

Sunset Public Hearing Questions for
Doe Mountain Recreation Authority, Board of Directors
Created by Section 11-25-103, *Tennessee Code Annotated*
(Sunset termination June 2016)

1. Provide a brief introduction to the Doe Mountain Recreation Authority, including information about its purpose, statutory duties, staff and administrative attachment.

The Doe Mountain Recreation Authority (DMRA) was established to prepare master plans for Doe Mountain and to ensure compliance with such plans; to conserve the land, waters, and wildlife of Doe Mountain in a manner protective of the resource; and to foster economic development for the people by the development and operation of multi-use family oriented outdoor recreation opportunities. The DMRA consists of 15 volunteer Board members, including four officers, and has no paid staff at this time. The DMRA is not attached administratively to any State agency.

2. Provide a list of current members of the board of directors and describe how membership complies with Section 11-25-106(a), *Tennessee Code Annotated*. Are there any vacancies on the board? If so, what steps have been taken to fill the vacancies?
 - a. The Mayor of the county, or the Mayor's designee (Larry Potter);
 - b. The Mayor of the largest municipality within the county, or the Mayor's designee (Lawrence Keeble);
 - c. The Director of the Wildlife Resources Agency, or the Director's Designee (John Gregory, serving as proxy for the Director);
 - d. The Commissioner of the Department of Economic and Community Development, or the Commissioner's designee (Matt Garland, serving as proxy for the Commissioner);
 - e. The Commissioner of the Department of Environment and Conservation, or the Commissioner's designee (Brock Hill, Deputy Commissioner, serving as proxy for the Commissioner);
 - f. The Commissioner of the Department of Tourism Development, or the Commissioner's designee (Dave Jones, serving as proxy for the Commissioner);
 - g. One (1) member, appointed by the county Mayor from a list of three (3) submitted by the Board of Directors of the county's Chamber of Commerce, who shall serve for a term of two (2) years (Frank Arnold);
 - h. One (1) member, appointed by the county Mayor, who shall be a resident of the county, and active in a locally organized conservation or outdoor recreation organization, who shall serve for a term of two (2) years (Roby Philippi);
 - i. One (1) member, appointed by the Governor, who shall have a background in conservation, who shall serve for a term of three (3) years (Richard Strang);

- j. One (1) member, appointed by the Governor, who shall have experience in outdoor recreation planning, marketing, or operations, who shall serve for a term of three (3) years (Terry Maughon);
- k. One (1) member, elected by majority vote of the governing body of the county, who shall serve for a term of two (2) years (Jerry Grindstaff);
- l. One (1) member, appointed by the Speaker of the Senate in consultation with the member of the Senate representing the majority of the county's population, who shall serve for a term of two (2) years (Mike Farmer);
- m. One (1) member, appointed by the Speaker of the House of Representatives in consultation with the member of the House of Representatives representing the majority of the county's population, who shall serve for a term of two (2) years (Ray Stout);
- n. One (1) member, appointed by the Governor from a list of three (3) names submitted by The Nature Conservancy, who shall serve for a term of three (3) years (Gabrielle Lynch); and
- o. One (1) member of the public at large, appointed by the Governor, who shall be a resident of the county or an adjoining county and not otherwise affiliated with any of the groups identified above, who shall serve for a term of three (3) years (Carolyn Hawkins).

There are no vacancies on the Authority's board at this time.

3. Does membership include a member who is sixty years of age or older? A member who is a racial minority? A member who is female?

60+ years – YES
 Racial minority – NO
 Female - YES

4. What per diem or travel reimbursement do members of the board receive? How much was paid to board members during fiscal year 2014 and to date in fiscal year 2015?

To date, no funds have been disbursed to members of the board for any purpose.

5. What were the authority's revenues (by source) and expenditures (by object) during fiscal year 2014 and to date in fiscal year 2015?

FY14 Revenues by Source:

• Licenses & Permits	-	\$38,853
• Federal Grant	-	\$17,236
• Other Contributions	-	\$9,000
• TOTAL	-	\$65,089

FY14 Expenditures by Object:

• Engineering Services	-	\$18,386
• Legal Services	-	\$250
• Liability Insurance	-	\$1,709

• Accounting Fees	-	\$476
• Other Charges	-	\$203
• TOTAL	-	\$21,024

FY15 To Date Revenues by Source:

• Licenses & Permits	-	\$23,876
• Federal Grant	-	\$2,764
• TOTAL	-	26,640

FY15 To Date Expenditures by Object:

• Engineering Services	-	\$13,199
• Legal Services	-	\$890
• Accounting Fees	-	\$239
• Auditing Fees	-	\$3,000
• Other Charges	-	\$2,300
• TOTAL	-	19,628

6. Section 11-25-106 (c), *Tennessee Code Annotated*, states that the board “shall meet no less often than monthly its first twelve (12) months of operation, and no less often than once every three (3) months thereafter.” How many times did the board meet during fiscal year 2014 and to date in fiscal year 2015? How many members were present at each meeting?

The DMRA Board meeting schedule and attendance are as follows:

July 2013 – 15 Board members present

August 2013 – 14

September 2013 – 12

October 2013 – 14

November 2013 – 14

December 2013 – 14

February 2014 – 13

March 2014 – 12

April 2014 – 9

May 2014 – 13

June 2014 – 12

July 2014 – 12

August 2014 – 13

October 2014 – 12

November 2014 – 14

February 2015 – 14

April 2015 - 13

7. Section 11-25-109(a), *Tennessee Code Annotated*, makes the board subject to the Sunshine law requirements (Section 8-44-101 et seq., *Tennessee Code Annotated*) for public notice of meetings, prompt and full recording of minutes and public access to minutes. What procedures does the board have for informing the public of its

meetings, who keeps the official minutes of board meetings and what steps are taken to make the minutes available to the public?

The DMRA Board Secretary is Gabrielle Lynch. Ms. Lynch records the minutes of all meetings electronically and provides draft minutes to the DMRA board for approval prior to the next month's meeting. Immediately after approval (the following business day), the minutes are posted for public viewing on the DMRA website, www.doemountain.org. The original, signed minutes are kept by the Board Secretary.

All board meetings and committee meetings are publicly announced at least five days prior to the meeting date. The venues at which meeting announcements are posted are: a) both local newspapers, *The Tomahawk* and *The Mountain Sentinel*; b) Johnson City Press newspaper; c) WMCT local AM radio station; d) www.doemountain.org; e) physical posting at the Johnson County courthouse.

8. What are the major accomplishments of the authority to date? Specifically, what activities has the authority undertaken to carry out the powers, duties and functions set out in Section 11-25-107(a)(1) through (26) and 11-25-108(a)(1) through (6), *Tennessee Code Annotated*?

The DMRA completed the following accomplishments in its first year:

- a. adopted a seal;
- b. adopted by-laws;
- c. established six working committees to address specific DMRA issues;
- d. registered a charter with the Secretary of State;
- e. selected a home office;
- f. accepted title to the Doe Mountain properties from the State of Tennessee;
- g. created a website (www.doemountain.org) which contains minutes of the Board of Directors, meeting notices, rules, and other relevant information;
- h. held a rulemaking hearing and adopted rules;
- i. established a schedule of user fees and User Agreement & Liability Waiver;
- j. assisted The Nature Conservancy in selecting a qualified consulting firm to facilitate the Doe Mountain Recreation Area Master Plan (planning process to conclude in June 2014);
- k. collaborated with two universities to begin mapping Doe Mountain's roads and trails, sensitive ecological areas, hydrology features, and develop a trail numbering system;
- l. engaged the services of a *pro bono* attorney;
- m. submitted a FY14 Recreation Trails Program (RTP) grant application for funding to develop specific trails and access points on the mountain;
- n. submitted a USDA Rural Business Enterprise Grant (RBEG) application to help fund the Master Plan's development.

In FY14 through the present, the DMRA accomplished the following:

- a. Completed the Doe Mountain Management Plan after over a year of planning and public input; the Plan was made available to the public in October 2014.
 - b. Gained liability insurance coverage with the State Claims Commission.
 - c. Completed the DMRA's first financial audit.
 - d. Adopted a FY15 budget.
 - e. Adopted rules establishing the DMRA's user fees and waiver of fees.
 - f. Sold \$38,853 in user passes.
 - g. Received a private grant (funds totaling \$500) to make safety repairs to the fire tower.
 - h. Opened the mountain to public hunting, pursuant to State laws.
 - i. With significant volunteer labor from the mountain biking community, completed a new beginner-level mountain bike trail behind the Doe Mountain Visitor Center, Harbin Hill Road main entrance.
 - j. Distributed Doe Mountain Recreation Area rack cards across county businesses and Tennessee Highway Welcome Centers (rack cards funded by State and local economic community development monies).
 - k. Continued committee work outside of Board meetings to address specific DMRA issues.
 - l. Collaborated with two universities (East Tennessee State University and Appalachian State University) to expand biological surveys in planned trail corridors.
 - m. Communicated with elected officials regarding the need for funding to hire a DMRA Director.
9. Does the board have any policies in place to address potential conflicts of interest by board members, authority employees, or other state employees who work with the authority in any capacity? If yes, please describe.

The Boards by-laws provide as follows:

Section 9. Conflicts of Interest

Board members are officers of the State for purposes of their duties on the Board. As such, they accept the responsibilities of a public trust. Board members must be cognizant of the potential for a conflict of interest or an apparent conflict of interest between an official act and any financial or business interests of the Board member or the Board member's immediate family. No Board member shall participate in any way in any decision, effort, or function which could result in his or her financial benefit.

Any Board member who believes that he/she may have a potential conflict of interest must immediately notify the Chair of the Board and the attorney for the Board of the nature of the conflict. The Executive Committee of the Board, after legal consultation, will determine whether recusal or some other action is required to remedy any conflict or potential conflict.

10. In Section 11-25-115, *Tennessee Code Annotated*, the authority is authorized to issue bonds. Has the authority issued bonds under this statutory provision? If so, please describe the type, amount and purpose of the issuance. If there has been more than one issuance, please describe each.

The DMRA has not issued bonds and has no plans to do so at the current time.

11. Has the board prepared and transmitted annual reports of its business affairs and transactions as required by Section 11-25-113(c)? If so, please attach a copy of each submitted annual report.

Yes, the DMRA prepared and submitted 2013 and 2014 annual reports pursuant to the legislation (attached).

12. Section 11-25-113(a) and (b), *Tennessee Code Annotated*, requires an annual audit of the books of accounts and financial records of the authority. If the authority has had such an audit prepared to date, please attach a copy.

The DMRA completed its first audit covering the time period from its inception in November 2012 through June 30, 2014 (attached).

13. Has the board developed a Master Plan? In response to questions for the October 2013 sunset public hearing, the board indicated a Master Plan would be developed by June 2014. Please include a copy, if available.

Yes, the DMRA completed its Master (Management) Plan in October 2014. The Plan's completion and release was slightly delayed due to funding issues that were ultimately resolved. Due to the Plan's large size (70 MB), the DMRA respectfully directs readers to www.doemountain.org where there is a link for viewing and/or downloading the document.

14. Describe any items related to the authority or the board that require legislative attention and your proposed legislative changes.

The DMRA is not seeking legislative changes at this time.

15. Should the authority be continued? To what extent and in what ways would the absence of the authority endanger the public health, safety or welfare?

Yes, the DMRA should continue. Now that the Master Plan has been developed and trails on the mountain are open for public use, much work must be done to implement the Plan and continue growing the project into the local economic driver it was intended to be.

16. Has the board developed and implemented quantitative performance measures for ensuring the authority is meeting its goals? (Please answer either yes or no). If the board has developed and implemented quantitative performance measures, answer

questions 17 through 24. If the board has not developed quantitative performance measures, proceed directly to question 25.

Yes.

17. What are your key performance measures for ensuring the authority is meeting its goals? Describe so that someone unfamiliar with the program can understand what you are trying to measure and why it is important to the operation of your program.

The DMRA Board underwent a goal-setting and visioning process (facilitated by the Municipal Technical Advisory Service) in October-November 2013. Five short term (achievable within three years) goals were derived. To date, the DMRA Board has accomplished four of those five goals:

- a. Open Doe Mountain for recreational use.
- b. Complete the Master Plan.
- c. Resolve insurance liability issues.
- d. Adopt a budget.

The fifth short term goal that has not been achieved is the hiring of a paid DMRA director. At this time, the DMRA does not have the funds to hire staff and has communicated with its district Legislative representatives regarding the need for funding.

18. What aspect[s] of the program are you measuring?

The DMRA's Master Plan also contains goals & objectives for how recreational trails are constructed on the mountain, *e.g.*, miles of new trail constructed, retirement of "dead-end" trails, *etc.*

19. Who collects relevant data and how is this data collected (*e.g.*, what types information systems and/or software programs are used) and how often is the data collected? List the specific resources (*e.g.*, report, other document, database, customer survey) of the raw data used for the performance measure.

Relevant data and minutes are collected by the DMRA's Board and working committees. For example, the DMRA Roads & Trails Committee is responsible for tracking the trail construction work guided by the Master Plan.

20. How is the actual performance measure calculated? If a specific mathematical formula is used, provide it. If possible, provide the calculations and supporting documentation detailing your process for arriving at the actual performance measure.

The DMRA does not track its performance with mathematical formulas.

21. Is the reported performance measure result a real number or an estimate? If an estimate, explain why it is necessary to use an estimate. If an estimate, is the performance measure result recalculated, revised, and formally reported once the data for an actual calculation is available?

N/A

22. Who reviews the performance measures and associated data/calculations? Describe any process to verify that the measure and calculations are appropriate and accurate.

DMRA Board and working committee Chairs track successful performance.

23. Are there written procedures related to collecting the data or calculating and reviewing/verifying the performance measure? Provide copies of any procedures.

No.

24. Describe any concerns about the authority's performance measures and any changes or improvements you think need to be made in the process.

N/A

If the authority does receive federal assistance, please answer questions 25 through 33. If the authority does not receive federal assistance, proceed directly to question 32.

25. Please list all programs or activities that receive federal financial assistance and, therefore are required to comply with Title VI of the Civil Rights Act of 1964. Include the amount of federal funding received by program/activity.

The DMRA received a \$20,000 planning grant from the U.S. Department of Agriculture / Rural Business Enterprise Grants program. These funds were expended on Master Plan development between January 1 - June 30, 2014.

26. Does the authority prepare a Title VI plan? If yes, please provide a copy of the most recent plan.

No, the DMRA does not prepare a Title VI plan.

27. Does the authority have a Title VI coordinator? If yes, please provide the Title VI coordinator's name and phone number and a brief description of his/her duties. If not, provide the name and phone number of the person responsible for dealing with Title VI issues.

No, the DMRA does not have a Title VI coordinator. The Johnson County Title VI coordinator/trainer is Karen Manuel at (423) 727-3130 (please see #30 below).

28. To which state or federal agency (if any) does the authority report concerning Title VI? Please describe the information the authority submits to the state or federal government and/or provide a copy of the most recent report submitted.

The DMRA does not report to any federal agency concerning Title VI.

29. Describe the authority's actions to ensure that association staff and clients/program participants understand the requirements of Title VI.

Title VI posters are hung at the Doe Mountain Visitor Center at the mountain's main trailhead.

30. Describe the authority's actions to ensure it is meeting Title VI requirements. Specifically, describe any authority monitoring or tracking activities related to Title VI, and how frequently these activities occur.

The DMRA has no staff and is not established to the point where Title VI monitoring is a feasible activity. However, pursuant to a Memorandum of Understanding between the DMRA and Johnson County, dated November 2013, the DMRA may access county employees "*on an as-needed basis if such assistance would be of mutual benefit to the DMRA...*" Johnson County employs a Title VI coordinator who is available to assist the DMRA in the event of a complaint.

31. Please describe the authority's procedures for handling Title VI complaints. Has the authority received any Title VI-related complaints during the past two years? If yes, please describe each complaint, how each complaint was investigated, and how each complaint was resolved (or, if not yet resolved, the complaint's current status).

The DMRA has not received any Title VI complaints to date. Should a complaint be filed, the Johnson County Title VI coordinator is willing to assist.

32. Please provide a breakdown of current authority staff by title, ethnicity, and gender.

The DMRA has no staff.

33. Please list all authority contracts, detailing each contractor, the services provided, the amount of the contract, and the ethnicity of the contractor/business owner.

Brushy Fork Environmental Services, Inc. – Hydrologic repairs to a damaged and eroding stream. The DMRA paid \$9,500.00. Brushy Fork's business owner is Caucasian.

EMB Environmental Management – Biological surveys. The DMRA paid \$810. EMB's business owner is Caucasian.

Mona B. Alderson – Legal fees. The DMRA paid \$890.00. Ms. Alderson is Caucasian.

Allen McGee & Associates – Audit fees. The DMRA paid \$3,000.00. The audit firm's business owner is Caucasian.

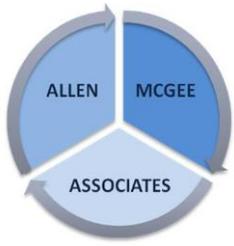
**DOE MOUNTAIN RECREATION AUTHORITY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDING
JUNE 30, 2014 AND JUNE 30, 2013**

**DOE MOUNTAIN RECREATION AUTHORITY
FINANCIAL STATEMENTS
JUNE 30, 2014 AND JUNE 30, 2013**

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FINANCIAL SECTION



Allen, McGee and Associates

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

December 19, 2014

To the Board of Directors
Doe Mountain Recreation Authority
Mountain City, Tennessee 37683

We have audited the accompanying financial statements of the governmental activities and the general fund of the Doe Mountain Recreation Authority as of and for the years ended June 30, 2014 and June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

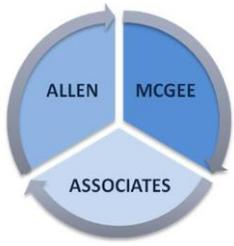
Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

110 North Jackson Street, Tullahoma, TN 37388
Phone: (931)393-3307, Fax: (931)393-3503,
Web Page: AllenMcGeeCPA.com



Allen, McGee and Associates

Certified Public Accountants

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 general fund of the Doe Mountain Recreation Authority as of June 30, 2014 and June 30, 2013, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

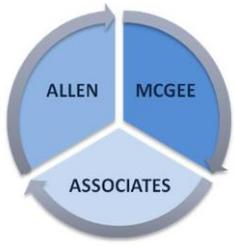
Required Supplementary Information

Accounting principles generally accepted in the United States of America Require that the management's discussion and analysis on pages 7 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Doe Mountain Recreation Authority's basic financial statements. The information described in the "Supplementary Information Section" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The information described in the "Supplementary Information Section" in the table of contents as the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial



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statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information described in the Table of Contents in the “Supplementary Information Section” as the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, 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 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.

Allen, McGee and Associates
Certified Public Accountants

DOE MOUNTAIN RECREATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis and overview of The Doe Mountain Recreation Authority's financial performance during the fiscal year that ended on June 30, 2014 and 2013. Please read it in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The authority has been properly established and is the park is currently opened for public use and a master plan for the operations of the park is under development by the authority.
- Total assets at June 30, 2014 was \$10,774,886 and exceeded liabilities in the amount of \$10,774,886 (i.e. net position). Of the total net position, \$56,500 was unrestricted and was available to support short term operations. Total unrestricted net position increased from fiscal year end 2013 in the amount of \$44,065.
- Program revenues were \$65,089 with \$38,853 from the issuance of use fees during the 2013-2014 fiscal year.
- No expenses were incurred during the 2012-2013 fiscal year. During 2013-2014 fiscal year expenditures of \$21,024 was incurred with expenditures of \$18,386 funded from a federal grant was incurred for the development of a "Master Plan" for the operations of the Park. This "Master Plan" was adopted by the board in October 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's planning, budget, and other management tools were used for this analysis.

The basic financial statements include information that presents two different views of the Authority. The first column of the financial statements for each year includes information on the Authority's Operating Fund under the modified accrual method. This fund's financial statement focuses on current financial resources and provides a more detailed view about the accountability of the Authority's sources and uses of these funds. The adjustment column of the financial statements for each year represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method. The third column of each year is the government-wide financial statement column. This column provides both long-term and short-term information about the Authority's overall financial status. The statement of net position and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. These statements tell how the Authority was financed in the short term, as well as what remains for future spending.

**DOE MOUNTAIN RECREATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT.)

The notes to the financial statement 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 Board's accounting policies, significant account balances and activities, material risks, obligation, commitments, contingencies and subsequent events, if any. The statements are followed by a section of supplementary information that further explains and supports the information in the financial statements.

The financial statements were prepared by the Board's staff from the detailed books and records of the Board. The financial statements were audited and adjusted, if material, during the independent external audit process.

SUMMARY OF ORGANIZATION OF BUSINESS

The Doe Mountain Recreation Authority (the Authority) was created by Public Chapter No. 1106 of the Tennessee legislature in 2012 and began operations during 2012-2013 fiscal year.

The Authority was created by the Tennessee State Legislature to protect and conserve the natural resources of Doe Mountain a 8,600 acres tract of mountain land located in Johnson County, Tennessee through planning, promoting, financing, constructing, managing and developing multi-use recreational opportunities for public participation and enjoyment that will create jobs and facilitate economic development.

FINANCIAL ANALYSIS

Governmental Activities

The following table shows, in a condensed format, the current year's net position and changes in net position, compare to the prior year:

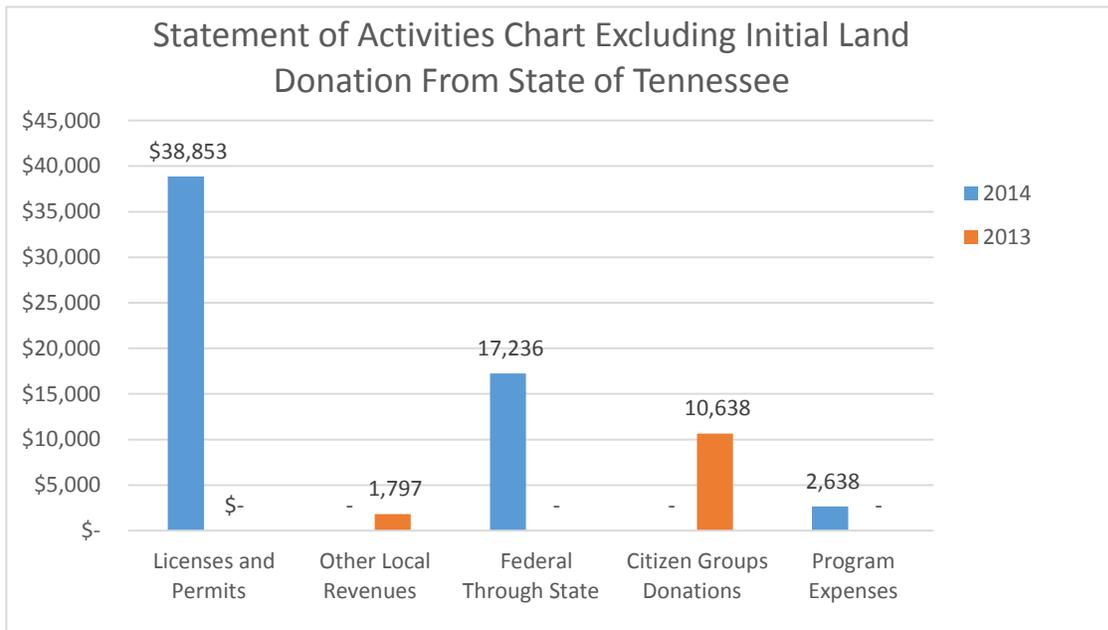
	Governmental Activities			
	2014	2013	Change	Total Percent Changed
Current and other assets	\$ 56,500	\$ 12,435	\$ 44,065	354.36%
Noncurrent assets	10,718,386	10,700,000	18,386	0.17%
Total Assets	10,774,886	10,712,435	62,451	0.58%
Net Investment in Capital Assets	10,718,386	10,700,000	18,386	0.17%
Unrestricted	56,500	12,435	44,065	354.36%
Total Net Position	\$ 10,774,886	\$ 10,712,435	\$ 62,451	0.58%

**DOE MOUNTAIN RECREATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)**

FINANCIAL ANALYSIS (CONT.)

Governmental Activities (Cont.)

	Governmental Activities			Total Percent Changed
	2014	2013	Change	
Program Revenue				
Licenses and Permits	\$ 38,853	\$ -	\$ 38,853	N/A
Other Local Revenues	-	1,797	(1,797)	-100.00%
Federal Through State	17,236	-	17,236	N/A
Other Governments Contributions	9,000	10,700,000	(10,691,000)	-99.92%
Citizen Groups Donations	-	10,638	(10,638)	-100.00%
Total Program Revenues	65,089	10,712,435	(10,647,346)	-99.39%
Program Expenses	2,638	-	2,638	N/A
Total Expenses	2,638	-	2,638	N/A
Change in net assets	62,451	10,712,435	(10,649,984)	-99.42%
Beginning net assets	10,712,435	-	10,712,435	N/A
Ending net assets	\$ 10,774,886	\$ 10,712,435	\$ 62,451	0.58%



**DOE MOUNTAIN RECREATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)**

FINANCIAL ANALYSIS (CONT.)

Governmental Activities (Cont.)

The Authority's total net position at June 30, 2014 was \$10,774,886, including \$10,700,000 of land contributed by the State of Tennessee at the Authority's inception. The Authority's governmental revenues for the Fiscal Year Ending June 30, 2014 was \$65,089 of which \$38,853 or 59.69% was user fees charged by the Authority for the use of the land. The remaining revenues were from a grant for the creation of a "Master Plan" for the operations of the park.

Governmental Funds

	Governmental Funds (Modified Accrual Basis)			
	2014	2013	Change	Total
Program Revenue				
Licenses and Permits	\$ 38,853	\$ -	\$ 38,853	N/A
Other Local Revenues	-	1,797	(1,797)	-100.00%
Federal Through State	17,236	-	17,236	N/A
Other Governments Contributions	9,000	-	9,000	N/A
Citizen Groups Donations	-	10,638	(10,638)	-100.00%
Total Program Revenues	65,089	12,435	52,654	423.43%
Program Expenditures				
Engineering Services	18,386	-	18,386	N/A
Legal Services	250	-	250	N/A
Liability Insurance	1,709	-	1,709	N/A
Trustee's Commission	476	-	476	N/A
Other Charges	203	-	203	N/A
Total Expenditures	21,024	-	21,024	N/A
Change in Fund Balance	44,065	12,435	31,630	254.36%
Beginning Fund Balance	12,435	-	12,435	N/A
Ending Fund Balance	\$ 56,500	\$ 12,435	\$ 44,065	354.36%

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2014, the Authority had \$10,718,386 invested in capital assets, this included land of \$10,700,000 and the work in process for the "Master Plan" of the authority and the Doe Mountain Park of \$18,386. This plan was not accepted by the authority until October 2014. Considerable funding for this plan was provided by The Nature Conservatory and this donation will not be recognized until the acceptance of this asset. No debt has been incurred to date to finance the operations or the capital assets of the authority.

**DOE MOUNTAIN RECREATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)**

CONTACT INFORMATION

This financial report is designed to provide the public 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 _____ at _____, Mountain City, Tennessee 37683.

Doe Mountain Recreation Authority
Statement of Net Position and Governmental Fund Balance Sheet

	June 30, 2014			June 30, 2013		
	General Fund	(Note 7) Adjustments	Statement of Net Position	General Fund	(Note 7) Adjustments	Statement of Net Position
<u>ASSETS</u>						
Current Assets:						
Cash on Hand	\$ 250	\$ -	\$ 250	\$ -	\$ -	\$ -
Due from Other Governments	56,250	-	56,250	12,435	-	12,435
Total Current Assets	<u>56,500</u>	<u>-</u>	<u>56,500</u>	<u>12,435</u>	<u>-</u>	<u>12,435</u>
Non-Current Assets:						
Capital Assets						
Land	\$ -	\$ 10,700,000	\$ 10,700,000	-	10,700,000	10,700,000
Intangible Assets - Indefinite Life	-	18,386	18,386	-	-	-
Total Capital Assets	<u>-</u>	<u>10,718,386</u>	<u>10,718,386</u>	<u>-</u>	<u>10,700,000</u>	<u>10,700,000</u>
Total Assets	<u>\$ 56,500</u>	<u>\$ 10,718,386</u>	<u>\$ 10,774,886</u>	<u>12,435</u>	<u>10,700,000</u>	<u>10,712,435</u>
<u>FUND BALANCES</u>						
Unassigned	\$ 56,500	\$ (56,500)	\$ -	\$ 12,435	\$ (12,435)	\$ -
Total Fund Balances	<u>\$ 56,500</u>	<u>\$ (56,500)</u>	<u>\$ -</u>	<u>\$ 12,435</u>	<u>\$ (12,435)</u>	<u>\$ -</u>
<u>NET POSITION</u>						
Investment in Capital Assets		\$ 10,718,386	\$ 10,718,386	\$ 10,700,000	\$ 10,700,000	\$ 10,700,000
Unrestricted		56,500	56,500	12,435	12,435	12,435
Total Net Position		<u>\$ 10,774,886</u>	<u>\$ 10,774,886</u>	<u>\$ 10,712,435</u>	<u>\$ 10,712,435</u>	<u>\$ 10,712,435</u>

The Notes to the Financial Statements are an integral part of the Statement.

Doe Mountain Recreation Authority
Statement of Activities and Governmental Fund
Revenues, Expenditures, and Changes in Fund Balances

	For the Year Ended June 30, 2014			For the Year Ended June 30, 2013		
	General Fund	(Note 8) Adjustments	Statement of Net Position	General Fund	(Note 8) Adjustments	Statement of Net Position
Expenditures/Expenses						
Engineering Services	\$ 18,386	\$ (18,386)	\$ -	\$ -	\$ -	\$ -
Legal Services	250	-	250	-	-	-
Liability Insurance	1,709	-	1,709	-	-	-
Trustee's Commission	476	-	476	-	-	-
Other Charges	203	-	203	-	-	-
Total Expenditures/Expenses	\$ 21,024	\$ (18,386)	\$ 2,638	\$ -	\$ -	\$ -
Program Revenues						
Licenses and Permits	\$ 38,853	\$ -	\$ 38,853	\$ -	\$ -	\$ -
Other Local Revenues	-	-	-	1,797	-	1,797
Federal Through State	17,236	-	17,236	-	-	-
Other Governments Contributions	9,000	-	9,000	-	10,700,000	10,700,000
Citizen Groups Donations	-	-	-	10,638	-	10,638
Total Program Revenues	\$ 65,089	\$ -	\$ 65,089	\$ 12,435	\$ 10,700,000	\$ 10,712,435
Excess of Revenues Over Expenditures and Change in Net Assets	\$ 44,065	\$ 18,386	\$ 62,451	\$ 12,435	\$ 10,700,000	\$ 10,712,435
Fund Balance/Net Assets Beginning of Year	12,435	10,700,000	10,712,435	-	-	-
Fund Balance/Net Assets End of the Year	\$ 56,500	\$ 10,718,386	\$ 10,774,886	\$ 12,435	\$ 10,700,000	\$ 10,712,435

The Notes to the Financial Statements are an integral part of the Statement.

Doe Mountain Recreation Authority
Notes to Financial Statements
June 30, 2014 and 2013

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 8,600 acres of mountain land located in Johnson County, Tennessee through planning, promoting, financing, constructing, managing and developing multi-use recreational opportunities for public participation and enjoyment that will create jobs and facilitate economic development.

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 of the appointed by the governor from the public at large.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 below:

Doe Mountain Recreation Authority

Notes to Financial Statements (Cont.)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

A. Method of Accounting (Cont.)

(1) Government-wide and fund financial statements

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

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 under accrual accounting.

Doe Mountain Recreation Authority Notes to Financial Statements (Cont.)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

A. Method of Accounting (Cont.)

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

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.

Assigned fund balance – includes amounts that are constrained by the Authority's intent to be used for specific purposes, but are neither restricted nor committed. The Authority's Board of Directors has not authorized anyone to make assignments.

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.

Doe Mountain Recreation Authority Notes to Financial Statements (Cont.)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Method of Accounting (Cont.)

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

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 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

(4) Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period 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, 2014.

Doe Mountain Recreation Authority Notes to Financial Statements (Cont.)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Method of Accounting (Cont.)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any items that qualify for reporting in this category as of June 30, 2014.

(5) Budgeting

There is no legal requirement that a budget be established; however, a budget was prepared for the year ended June 30, 2014.

(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.

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 of the "Master Plan" an intangible asset which was still under development as of June 30, 2014.

NOTE 4 - EXEMPTION FROM INCOME TAX

As a public governmental corporation the Authority is exempt from federal, state, county and municipal income taxes.

Doe Mountain Recreation Authority Notes to Financial Statements (Cont.)

NOTE 5 - 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 all funds with the Johnson County Trustee with the exception of cash on hand which is maintained at a nominal amount. These funds on deposit with the Johnson County Trustee is presented as Due from Other Governments in the financial statements of this report.

NOTE 6 – DUE FROM OTHER GOVERNMENTS

As of June 30, 2014 and as of June 30, 2013 Due from Other Governments Existed of \$56,250 and \$12,435 this amount represent funds being held by the Johnson County Trustee for the benefit of the Authority.

NOTE 7- 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, 2014 totaled \$10,718,386, and at June 30, 2013 totaled \$10,700,000.

Doe Mountain Recreation Authority Notes to Financial Statements (Cont.)

NOTE 8 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES

Governmental funds report capital outlays as expenditures while governmental activities report the cost of capital outlays as an asset and report depreciation expense to allocate those expenditures over the life of the assets. No depreciation expense for the years ended June 30, 2013 or for June 30, 2014 was incurred due to the nature of these assets.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<u>Capital assets not being depreciated:</u>				
Land	\$ 10,700,000	\$ 0	\$ 0	\$ 10,700,000
Intangible Assets – Indefinite Life	0	18,386	0	18,386
Total Capital Assets	\$ 10,700,000	\$ 18,386	\$ 0	\$ 1,000

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<u>Capital assets not being depreciated:</u>				
Land	\$ 0	\$10,700,000	\$ 0	\$ 10,700,000
Total Capital Assets	\$ 0	\$10,700,000	\$ 0	\$ 10,700,000

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. As of June 30, 2014 this plan had not been accepted by the authority. In accordance with Governmental Accounting Standard Board Statement 51 the cost of the master plan has been capitalized as an intangible asset with an indefinite life.

Doe Mountain Recreation Authority Notes to Financial Statements (Cont.)

NOTE 10 – CONTINGENT LIABILITIES

The Doe Mountain Recreation Authority is involved in a lawsuit. The authority's attorney estimates that the potential claim against the county resulting from such litigation would not materially affect the authority's financial statements.

SUPPLEMENTARY INFORMATION SECTION

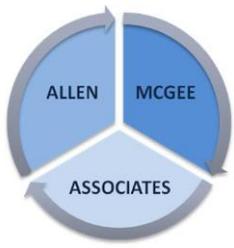
Doe Mountain Recreation Authority
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Expenditures
U.S Dept. of Agriculture Rural Business Cooperative Services	10.769	N/A	\$ 17,236

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of the Doe Mountain Recreation Authority under programs of the federal governments for the year ended June 30, 2014. The schedule is presented using the modified accrual basis of accounting.

COMPLIANCE SECTION



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INDEPENDENT AUDITORS' 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*

December 19, 2014

To the Board of Directors
Doe Mountain Recreation Authority
Mountain City, Tennessee 37683

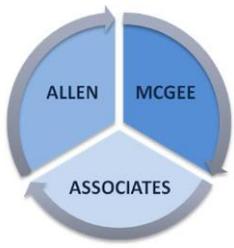
We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Doe Mountain Recreation Authority, as of and for the years ended June 30, 2014 and June 30, 2013, 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 December 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Doe Mountain Recreation Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Doe Mountain Recreation 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 were not identified. Given these



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limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be a significant deficiency: Finding 14-01 Failure of the Board of Directors to Adopt a Budget for the Fiscal Year Ending June 30, 2014.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Doe Mountain Recreation Authority's Response to Findings

Doe Mountain Recreation Authority's response to the findings identified in our audit is described in the accompanying schedule of findings. Doe Mountain Recreation Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Allen, McGee and Associates
Certified Public Accountants

**Doe Mountain Recreation Authority
Schedule of Findings
Years Ended June 30, 2014 and June 30, 2013**

PART I. SUMMARY OF AUDIT RESULTS

1. The auditor's report gives an unqualified opinion on the financial statements of the Doe Mountain Recreation Authority.
2. The audit of the financial statements of the Doe Mountain Recreation Authority disclosed significant deficiencies in internal control. (Condition 14-01).
3. The audit of the financial statements of the Doe Mountain Recreation Authority did not disclose any material weaknesses.

PART II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS

FINDING 14-01 **FAILURE OF THE BOARD OF DIRECTORS TO ADOPT A BUDGET**
(Internal Control – Significant Deficiency under *Government Auditing Standards*)

During the period under examination the Board of Directors of the Doe Mountain Recreation Authority failed to officially adopt a budget. To ensure proper accountability and control over the funds maintained by the authority and to provide documentation of risk assessments performed by the authority the Board of Directors should annually adopt a budget for the operations of the authority.

RECOMMENDATION

The Board of Directors should adopt an official budget annually to provide for the proper accountability and control over the expenditure of funds maintained by the authority.

MANAGEMENT RESPONSE

The board will adopt a budget for future operations.



Doe Mountain Recreation Authority

2014 Annual Report to the State of Tennessee

Dear Governor Haslam, Lieutenant Governor/Speaker Ramsey, Speaker Harwell, and Treasurer Lillard, Jr.:

I am pleased to present this annual report on the developments of the Doe Mountain Recreation Authority (DMRA) for its second year of operations, 2014.

I was elected Chairman of the DMRA Board at our November 2014 meeting and am extremely proud of what the DMRA has accomplished since our appointment in 2012. As this annual report will detail, our 15-member Board and many volunteers and advisors have made great strides in implementing the DMRA's operational procedures, completing a comprehensive management planning process, attracting public and private partners and grants, and offering Doe Mountain to recreational uses on existing roads and trails.

The mission of the DMRA is *"to transform Doe Mountain into a safe, fun, family-oriented, multi-use outdoor recreation destination that promotes local economic development while conserving and protecting its beauty, woods, water, and wildlife."* On behalf of the DMRA Board, I look forward to continuing the advancement of this important project.

Sincerely,

Michael Haven Farmer

Chairman, DMRA Board

I. Introduction

The Doe Mountain Recreation Authority (DMRA) was created by Section 11-25-103, *Tennessee Code Annotated* to prepare master plans for Doe Mountain and to ensure compliance with such plans; to conserve the land, waters, and wildlife of Doe Mountain in a manner protective of the resource; and to foster economic development for the people by the development and operation of multi-use family oriented outdoor recreation opportunities. The DMRA consists of 15 volunteer Board members, including three officers, and has no paid staff at this time. The DMRA has received no operational funding from the State of Tennessee.

II. 2014 Business Affairs & Transaction

The DMRA achieved the following significant accomplishments in 2014:

- Completed the Doe Mountain Management Plan after over a year of planning and public input; the Plan was made available to the public in October 2014.
- Gained liability insurance coverage with the State Claims Commission.
- Completed the DMRA's first financial audit.
- Adopted rules establishing the DMRA's user fees and waiver of fees.
- Sold \$15,589 in user passes.
- Partnered with the U.S. EPA 319 grant program (funds totaling \$40,000) to repair hydrologic damage on Morefield Branch.
- Received a private grant (funds totaling \$500) to make safety repairs to the fire tower.
- Opened the mountain to public hunting, pursuant to State laws.
- With significant volunteer labor from the mountain biking community, completed a new beginner-level mountain bike trail behind the Doe Mountain Visitor Center, Harbin Hill Road main entrance.
- Distributed Doe Mountain Recreation Area rack cards across county businesses and Tennessee Highway Welcome Centers (rack cards funded by State and local economic community development monies).
- Held nine Board meetings and conducted officer elections.
- Continued committee work outside of Board meetings to address specific DMRA issues.
- Collaborated with two universities (East Tennessee State University and Appalachian State University) to expand biological surveys in planned trail corridors.
- Communicated with elected officials regarding the need for funding to hire a DMRA Director.

III. 2014 Finances

See Attachment A to view the DMRA's complete 2014 year-end financial reports. A summary of cash position, revenues, and expenses is as follows:

- 2014 year-end cash position = \$57,528
- 2014 total revenues = \$18,352
- 2014 total expenses = \$17,075

IV. Upcoming Goals

Key Legislative Efforts

- Secure funding to hire a qualified DMRA Director. Timing is dependent upon funding.

Implement TDEC Recreation Trails Program Grant.

- Grant awarded by TDEC in the amount of \$196,000 in August 2013.
- Contract execution anticipated in spring 2015.
- 2015-2016 implement grant activities (erosion control measures, access/trailhead improvements, public restroom facilities at Harbin Hill Road entrance).

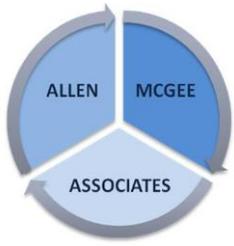
**DOE MOUNTAIN RECREATION AUTHORITY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDING
JUNE 30, 2014 AND JUNE 30, 2013**

**DOE MOUNTAIN RECREATION AUTHORITY
FINANCIAL STATEMENTS
JUNE 30, 2014 AND JUNE 30, 2013**

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FINANCIAL SECTION



Allen, McGee and Associates

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

December 19, 2014

To the Board of Directors
Doe Mountain Recreation Authority
Mountain City, Tennessee 37683

We have audited the accompanying financial statements of the governmental activities and the general fund of the Doe Mountain Recreation Authority as of and for the years ended June 30, 2014 and June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

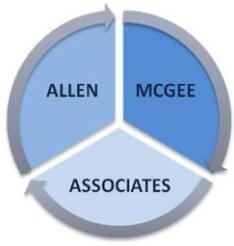
Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

110 North Jackson Street, Tullahoma, TN 37388
Phone: (931)393-3307, Fax: (931)393-3503,
Web Page: AllenMcGeeCPA.com



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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 general fund of the Doe Mountain Recreation Authority as of June 30, 2014 and June 30, 2013, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

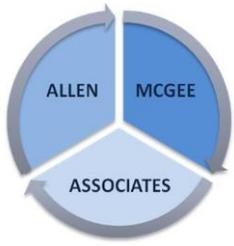
Required Supplementary Information

Accounting principles generally accepted in the United States of America Require that the management's discussion and analysis on pages 7 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Doe Mountain Recreation Authority's basic financial statements. The information described in the "Supplementary Information Section" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The information described in the "Supplementary Information Section" in the table of contents as the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial



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statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information described in the Table of Contents in the “Supplementary Information Section” as the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, 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 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.

Allen, McGee and Associates
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DOE MOUNTAIN RECREATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis and overview of The Doe Mountain Recreation Authority's financial performance during the fiscal year that ended on June 30, 2014 and 2013. Please read it in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The authority has been properly established and is the park is currently opened for public use and a master plan for the operations of the park is under development by the authority.
- Total assets at June 30, 2014 was \$10,774,886 and exceeded liabilities in the amount of \$10,774,886 (i.e. net position). Of the total net position, \$56,500 was unrestricted and was available to support short term operations. Total unrestricted net position increased from fiscal year end 2013 in the amount of \$44,065.
- Program revenues were \$65,089 with \$38,853 from the issuance of use fees during the 2013-2014 fiscal year.
- No expenses were incurred during the 2012-2013 fiscal year. During 2013-2014 fiscal year expenditures of \$21,024 was incurred with expenditures of \$18,386 funded from a federal grant was incurred for the development of a "Master Plan" for the operations of the Park. This "Master Plan" was adopted by the board in October 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's planning, budget, and other management tools were used for this analysis.

The basic financial statements include information that presents two different views of the Authority. The first column of the financial statements for each year includes information on the Authority's Operating Fund under the modified accrual method. This fund's financial statement focuses on current financial resources and provides a more detailed view about the accountability of the Authority's sources and uses of these funds. The adjustment column of the financial statements for each year represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method. The third column of each year is the government-wide financial statement column. This column provides both long-term and short-term information about the Authority's overall financial status. The statement of net position and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. These statements tell how the Authority was financed in the short term, as well as what remains for future spending.

**DOE MOUNTAIN RECREATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT.)

The notes to the financial statement 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 Board's accounting policies, significant account balances and activities, material risks, obligation, commitments, contingencies and subsequent events, if any. The statements are followed by a section of supplementary information that further explains and supports the information in the financial statements.

The financial statements were prepared by the Board's staff from the detailed books and records of the Board. The financial statements were audited and adjusted, if material, during the independent external audit process.

SUMMARY OF ORGANIZATION OF BUSINESS

The Doe Mountain Recreation Authority (the Authority) was created by Public Chapter No. 1106 of the Tennessee legislature in 2012 and began operations during 2012-2013 fiscal year.

The Authority was created by the Tennessee State Legislature to protect and conserve the natural resources of Doe Mountain a 8,600 acres tract of mountain land located in Johnson County, Tennessee through planning, promoting, financing, constructing, managing and developing multi-use recreational opportunities for public participation and enjoyment that will create jobs and facilitate economic development.

FINANCIAL ANALYSIS

Governmental Activities

The following table shows, in a condensed format, the current year's net position and changes in net position, compare to the prior year:

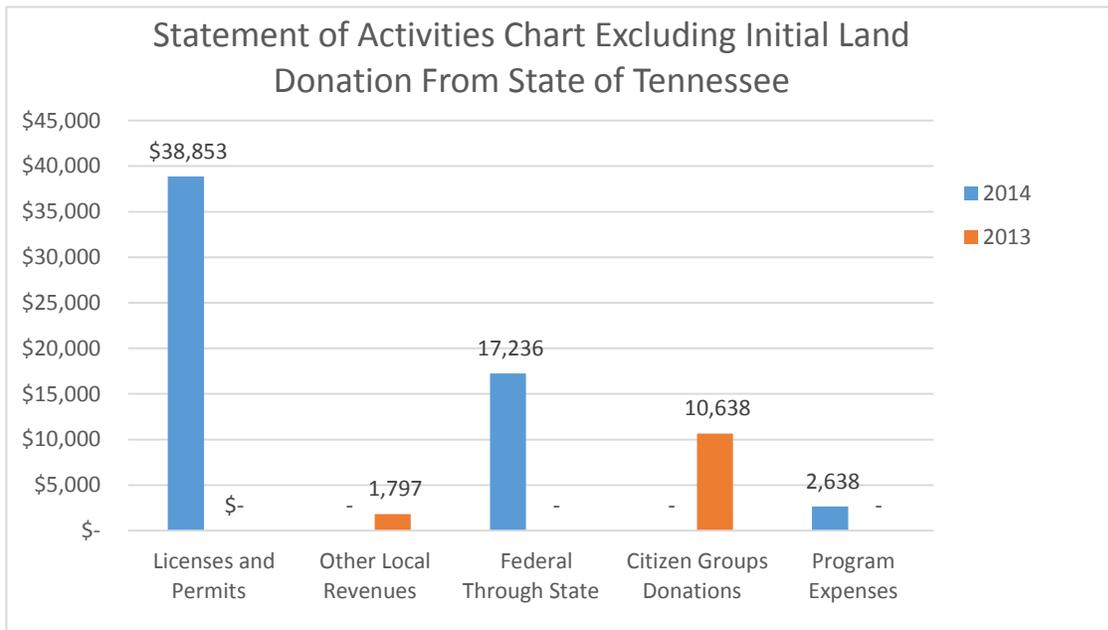
	Governmental Activities			
	2014	2013	Change	Total Percent Changed
Current and other assets	\$ 56,500	\$ 12,435	\$ 44,065	354.36%
Noncurrent assets	10,718,386	10,700,000	18,386	0.17%
Total Assets	10,774,886	10,712,435	62,451	0.58%
Net Investment in Capital Assets	10,718,386	10,700,000	18,386	0.17%
Unrestricted	56,500	12,435	44,065	354.36%
Total Net Position	\$ 10,774,886	\$ 10,712,435	\$ 62,451	0.58%

**DOE MOUNTAIN RECREATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)**

FINANCIAL ANALYSIS (CONT.)

Governmental Activities (Cont.)

	Governmental Activities			Total Percent Changed
	2014	2013	Change	
Program Revenue				
Licenses and Permits	\$ 38,853	\$ -	\$ 38,853	N/A
Other Local Revenues	-	1,797	(1,797)	-100.00%
Federal Through State	17,236	-	17,236	N/A
Other Governments Contributions	9,000	10,700,000	(10,691,000)	-99.92%
Citizen Groups Donations	-	10,638	(10,638)	-100.00%
Total Program Revenues	65,089	10,712,435	(10,647,346)	-99.39%
Program Expenses	2,638	-	2,638	N/A
Total Expenses	2,638	-	2,638	N/A
Change in net assets	62,451	10,712,435	(10,649,984)	-99.42%
Beginning net assets	10,712,435	-	10,712,435	N/A
Ending net assets	\$ 10,774,886	\$ 10,712,435	\$ 62,451	0.58%



**DOE MOUNTAIN RECREATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)**

FINANCIAL ANALYSIS (CONT.)

Governmental Activities (Cont.)

The Authority's total net position at June 30, 2014 was \$10,774,886, including \$10,700,000 of land contributed by the State of Tennessee at the Authority's inception. The Authority's governmental revenues for the Fiscal Year Ending June 30, 2014 was \$65,089 of which \$38,853 or 59.69% was user fees charged by the Authority for the use of the land. The remaining revenues were from a grant for the creation of a "Master Plan" for the operations of the park.

Governmental Funds

	Governmental Funds (Modified Accrual Basis)			
	2014	2013	Change	Total
Program Revenue				
Licenses and Permits	\$ 38,853	\$ -	\$ 38,853	N/A
Other Local Revenues	-	1,797	(1,797)	-100.00%
Federal Through State	17,236	-	17,236	N/A
Other Governments Contributions	9,000	-	9,000	N/A
Citizen Groups Donations	-	10,638	(10,638)	-100.00%
Total Program Revenues	65,089	12,435	52,654	423.43%
Program Expenditures				
Engineering Services	18,386	-	18,386	N/A
Legal Services	250	-	250	N/A
Liability Insurance	1,709	-	1,709	N/A
Trustee's Commission	476	-	476	N/A
Other Charges	203	-	203	N/A
Total Expenditures	21,024	-	21,024	N/A
Change in Fund Balance	44,065	12,435	31,630	254.36%
Beginning Fund Balance	12,435	-	12,435	N/A
Ending Fund Balance	\$ 56,500	\$ 12,435	\$ 44,065	354.36%

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2014, the Authority had \$10,718,386 invested in capital assets, this included land of \$10,700,000 and the work in process for the "Master Plan" of the authority and the Doe Mountain Park of \$18,386. This plan was not accepted by the authority until October 2014. Considerable funding for this plan was provided by The Nature Conservatory and this donation will not be recognized until the acceptance of this asset. No debt has been incurred to date to finance the operations or the capital assets of the authority.

**DOE MOUNTAIN RECREATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)**

CONTACT INFORMATION

This financial report is designed to provide the public 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 _____ at _____, Mountain City, Tennessee 37683.

Doe Mountain Recreation Authority
Statement of Net Position and Governmental Fund Balance Sheet

	June 30, 2014			June 30, 2013		
	General Fund	(Note 7) Adjustments	Statement of Net Position	General Fund	(Note 7) Adjustments	Statement of Net Position
<u>ASSETS</u>						
Current Assets:						
Cash on Hand	\$ 250	\$ -	\$ 250	\$ -	\$ -	\$ -
Due from Other Governments	56,250	-	56,250	12,435	-	12,435
Total Current Assets	<u>56,500</u>	<u>-</u>	<u>56,500</u>	<u>12,435</u>	<u>-</u>	<u>12,435</u>
Non-Current Assets:						
Capital Assets						
Land	\$ -	\$ 10,700,000	\$ 10,700,000	-	10,700,000	10,700,000
Intangible Assets - Indefinite Life	-	18,386	18,386	-	-	-
Total Capital Assets	<u>-</u>	<u>10,718,386</u>	<u>10,718,386</u>	<u>-</u>	<u>10,700,000</u>	<u>10,700,000</u>
Total Assets	<u>\$ 56,500</u>	<u>\$ 10,718,386</u>	<u>\$ 10,774,886</u>	<u>12,435</u>	<u>10,700,000</u>	<u>10,712,435</u>
<u>FUND BALANCES</u>						
Unassigned	\$ 56,500	\$ (56,500)	\$ -	\$ 12,435	\$ (12,435)	\$ -
Total Fund Balances	<u>\$ 56,500</u>	<u>\$ (56,500)</u>	<u>\$ -</u>	<u>\$ 12,435</u>	<u>\$ (12,435)</u>	<u>\$ -</u>
<u>NET POSITION</u>						
Investment in Capital Assets		\$ 10,718,386	\$ 10,718,386	\$ 10,700,000	\$ 10,700,000	\$ 10,700,000
Unrestricted		56,500	56,500	12,435	12,435	12,435
Total Net Position		<u>\$ 10,774,886</u>	<u>\$ 10,774,886</u>	<u>\$ 10,712,435</u>	<u>\$ 10,712,435</u>	<u>\$ 10,712,435</u>

The Notes to the Financial Statements are an integral part of the Statement.

Doe Mountain Recreation Authority
Statement of Activities and Governmental Fund
Revenues, Expenditures, and Changes in Fund Balances

	For the Year Ended June 30, 2014			For the Year Ended June 30, 2013		
	General Fund	(Note 8) Adjustments	Statement of Net Position	General Fund	(Note 8) Adjustments	Statement of Net Position
Expenditures/Expenses						
Engineering Services	\$ 18,386	\$ (18,386)	\$ -	\$ -	\$ -	\$ -
Legal Services	250	-	250	-	-	-
Liability Insurance	1,709	-	1,709	-	-	-
Trustee's Commission	476	-	476	-	-	-
Other Charges	203	-	203	-	-	-
Total Expenditures/Expenses	\$ 21,024	\$ (18,386)	\$ 2,638	\$ -	\$ -	\$ -
Program Revenues						
Licenses and Permits	\$ 38,853	\$ -	\$ 38,853	\$ -	\$ -	\$ -
Other Local Revenues	-	-	-	1,797	-	1,797
Federal Through State	17,236	-	17,236	-	-	-
Other Governments Contributions	9,000	-	9,000	-	10,700,000	10,700,000
Citizen Groups Donations	-	-	-	10,638	-	10,638
Total Program Revenues	\$ 65,089	\$ -	\$ 65,089	\$ 12,435	\$ 10,700,000	\$ 10,712,435
Excess of Revenues Over Expenditures and Change in Net Assets	\$ 44,065	\$ 18,386	\$ 62,451	\$ 12,435	\$ 10,700,000	\$ 10,712,435
Fund Balance/Net Assets Beginning of Year	12,435	10,700,000	10,712,435	-	-	-
Fund Balance/Net Assets End of the Year	\$ 56,500	\$ 10,718,386	\$ 10,774,886	\$ 12,435	\$ 10,700,000	\$ 10,712,435

The Notes to the Financial Statements are an integral part of the Statement.

Doe Mountain Recreation Authority
Notes to Financial Statements
June 30, 2014 and 2013

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 8,600 acres of mountain land located in Johnson County, Tennessee through planning, promoting, financing, constructing, managing and developing multi-use recreational opportunities for public participation and enjoyment that will create jobs and facilitate economic development.

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 of the appointed by the governor from the public at large.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 below:

Doe Mountain Recreation Authority

Notes to Financial Statements (Cont.)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

A. Method of Accounting (Cont.)

(1) Government-wide and fund financial statements

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

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 under accrual accounting.

Doe Mountain Recreation Authority Notes to Financial Statements (Cont.)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

A. Method of Accounting (Cont.)

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

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.

Assigned fund balance – includes amounts that are constrained by the Authority's intent to be used for specific purposes, but are neither restricted nor committed. The Authority's Board of Directors has not authorized anyone to make assignments.

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.

Doe Mountain Recreation Authority Notes to Financial Statements (Cont.)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Method of Accounting (Cont.)

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

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 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

(4) Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period 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, 2014.

Doe Mountain Recreation Authority Notes to Financial Statements (Cont.)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Method of Accounting (Cont.)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any items that qualify for reporting in this category as of June 30, 2014.

(5) Budgeting

There is no legal requirement that a budget be established; however, a budget was prepared for the year ended June 30, 2014.

(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.

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 of the "Master Plan" an intangible asset which was still under development as of June 30, 2014.

NOTE 4 - EXEMPTION FROM INCOME TAX

As a public governmental corporation the Authority is exempt from federal, state, county and municipal income taxes.

Doe Mountain Recreation Authority Notes to Financial Statements (Cont.)

NOTE 5 - 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 all funds with the Johnson County Trustee with the exception of cash on hand which is maintained at a nominal amount. These funds on deposit with the Johnson County Trustee is presented as Due from Other Governments in the financial statements of this report.

NOTE 6 – DUE FROM OTHER GOVERNMENTS

As of June 30, 2014 and as of June 30, 2013 Due from Other Governments Existed of \$56,250 and \$12,435 this amount represent funds being held by the Johnson County Trustee for the benefit of the Authority.

NOTE 7- 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, 2014 totaled \$10,718,386, and at June 30, 2013 totaled \$10,700,000.

Doe Mountain Recreation Authority Notes to Financial Statements (Cont.)

NOTE 8 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES

Governmental funds report capital outlays as expenditures while governmental activities report the cost of capital outlays as an asset and report depreciation expense to allocate those expenditures over the life of the assets. No depreciation expense for the years ended June 30, 2013 or for June 30, 2014 was incurred due to the nature of these assets.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<u>Capital assets not being depreciated:</u>				
Land	\$ 10,700,000	\$ 0	\$ 0	\$ 10,700,000
Intangible Assets – Indefinite Life	0	18,386	0	18,386
Total Capital Assets	\$ 10,700,000	\$ 18,386	\$ 0	\$ 1,000

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<u>Capital assets not being depreciated:</u>				
Land	\$ 0	\$10,700,000	\$ 0	\$ 10,700,000
Total Capital Assets	\$ 0	\$10,700,000	\$ 0	\$ 10,700,000

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. As of June 30, 2014 this plan had not been accepted by the authority. In accordance with Governmental Accounting Standard Board Statement 51 the cost of the master plan has been capitalized as an intangible asset with an indefinite life.

Doe Mountain Recreation Authority Notes to Financial Statements (Cont.)

NOTE 10 – CONTINGENT LIABILITIES

The Doe Mountain Recreation Authority is involved in a lawsuit. The authority's attorney estimates that the potential claim against the county resulting from such litigation would not materially affect the authority's financial statements.

SUPPLEMENTARY INFORMATION SECTION

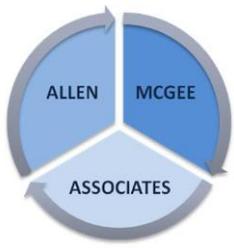
Doe Mountain Recreation Authority
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Expenditures
U.S Dept. of Agriculture Rural Business Cooperative Services	10.769	N/A	\$ 17,236

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of the Doe Mountain Recreation Authority under programs of the federal governments for the year ended June 30, 2014. The schedule is presented using the modified accrual basis of accounting.

COMPLIANCE SECTION



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INDEPENDENT AUDITORS' 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*

December 19, 2014

To the Board of Directors
Doe Mountain Recreation Authority
Mountain City, Tennessee 37683

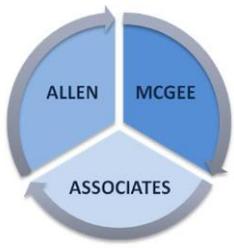
We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Doe Mountain Recreation Authority, as of and for the years ended June 30, 2014 and June 30, 2013, 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 December 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Doe Mountain Recreation Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Doe Mountain Recreation 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 were not identified. Given these



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limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be a significant deficiency: Finding 14-01 Failure of the Board of Directors to Adopt a Budget for the Fiscal Year Ending June 30, 2014.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Doe Mountain Recreation Authority's Response to Findings

Doe Mountain Recreation Authority's response to the findings identified in our audit is described in the accompanying schedule of findings. Doe Mountain Recreation Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

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**Doe Mountain Recreation Authority
Schedule of Findings
Years Ended June 30, 2014 and June 30, 2013**

PART I. SUMMARY OF AUDIT RESULTS

1. The auditor's report gives an unqualified opinion on the financial statements of the Doe Mountain Recreation Authority.
2. The audit of the financial statements of the Doe Mountain Recreation Authority disclosed significant deficiencies in internal control. (Condition 14-01).
3. The audit of the financial statements of the Doe Mountain Recreation Authority did not disclose any material weaknesses.

PART II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS

FINDING 14-01 **FAILURE OF THE BOARD OF DIRECTORS TO ADOPT A BUDGET**
(Internal Control – Significant Deficiency under *Government Auditing Standards*)

During the period under examination the Board of Directors of the Doe Mountain Recreation Authority failed to officially adopt a budget. To ensure proper accountability and control over the funds maintained by the authority and to provide documentation of risk assessments performed by the authority the Board of Directors should annually adopt a budget for the operations of the authority.

RECOMMENDATION

The Board of Directors should adopt an official budget annually to provide for the proper accountability and control over the expenditure of funds maintained by the authority.

MANAGEMENT RESPONSE

The board will adopt a budget for future operations.