

**Smyrna/Rutherford County Airport Authority**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**June 30, 2009 and 2008**

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**Independent Auditors' Report**

To the Board of Directors  
Smyrna/Rutherford County Airport Authority

We have audited the accompanying financial statements of Smyrna/Rutherford County Airport Authority as of June 30, 2009 and 2008 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of Smyrna/Rutherford County Airport Authority management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Smyrna/Rutherford County Airport Authority as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2009 on our consideration of Smyrna/Rutherford County Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in considering in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 7 and the schedule of funding progress on page 19 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Dempsey Vantrease & Follis PLLC*

Murfreesboro, Tennessee  
October 12, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD & A) of the Smyrna/ Rutherford County Airport Authority's (Authority) activities and financial performance provides the reader with an introduction and overview to the financial statements of the Authority for the year ended June 30, 2009. This information should be considered within the context of the accompanying financial statements and note disclosures.

### FINANCIAL OPERATIONS HIGHLIGHTS

Net assets decreased \$1,074,636 in 2009 as compared to a decrease of \$1,100,674 in 2008,

Authority lease revenue totaled \$1,357,688 as compared to \$1,370,847 in 2008. Aircraft operations totaled nearly more than 89,000 for the 2008 calendar year and fuel flowage totaled 1,584,602 gallons resulting in \$95,076 in fuel flowage fees. The nationwide general aviation trend continues downward. Smyrna Airport's operations and fuel flowage reflect that same trend, although somewhat better than the national average. The majority of the Authority's revenue continues to be from facility and land leases.

Operating expenses decreased slightly from \$1,120,997 to \$1,110,280. There were no unusual expenses. Operating expenses were very consistent comparing the current to the prior year. Non-operating income includes a maintenance grant from the TN Aeronautics Division. Interest expense was \$67,240 compared to \$71,357 for the previous year. The Authority continues its repay of a loan from the Town of Smyrna and Rutherford County for infrastructure improvements in the Airport Business Park (Park).

### OVERVIEW OF THE FINANCIAL STATEMENTS

MD&A introduces the Authority's basic financial statements. The basic financial statements include the balance sheet, statement of revenues, expenses, and changes in net assets, the statement of cash flows and the notes to the financial statements.

The balance sheet reports all the Authority's assets and liabilities, with the difference being reported as net assets. Over time increases or decreases typically give some indication of whether the financial position of the Authority is improving or deteriorating. However, overall evaluation of the financial health of the Authority should include non-financial factors such as the physical condition of the airport. The majority of the Authority's net assets are invested in capital assets (e.g., land, buildings, improvements and equipment). These assets are used to provide airport services to the general public and commercial users and are not available for future spending. The unrestricted net assets give a good indication of the earnings, exclusive of depreciation, that have been accumulated since inception. These assets are available for airport operations, future capital additions, and current debt obligations.

The statement of revenues, expenses, and changes in net assets reports all revenues and expenses for the year, regardless of whether cash has been received or paid. An important purpose of the statement is to show whether the Authority's revenues and operations are sufficient to support continued operations. The Authority showed positive earnings from operations before depreciation and positive cash flow for each year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The statement of cash flows converts the operations of the Authority to a cash basis and shows how those cash flows were spent during the year, for example, purchases of fixed assets, debt reduction, etc.

### CONDENSED FINANCIAL INFORMATION

A condensed summary of the Authority's operations follows:

	Year Ended June 30,	
	2009	2008
Operating revenues	\$ 1,390,651	\$ 1,388,162
Operating expenses	1,110,280	1,120,997
Operating income	280,371	267,165
Depreciation	1,679,578	1,628,101
Loss before non-operating income(expense)	(1,399,207)	(1,360,936)
Non operating income	393,611	337,638
Non operating expense	(69,040)	(77,376)
Net increase(decrease) in net assets	\$ (1,074,636)	\$ (1,100,674)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

A condensed summary of the Authority's financial position follows:

	June 30,	
	2009	2008
<b>ASSETS</b>		
Current assets	\$ 791,435	\$ 1,081,470
Property and equipment	30,753,612	31,991,679
Total assets	\$ 31,545,047	\$ 33,073,149
<b>LIABILITIES</b>		
Current and other liabilities	370,625	755,433
Long term debt	1,016,776	1,085,432
Total liabilities	1,387,401	1,840,865
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	29,668,208	30,841,607
Unrestricted	489,438	390,677
Total net assets	30,157,646	31,232,284
Total liabilities and net assets	\$ 31,545,047	\$ 33,073,149

### CAPITAL IMPROVEMENTS

The majority of the Authority's construction activities are financed with federal and state grants. The Authority normally must match a portion of those grants with funds from operations. The Airport's Capital Improvement Plan, approved by the State of Tennessee Aeronautics Division, for the near future includes further development of landside and airside property in the Airport Business Park, repairs and improvements on existing hangars and buildings, strength testing of runways and taxiways as well as strengthening of the west side apron to accommodate larger aircraft.

The Authority determined that a cautious approach to capital expenditures would be prudent due to the state of the economy, therefore, projects in 2009 have been limited to completing any items already begun and moving proposed projects forward another year. Airfield projects required by FAA will be completed before the end of the calendar year.

### CURRENT AIRPORT ACTIVITIES

Staffing levels are not expected to change over the next year, however, benefits costs are expected to increase. The Authority is planning another *Great Tennessee Airshow* in 2010. As directed by the Board, the airshow must host a US military jet team. We have submitted the required documents and now await their response. A *Learn to Fly Day*, *Young Eagles Program*, *Challenge Air* and the *Smyrna Rotary Club's Wings of*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*Freedom Fish Fry* are venues to bring visitors to the airport in large numbers and instill a love of aviation in youngsters.

While the Authority can still boast of fully occupied hangars, retaining customers in office space has proven to be a challenge. We see that trend continuing in the next few months since there is an abundance of office space available in the area. The Authority will price the lease space competitively to attract viable lease customers. New sources of income for airport operations and further development are critical to self-sustainment in the future. The Airport Authority continues to market further development of the Airport Business Park. Working closely with the Chamber of Commerce and Tennessee's Department of Economic and Community Development, the outreach is nationwide. Both the Town of Smyrna and Rutherford County will benefit from maximizing the Park's availability for new business.

**Smyrna/Rutherford County Airport Authority**

**BALANCE SHEETS**

	June 30,	
	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and temporary investments	\$ 774,943	\$ 730,087
Accounts receivable (no allowance for doubtful accounts considered necessary)	16,492	15,956
Grants receivable	-	304,952
Prepaid expenses and deposits	-	30,475
Total current assets	<u>791,435</u>	<u>1,081,470</u>
<b>Capital assets</b>		
Land	18,149,969	18,149,969
Other capital assets, net of depreciation	12,603,643	13,841,710
	<u>30,753,612</u>	<u>31,991,679</u>
	<u>\$ 31,545,047</u>	<u>\$ 33,073,149</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 68,628	\$ 64,640
Accounts payable and amounts due contractors	15,144	370,749
Accrued payroll and related liabilities	46,426	65,023
Total current liabilities	<u>130,198</u>	<u>500,412</u>
<b>Long-term debt, less current portion</b>	1,016,776	1,085,432
<b>Other liabilities</b>		
Deferred income and tenants' deposits	<u>240,427</u>	<u>255,021</u>
Total liabilities	1,387,401	1,840,865
<b>Net assets</b>		
Invested in capital assets, net of related debt	29,668,208	30,841,607
Unrestricted	489,438	390,677
	<u>30,157,646</u>	<u>31,232,284</u>
	<u>\$ 31,545,047</u>	<u>\$ 33,073,149</u>

See notes to financial statements

**Smyrna/Rutherford County Airport Authority**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	For the Year Ended June 30,	
	2009	2008
<b>Revenue</b>		
Lease income	\$ 1,357,688	\$ 1,370,847
Other income	32,963	17,315
	1,390,651	1,388,162
<b>Operating expenses</b>	1,110,280	1,120,997
<b>Operating income before depreciation</b>	280,371	267,165
<b>Provision for depreciation</b>	1,679,578	1,628,101
<b>Operating loss</b>	(1,399,207)	(1,360,936)
<b>Other non operating revenue and (expenses)</b>		
Operating grants	23,400	10,000
Master plan update	(1,800)	(6,017)
Gain on sale of vehicles	35,519	-
Interest income	17,956	8,272
Interest expense	(67,240)	(71,357)
	7,835	(59,102)
Loss before capital contributions	(1,391,372)	(1,420,038)
<b>Capital contributions</b>	316,736	319,364
<b>Decrease in net assets</b>	(1,074,636)	(1,100,674)
Net assets, beginning of year	31,232,282	32,332,956
Net assets, end of year	\$ 30,157,646	\$ 31,232,282

See notes to financial statements

**Smyrna/Rutherford County Airport Authority**

**STATEMENTS OF CASH FLOWS**

	For the Year Ended June 30,	
	2009	2008
<b>Cash flows from operating activities</b>		
Cash received from tenants	\$ 1,375,521	\$ 1,407,161
Cash paid to suppliers	(637,768)	(665,379)
Cash paid to employees	(466,562)	(442,130)
Net cash provided by operating activities	271,191	299,652
<b>Cash flows from non-capital financing activities</b>		
Proceeds from operating grants	23,400	10,000
Other non operational expenditures	(1,800)	(6,017)
Net cash provided by non-capital financing activities	21,600	3,983
<b>Cash flows from capital and related financing activities</b>		
Additions to property and equipment	(791,188)	(888,217)
Proceeds from sale of vehicles	35,519	-
Proceeds from capital grants	621,686	903,861
Principal payments on long-term debt	(64,668)	(60,642)
Interest paid	(67,240)	(71,357)
Net cash used by capital and related financing activities	(265,891)	(116,355)
<b>Cash flows from investing activities</b>		
Interest received	17,956	8,272
Net cash provided by investing activities	17,956	8,272
Net increase in cash and cash equivalents	44,856	195,552
Cash and cash equivalents, beginning of year	730,087	534,535
Cash and cash equivalents, end of year	\$ 774,943	\$ 730,087
<b>Non cash activities:</b>		
Accounts payable paid on fixed assets additions	\$ 349,677	\$ 470,249

See notes to financial statements

**Smyrna/Rutherford County Airport Authority**

**STATEMENTS OF CASH FLOWS (Continued)**

	<u>For the Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>		
Operating loss	\$ (1,399,207)	\$ (1,360,936)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	1,679,578	1,628,101
Decrease(increase) in accounts receivable	(536)	34,084
Decrease in prepaid expenses	30,475	9,770
Increase(decrease) in accounts payable	(5,928)	4,268
Decrease in accrued payroll and related liabilities	(18,597)	(550)
Decrease in deferred income/tenants deposit	(14,594)	(15,085)
Total adjustments	<u>1,670,398</u>	<u>1,660,588</u>
Net cash provided by operating activities	<u>\$ 271,191</u>	<u>\$ 299,652</u>

**Smyrna/Rutherford County Airport Authority**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009 and 2008

**NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES**

The creation of the Smyrna/Rutherford County Airport Authority (the "Authority") was authorized by the Rutherford County Board of Commissioners pursuant to the provision of T.C.A. 42-3-103. The airport is operated through a joint operations agreement between Rutherford County, Tennessee and the City of Smyrna, Tennessee. The agreement created a joint board of directors to manage the airport who are appointed by the City of Smyrna and Rutherford County. The airport serves as a general aviation airport. The airport generates substantially all its revenue through leases of its facilities.

The Smyrna airport was transferred to the Authority by the Metropolitan Nashville Airport Authority on May 15, 1991.

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

1. Financial Reporting

In accordance with GASB 20 issued by the Governmental Accounting Standards Board (GASB), the Authority has elected to apply only statements and accounting principles issued by the Financial Accounting Standards Board prior to November 30, 1989 unless they conflict with GASB statements.

2. Revenue Recognition

The financial statements have been prepared using the accrual basis of accounting which recognizes revenues in the period they are earned and become measurable and expenses in the period they are incurred, if measurable. Non operating revenues generally include transactions reported as capital and non capital financing and investing activities for purposes of the cash flow statement.

3. Cash and cash equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments purchased with an original maturity of three months or less.

As of June 30, 2009, all cash deposits were fully insured by the financial institution through participation in the State Bank Collateral Pool. State and local statues limit the Authority's authorized deposits and investments to time deposits, demand deposits, and money market accounts in addition to the state investment pool.

4. Capital contributions

Capital contributions received under the terms of grants or contracts are accrued and recorded as revenue as the related costs are incurred.

5. Property and equipment

Property and equipment is stated at cost, except for contributions of property received from governmental agencies which are recorded at fair market value.

**Smyrna/Rutherford County Airport Authority**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2009 and 2008

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

6. Property and equipment (continued)

Repairs and maintenance are charged to expense as incurred. Capital assets purchased in the amount of \$500 or more are capitalized. Provision for depreciation of property and equipment is made on a basis considered adequate to amortize the cost of depreciable assets over their estimated useful lives and is computed on the straight-line method. Asset lives used in the calculation of depreciation are generally as follows:

Runways, taxiways, and ramps	10 - 15 years
Buildings and building improvements	20 - 50 years
Equipment and furniture	5 - 10 years
Vehicles	5 years

7. Use of estimates.

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

**NOTE C - ACQUISITION OF AIRPORT**

The Authority acquired the airport from the Metropolitan Nashville Airport Authority ("Nashville") on May 15, 1991 under an Airport Purchase Agreement ("Agreement"). All assets including cash, accounts receivable, and property and equipment were transferred under the agreement. The airport was acquired subject to existing leases, contracts and tenants' deposits. The assets and their related estimated fair market values transferred were as follows:

Real and tangible personal property	\$ 49,407,346
Cash and accounts receivable	530,229
	<u>\$ 49,937,575</u>

In consideration of the transfer, the Authority agreed to undertake steps to environmentally clean-up the airport at its sole expense and agreed to indemnify Nashville from any costs related to the clean-up. The clean-up relates primarily to the removal and disposal of underground fuel storage tanks.

To secure the Authority's obligation to undertake the clean-up, the Authority granted Nashville a lien on substantially all assets of the Authority including assignment of rents. The clean-up has been completed and the Authority received a partial release of the lien during 1999. The Authority received a complete release in 2002.

**Smyrna/Rutherford County Airport Authority**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2009 and 2008

**NOTE D – CAPITAL ASSETS**

Changes in capital assets are as follows:

	Capital assets, not depreciated		Capital assets, depreciated			Totals
	Land	Construction in process	Buildings and improvements	Taxiways, runways, ramps	Furniture, Equipment, and vehicles	
Balance, June 30, 2008	18,149,969	281,824	22,722,678	25,876,195	1,445,317	\$ 68,475,983
Additions	-	-	44,702	539,184	139,449	723,335
Retires	-	(281,824)	-	-	(34,119)	(315,943)
Balance, June 30, 2009	18,149,969	-	22,767,380	26,415,379	1,550,647	68,883,375
<b>Accumulated depreciation</b>						
Balance, June 30, 2008	-	-	13,726,443	22,087,551	670,310	36,484,304
Additions	-	-	968,503	567,002	144,073	1,679,578
Retires	-	-	-	-	(34,119)	(34,119)
Balance, June 30, 2009	-	-	14,694,946	22,654,553	780,264	38,129,763
Net assets	\$ 18,149,969	\$ -	\$ 8,072,434	\$ 3,760,826	\$ 770,383	\$ 30,753,612

**NOTE E - LONG-TERM DEBT**

During 1999 and 1998, the Authority incurred capital outlay notes payable with the City of Smyrna and Rutherford County. The notes are related to the west side development of the airport. The original draws on the Smyrna note and the Rutherford County note were \$497,784 and \$652,209, respectively. Monthly principal and interest payments of \$4,400 and \$6,600 are required to be made to the City of Smyrna and Rutherford County, respectively. The notes bear interest at 6%. These notes were refinanced in August of 2006 and additional proceeds of \$268,138 were received from the City of Smyrna and \$402,207 was received from Rutherford County. The monthly payments remained unchanged. Maturity dates for the City of Smyrna and Rutherford County notes are September, 2023 and February, 2019, respectively. The notes bear interest at a fixed rate of 6%. Maturities of long term debt are as follows:

Year ended June 30,	2010	Principal	Interest
		\$ 68,628	\$ 59,434
	2011	72,860	56,587
	2012	77,354	53,563
	2013	82,125	50,354
	2014-2018	493,152	166,848
	2019-2023	278,292	41,551
	2024-2028	12,993	159
		\$ 1,085,404	\$ 428,496

Changes in long term debt for the year are as follows:

	Balance			Balance
	June 30, 2008	Additions	Retires	June 30, 2009
Capital outlay notes	\$ 1,150,072	-	(64,668)	\$ 1,085,404

**Smyrna/Rutherford County Airport Authority**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2009 and 2008

**NOTE F - LEASE AGREEMENTS**

The Authority's primary source of revenue is from leasing buildings and hangars. With the exception of the Authority's administrative offices, substantially all buildings and hangars are available for or subject to leases. Lease terms generally provide the tenant bear costs of utilities, insurance, maintenance, and taxes.

Future minimum rentals under non-cancelable operating leases is estimated as follows:

Year ended June 30,	2010	\$ 1,077,548
	2011	936,926
	2012	830,501
	2013	748,351
	2014	731,499
	Thereafter	13,250,114
		<u>\$ 17,574,940</u>

Not included in the above totals is certain fuel flowage fees received from two tenants in 2009 and 2008; these fees amounted to approximately \$84,343 in 2009 and \$100,724 in 2008.

**NOTE G - MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK**

Two tenants account for approximately 67% and 62% of lease revenue and other income for the year ended June 30, 2009 and for 2008, respectively. Substantially all major tenants are in the aviation industry.

**NOTE I - PENSION PLAN**

***Plan Description***

Employees of the Authority are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Authority participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

**Smyrna/Rutherford County Airport Authority**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2009 and 2008

**NOTE I – PENSION PLAN (CONTINUED)**

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us)

***Funding Policy***

The Authority's Plan is noncontributory and has assumed employee contributions up to 5.0 percent of annual covered payroll.

The Authority is required to contribute at an actuarially determined rate; the rate for the fiscal years ending June 30, 2009 was 15.42% of annual covered payroll. The contribution requirements of plan members are set by state statute. Contribution requirements for the Authority are established and may be amended by the TCRS Board of Trustees.

***Annual Pension Cost***

For the years ending June 30, 2009 and 2008 the Authority's annual pension cost of \$67,237 and \$82,971, respectively, to TCRS was equal to the Authority's required and actual contributions.

The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a five-year period. The Authority's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 17 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$67,237	100.00%	\$ 0.00
6/30/08	\$82,971	100.00%	\$ 0.00
6/30/07	\$77,200	100.00%	\$ 0.00

**Smyrna/Rutherford County Airport Authority**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2009 and 2008

**NOTE I – PENSION PLAN (CONTINUED)**

***Funding Progress***

As of July 1, 2007, the most recent actuarial valuation date, the plan was 85.19% funded. The actuarial accrued liability (AAL) for benefits was \$628,000,000 and the actuarial value of assets was \$535,000,000 resulting in a unfunded actuarial accrued liability (UAAL) of \$93,000,000. The covered payroll (annual payroll of active employees covered by the plan) was \$415,000, and the ratio of the UAAL to the covered payroll was 22.41%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1-Jul-07	\$535	\$628	\$93	85.19%	\$415	22.41%

**NOTE J - FEDERAL AND STATE GRANTS**

The Authority periodically has various construction projects in progress involving improvements to the airport that are funded primarily through federal and state grants. Receipts and disbursements of project funds are monitored by the Tennessee Office of Aeronautics (TOA). The grant agreements generally require various levels of matching contributions by the Authority.

**NOTE K - FINANCIAL INSTRUMENTS**

The carrying values of the Authority's financial instruments (cash and cash equivalents, receivables, notes, accounts payable, and accrued expenses) approximate fair value due to their current availability, relatively short maturities and/or current market interest rates.

**Smyrna/Rutherford County Airport Authority**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2009 and 2008

**NOTE L – CAPITAL CONTRIBUTIONS**

As disclosed in Note J, the Authority receives federal and state funds to help finance its airport improvement activities. The Authority also has received financial assistance from Rutherford County and the City of Smyrna. Capital contributions are as follows:

	Year Ended	
	June 30, 2009	From Inception
Federal grants	\$ -	\$ 11,167,349
State grants	316,736	5,112,025
City of Smyrna	-	160,000
Rutherford County	-	437,215
	<u>\$ 316,736</u>	<u>\$ 16,876,589</u>

**NOTE M - RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, natural disasters, injuries to employees, etc. The Authority carries commercial insurance to cover significant losses. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the last three fiscal years.

**NOTE N – COMMITMENTS AND CONTINGENCIES**

During the year ended June 30, 2009 the Authority is named as a co-defendant in litigation regarding the actions of a former employee. As of October 12, 2009 the matter was still in the initial discovery stages and the potential outcome of the matter and the possibility of any financial impact to the Authority cannot be determined at this time.

**Note O – SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events through October 12, 2009 which is the date the financial statements were available to be issued. Based on the evaluation no significant subsequent events were noted.

Smyrna/Rutherford County Airport Authority

**SCHEDULE OF FUNDING PROGRESS**

(pension plan)

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Unfunded AAL (UAAL) -	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1-Jul-07	\$535	\$628	\$93	85.19%	\$415	22.41%

The Governmental Accounting Standards Board(GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year and therefore only the most recent year is presented.

**SUPPLEMENTARY INFORMATION**

**Auditors' Report on Supplemental Information**

To the Board of Directors  
Smyrna/Rutherford County Airport Authority

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Smyrna/Rutherford County Airport Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Dempsey Vantrease & Follis PLLC*

Murfreesboro, Tennessee  
October 12, 2009

**Smyrna/Rutherford County Airport Authority**  
**OPERATING EXPENSES**

	<u>For the Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Administrative salaries	\$ 159,087	\$ 158,701
Office supplies and expense	10,095	8,981
Maintenance, building and grounds	34,668	44,894
Accounting and legal fees	44,900	44,025
Telephone	11,392	10,853
Printing and postage	529	707
Travel	525	548
Marketing	19,010	16,377
Utilities	100,595	98,110
Insurance	114,623	109,060
Payroll taxes	35,611	34,515
Employee benefits	115,709	109,939
Retirement benefit plan	67,238	82,972
Maintenance salaries	142,110	138,618
Airfield maintenance expenses	78,018	83,497
Commissioner fees	20,085	19,994
Safety services salaries	146,768	144,261
Dues and subscriptions	1,017	2,655
Safety expenses	7,464	9,943
Conferences, education and training	836	2,347
	<u>\$ 1,110,280</u>	<u>\$ 1,120,997</u>

**Smyrna/Rutherford County Airport Authority**  
 Schedule of Federal Awards and State Financial Assistance  
 Year Ended June 30, 2009

Federal Grantor/ Program Title	CFDA#	Contract #	Grant Receivable June 30, 2008	Receipts	Expenditures	Local Match	Grant Receivable June 30, 2009
U.S. Department of Transportation* Airport Improvement Program	20.106	Z-06-02-9422	4,129	4,129	-	-	-
U.S. Department of Transportation* Airport Improvement Program	20.106	Z-06-02-9501	166,736	166,736	-	-	-
<u>State Financial Assistance</u>			170,865	170,865	-	-	-
TN Dept of Transportation	N/A	Z-09-21-3950	-	60,000	81,994	21,994	-
TN Dept of Transportation	N/A	Z-09-21-3419	-	23,400	47,134	23,734	-
TN Dept of Transportation	N/A	Z-08-20-0762	-	8,631	17,263	8,632	-
TN Dept of Transportation	N/A	Z-06-02-9499	8,844	8,844	-	-	-
TN Dept of Transportation	N/A	Z-08-20-0613	125,244	382,602	257,358	A	-
Total federal and state awards			134,088	483,477	403,749	54,360	-
			\$ 304,953	\$ 654,342	\$ 403,749	\$ 54,360	\$ -

\*Grant is passthrough from Tennessee Dept of Transportation- Aeronautics Division

Basis of Presentation:

This schedule is prepared on the accrual basis of accounting.

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

To the Board of Directors  
Smyrna/Rutherford County Airport Authority

We have audited the financial statements of Smyrna/Rutherford County Airport Authority as of and for the year ended June 30, 2009, and have issued our report thereon dated October 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Smyrna/Rutherford County Airport Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Smyrna/Rutherford County Airport Authority's financial statements that is more than inconsequential will not be prevented or detected by Smyrna/Rutherford County Airport Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: Finding 2009-1 and 2009-2.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Smyrna/Rutherford County Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

This report is intended for the information of the board of directors, management and applicable federal, state and local authorities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Danyon Vantecore in cursive script, followed by the text "Danyon Vantecore & Feltner PLLC".

Murfreesboro, Tennessee

October 12, 2009

**Smyrna/Rutherford County Airport Authority**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**  
For the Year ended June 30, 2009

**Section I – Summary of Auditor Results**

Type of report issued: unqualified

Internal control over financial reporting:

- Material weakness identified? **No**
- Significant deficiencies identified that are not considered material weaknesses **Yes**

Noncompliance material to financial statements noted: **No**

**Section II – Financial Statement Finding**

**Finding #2009-1**

<u>Criteria-</u>	Management of the Airport should consistently prepare financial statements in accordance with U. S. GAAP.
<u>Condition-</u>	Management lacks the expertise required to prepare complete financial statements.
<u>Cause-</u>	Management lacks resources and necessary educational background.
<u>Effect-</u>	Auditor recommended and posted several adjustments to the general ledger and had to assist in preparation of draft financial statements.
<u>Recommendation-</u>	Management should consider implementing policies to allow the Airport to prepare and review statements for consistent application of U.S. GAAP in financial reporting.
<u>Managements Response-</u>	We have a very small staff and do not believe the cost of preparing GAAP financial statements will be beneficial to management or the board of directors. Our operations are fairly simple and we believe our monthly financial statements meet our needs.

**Smyrna/Rutherford County Airport Authority**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**  
For the Year ended June 30, 2009

**Finding #2009-2**

<u>Criteria-</u>	Controls should be in place to maintain proper documentation of lease terms and related charges.
<u>Condition-</u>	Several lease files did not contain current executed contracts or documentation to support current lease rates.
<u>Cause-</u>	High degree of turnover in leases and the inclusion of CPI adjustments in lease agreements.
<u>Effect-</u>	Current charges for lease activity, including CPI increases, are not clearly supported by lease documentation.
<u>Recommendation-</u>	Management should more closely monitor the current document retention policy.
<u>Managements Response-</u>	We agree with the finding and will start monitoring lease agreements more closely.