Appalachian Regional Commission to foster economic development and tourism within Johnson County by constructing a multi-use trail system at Doe Mountain. During the fiscal year ended June 30, 2022, the Authority had expended \$73,464.

**NOTE 12 – RELATED PARTY TRANSACTIONS**

Johnson County, Tennessee has a fiduciary relationship with the Authority and holds their funds in a custodial/trustee nature. Johnson County maintains a general ledger providing cash disbursements for the Authority. The director, as well as full time individuals, are employees of Johnson County, and the Authority reimburses the County for all employee expenses related to these individuals. The director is eligible to participate in the retirement program for Johnson County employee. No retirement expense on behalf of this employee was paid by the Authority during the year.

**Doe Mountain Recreation Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

**NOTE 13 – UNPAID COMPENSATORY TIME**

As of June 30, 2022, the employees of Johnson County that work for the Authority had accrued compensatory time of \$12,031. This has been reflected in the financial statements as a reduction in the amount due from Johnson County and as compensated absences on the statement of net position.

**NOTE 14 – LONG TERM DEBT**

In March 2022, the Authority entered into a lease for a John Deere Excavator for 36 months at the interest rate of 2.33 percent per year, payable in consecutive monthly installments of principal and interest of \$1,617.41. At June 30, 2022, the note payable was \$53,101.

In March 2022, the Authority entered into a lease for a Xerox Multifunctional Printer for 60 months at the interest rate of 3.00 percent per year, payable in consecutive monthly installments of principal and interest of \$110.00. At June 30, 2022, the note payable was \$5,741.

In June 2022, the Authority entered into a lease for a Caterpillar Tractor for 37 months at the interest rate of 4.79 percent per year, payable in consecutive monthly installments of principal and interest of \$2,069.05 per month for the first 36 months. The final payment is \$45,760. At June 30, 2022, the note payable was \$107,981.

A summary of changes in long-term debt is as follows:

	Balance July 01 2021	Increases	Decreases	Balance June 30 2022
Obligation				
John Deere Excavator	\$ 57,803	\$ -	\$ 4,702	\$ 53,101
Caterpillar Tractor	-	107,981	-	107,981
Xerox Multifunctional Printer	6,122	-	381	5,741
	<u>\$ 63,925</u>	<u>\$ 107,981</u>	<u>\$ 5,083</u>	<u>\$ 166,823</u>

**Doe Mountain Recreation Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

The annual requirements to amortize debt as of June 30, 2022 are as follows:

<b>Years Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2023	40,309	5,933
2024	41,072	4,486
2025	37,721	2,985
2026	46,851	229
2027	870	10
	<u>\$ 166,823</u>	<u>\$ 13,642</u>

# **SUPPLEMENTARY INFORMATION**

DOE MOUNTAIN RECREATION AUTHORITY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARD AND STATE ASSISTANCE  
For the Fiscal Year Ended June 30, 2022

Grantor Agency / Pass-Through Agency / Program	Assistance Listing Number (ALN)	Contract Number	Pass-Through Entity Identifying Number	Passed through to Subrecipients	Total Expenditures
U.S. Department of Transportation					
Pass-Through TN Department of Transportation Recreational Trails Program	20.219	2019-4755	n/a	-	<u>\$ 73,464</u>
TOTAL FEDERAL GRANTS					<u>\$ 73,464</u>

Note 1 - Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the Doe Mountain Recreational Authority under programs of the federal and state governments for the year ended June 30, 2022. The schedule is prepared using the same basis as the financial statement presentation.

Note 2 - Indirect Cost Rate:

The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



**Doe Mountain Recreation Authority**  
**Schedule of Rate Structure**  
**For the Year Ended June 30, 2022**

	<u>Annual</u>	<u>Day</u>
ATV	\$ 60	\$ 18
Bicycling	35	5
Equestrian	35	5
Hiker	25	3

DOE MOUNTAIN RECREATION AUTHORITY  
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS  
For the Fiscal Year Ended June 30, 2022

	Original					Issued	Paid and/or	
	Amount of	Interest	Date of	Last Maturity	Outstanding	During	Matured	Outstanding
LEASES PAYABLE	Issue	Rate	Issue	Date	July 01, 2021	Period	During	June 30, 2022
John Deere Excavator	\$ 57,803	2.3%	3/14/2022	3/14/2025	\$ 57,803	\$ -	\$ 4,702	\$ 53,101
Caterpillar Tractor	-	4.8%	6/1/2022	7/11/2025	-	107,981	-	107,981
Xerox Multifuncational Printer	6,122	3.0%	2/22/2022	2/22/2027	6,122	-	381	5,741
					<u>\$ 63,925</u>	<u>\$ 107,981</u>	<u>\$ 5,083</u>	<u>\$ 166,823</u>

# **GOVERNMENT AUDITING STANDARDS**

# ***The MG Group, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

**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**

To the Chairman and Board of Directors  
Doe Mountain Recreation Authority  
Mountain City, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Doe Mountain Recreation Authority, as and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Doe Mountain Recreation Authority's basic financial statements, and have issued our report thereon dated January 24, 2023.

**Report on Internal Control over Financial Reporting**

Authority's internal control over financial reporting (internal control) as a basis for designing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Doe Mountain Recreation Authority's internal control.

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

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

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**515 NW Atlantic Street, Tullahoma, Tennessee 37388**  
**16053 Rankin Avenue, Dunlap, Tennessee 37327**  
**Phone (931) 393-3307      Fax (931) 563-5585**

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Doe Mountain Recreation Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, as described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002.

## **Doe Mountain Recreation Authority's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Doe Mountain Recreation Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and responses and in management's corrective action plan. Doe Mountain Recreation Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

*MG Group, P.C.*

Tullahoma, Tennessee  
January 24, 2023

# **Doe Mountain Recreation Authority Schedule of Findings and Responses Year Ended June 30, 2022**

## **SECTION I. SUMMARY OF AUDITOR'S RESULTS**

### **Financial Statements:**

Unmodified opinion issued on the financial statements 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*.

## **SECTION II. FINANCIAL STATEMENT FINDINGS**

### **2022-001 (2021-03): Inadequate Controls over Purchasing (Noncompliance)**

**Condition and Criteria:** Doe Mountain Recreation Authority has no purchasing policy to ensure that sales tax is not paid on materials and supplies nor that invoices always indicate quantity of goods purchased. The authority has no purchase order policy in place.

**Cause:** The Authority purchases items as needed without consideration of their tax exempt status. Sales tax was paid on four of 41 purchases tested. Four invoices did not indicate the quantity ordered and seven invoices did not agree to the values listed on the inventory listing.

**Effect:** The Authority paid sales tax when it is sales tax exempt. The inventory value included on the balance sheet could not be verified.

**Recommendation:** Management should establish a purchase order system as well as ensure vendor invoices have adequate detail before payment is made.

**Management Response:** We concur. See Corrective Action Plan.

### **2022-02: Books were not closed within sixty days (Noncompliance)**

**Condition:** Doe Mountain Recreation Authority did not have their accounting records closed and ready for audit within sixty days after June 30, 2022.

**Criteria:** The State of Tennessee Audit Manual Appendix B states that a government must "...close the accounting records within 60 days of their fiscal year end."

**Cause:** Transactions may be recorded after the sixty day requirement.

**Effect:** The Authority is not compliant with the State of Tennessee Audit Manual.

**Recommendation:** Ensure that all accounting records maintained by the Authority are closed on or before August 31<sup>st</sup> each year.

**Management's Response:** We concur. See Corrective Action Plan.

**Doe Mountain Recreational Authority**  
**Summary Schedule of Prior Year Findings**  
**Year Ended June 30, 2022**

*Government Audit Standards* require auditors to report the status of uncorrected findings for prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or uncorrected. Presented below are financial statement findings along with their status from the Financial Statements and Supplementary Information of Doe Mountain Recreational Authority, for year ended June 30, 2021.

***Prior-year Financial Statement Findings***

<b>Prior Year Finding Number</b>	<b>Finding Title</b>	<b>Status/ Current Year Finding Number</b>
<b>2021-003</b>	<b>Inadequate Controls Over Purchasing</b>	<b>Repeated Finding 2022-001</b>



Doe Mountain Recreation Authority  
1232 Harbin Hill Drive  
Mountain City, TN 37683

## DOE MOUNTAIN RECREATION AUTHORITY'S RESPONSE TO AUDIT FINDINGS RELATING TO THE FINANCIAL STATEMENTS 2022-001

### 2022-001 (2021-03): Inadequate Controls over Purchasing (Noncompliance)

**Recommendation:** Management should establish a purchase order system as well as ensure vendor invoices have adequate detail before payment is made.

**Person Responsible for Implementing the Corrective Action:** Executive Director, Doe Mountain Recreation Authority (currently vacant) and Authority Treasurer Kristy Herman

**Anticipated Completion Date:** June 30, 2023

**Management Response:** The Authority has a purchase order system and policies that address purchase orders, purchasing cards, and inventory. Currently, the purchase orders are done in Quick Books Office and linked to the related transactions, once paid, with all supporting documents attached. The Authority will amend its purchase order policy to ensure adequate detail is included in purchase orders, including quantities of items to be purchased. The Authority will immediately emphasize the need to record adequate details with all employees and will also do so when on-boarding employees with purchasing responsibilities.

2022-03: Books were not closed within sixty days (Noncompliance)

**Recommendation:** Ensure that all accounting records maintained by the Authority are closed on or before August 31st each year.

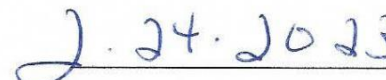
**Person Responsible for Implementing the Corrective Action:** Executive Director, Doe Mountain Recreation Authority (currently vacant) and Authority Treasurer Kristy Herman

**Anticipated Completion Date:** Immediately; the Authority will ensure that 2022-23 records are closed on or before August 31, 2023.

**Management Response:** The Authority moved from a paper and Excel spreadsheet bookkeeping system to Quick Books Office in March 2022. All records were complete as of August 31, 2022. In order to facilitate the Audit, however, the Authority's accounting firm input the records from July 2021 through February 2022 into the Quick Books file in September 2022 after the audit started and after consultation with the audit firm. As all records for 2022-23 are already in Quick Books Office, this should not be a recurring issue.

  
Larry Potter

Chairman, Doe Mountain Recreation Authority

  
Date