

MAURY COUNTY REGIONAL
AIRPORT AUTHORITY

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011**

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Basic Financial Statements:	
Government-wide Financial Statements -	
Statement of Net Assets	3
Statement of Activities.....	4
Fund Financial Statements -	
Balance Sheet - Governmental Funds.....	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	8
Notes to Financial Statements	9
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	15
Schedule of Federal and State Financial Assistance.....	16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17
Schedule of Findings and Responses	19

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

204 WEST 4TH STREET, SUITE B
COLUMBIA, TENNESSEE 38401

TELEPHONE 931-381-7010
FAX 931-381-3752

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Maury County Regional Airport Authority
Mt. Pleasant, Tennessee

I have audited the accompanying financial statements of the governmental activities and the major governmental fund of the Maury County Regional Airport Authority, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Maury County Regional Airport Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major governmental fund of the Maury County Regional Airport Authority, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 16, 2012, on my consideration of Maury County Regional Airport Authority's internal control over financial reporting and my 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 my 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 my audit.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Maury County Regional Airport Authority's financial statements as a whole. The budgetary comparison schedule of the governmental fund is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of federal and state financial assistance is presented for purposes of additional analysis and also not a required part of the financial statements. The budgetary comparison schedule of the governmental fund and the schedule of federal and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. My opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in black ink that reads "D. Gregory Johnson, CPA". The signature is written in a cursive style with a large, stylized initial "D".

D. Gregory Johnson, CPA
Columbia, Tennessee
July 16, 2012

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2011**

ASSETS

Cash and cash equivalents	\$ 121,876
Receivables	51,975
Inventory	42,243
Deposits and prepaid expenses	26,248
Capital assets, not being depreciated	1,722,970
Capital assets, being depreciated, net	<u>3,180,933</u>
Total assets	<u>5,146,245</u>

LIABILITIES

Accounts payable	7,250
Sales tax payable	<u>2,004</u>
Total liabilities	<u>9,254</u>

NET ASSETS

Invested in capital assets	4,903,903
Unrestricted	<u>233,088</u>
Total net assets	<u><u>\$ 5,136,991</u></u>

The accompanying notes are an integral part of these financial statements.

MAURY COUNTY REGIONAL AIRPORT AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

ASSETS

Cash and cash equivalents	\$ 121,876
Receivables	51,975
Inventory	42,243
Deposits and prepaid expenses	<u>26,248</u>
Total assets	<u><u>\$ 242,342</u></u>

LIABILITIES AND FUND BALANCES

Accounts payable	\$ 7,250
Sales tax payable	<u>2,004</u>
Total liabilities	<u>9,254</u>
Fund balances	
Nonspendable	68,491
Unassigned	<u>164,597</u>
Total fund balances	<u>233,088</u>
Total liabilities and fund balances	<u><u>\$ 242,342</u></u>

The accompanying notes are an integral part of these financial statements.

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Fund Balances - total governmental funds		\$ 233,088
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$ 9,033,269	
Less accumulated depreciation	<u>(4,129,366)</u>	<u>4,903,903</u>
Net Assets of Governmental Activities		<u><u>\$ 5,136,991</u></u>

The accompanying notes are an integral part of these financial statements.

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

Revenues

Hangar rent	\$ 50,400
Ground lease income	1,884
Fuel sales	258,347
Government appropriations and grants	71,525
Interest income	354
Other income	3,554
	386,064
Total revenues	386,064

Expenditures

Bookkeeping	6,624
Cable television	457
Conferences	1,093
Contract management	50,661
Fuel purchases	205,297
Fuel selling expenses	18,246
Grounds maintenance	15,275
Insurance	17,439
Janitorial	1,247
Office supplies	5,555
Postage	251
Professional fees	15,239
Public notices	514
Repairs & maintenance	12,385
Telephone	4,612
Utilities	25,148
	380,043
Total expenditures	380,043

Excess of revenues over (under) expenditures 6,021

Fund balance, beginning of year 227,067

Fund balance, end of year \$ 233,088

The accompanying notes are an integral part of these financial statements.

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - total governmental funds	\$ 6,021
 Amounts reported for governmental activities in the Statement of Activities are different because:	
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:	
Current depreciation	<u>(249,929)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (243,908)</u></u>

The accompanying notes are an integral part of these financial statements.

MAURY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Maury County Regional Airport Authority (“the Authority”) is a Tennessee not-for-profit corporation, organized under an agreement among the governments of Maury County, City of Columbia and the City of Mt. Pleasant. The Authority is under the direction of a three member Board of Commissioners, with one commissioner appointed by each governmental body.

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 the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Government 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 after year end. Expenditures are recorded when the related fund liability is incurred.

Sources of Revenue

The Authority is financed by hangar rent, ground lease income, fuel sales, state and local governmental appropriations and governmental grants. The amount received from governmental agencies during the current year is as follows:

Maury County	\$ 40,000
City of Columbia	10,000
City of Mt. Pleasant	4,000
State of Tennessee	<u>17,525</u>
	<u>\$ 71,525</u>

Cash and Cash Equivalents

The Authority considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Inventory

Inventory consists of air and jet fuel stated at cost. In October 2010, the Authority assumed management duties of the facility, including the purchase and sale of fuel.

Investment in Capital Assets

The investment in airport facilities as of July 1, 1981, is recorded at its estimated value. Additions subsequent to July 1, 1981, are recorded at cost. The land, deeded to the Authority by the City of Mt. Pleasant, Tennessee, for airport use only, is recorded at its estimated market value on the date of transfer.

Subsequent capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g. roads, sidewalks, traffic lights and signals, streetlights, and similar items), are reported in the applicable governmental columns in the statements.

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Capital Assets (continued)

Capital assets are defined by the Authority as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2011.

Capital assets of the Authority are depreciated using a straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	5 to 50
Improvements other than buildings	5 to 50
Infrastructure	15 to 75
Machinery and equipment	5 to 30

Fund Equity

The Authority implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010. This new standard changed the overall definitions and classifications of governmental fund balances.

Generally, governmental fund balances represent the difference between the assets and liabilities under the current financial resources measurement focus of accounting. Governmental funds report fund balance classifications that comprise a hierarchy primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in those resources can be spent. Fund balances are classified as follows:

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Authority through the adoption of a resolution. Only the Board of Commissioners may modify or rescind the commitment.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the Authority's intent to be used for specific purposes, but are neither restricted nor committed.
- **Unassigned** – Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The Authority reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (continued)

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Authority's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Authority's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgets and Budgetary Accounting

The Authority's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending June 30th. The Authority's commissioners and the County of Maury formally approve the annual budget at the beginning of the year and subsequently authorize budget amendments as necessary.

NOTE B – DEPOSITS AND CASH INVESTMENTS

The Authority's funds are required to be deposited to accounts with commercial banks which are required to pledge securities as collateral for deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage or participate in the Tennessee Collateral Pool. On October 3, 2008, the FDIC increased the coverage limit from \$100,000 to \$250,000 through December 31, 2013. There were no amounts in banks in excess of insured limits as of June 30, 2011.

The Authority's investment policy follows state law which authorizes investments for Tennessee counties in *Tennessee Code Annotated* Section 5-8-301. State statutes authorize the Authority to invest in obligations of the federal government, federal agencies, state government, the state investment pool, certificates of deposit, other time deposits, and repurchase agreements, which require the approval of the State Director of Local Finance.

At June 30, 2011, the Authority's funds were maintained in an interest-bearing account earning interest at a rate of 0.15%.

Cash deposits at June 30, 2011, are summarized as follows:

Cash and cash equivalents, as reported in financial statements	<u>\$ 121,876</u>
Bank balance for above deposits	<u>\$ 118,175</u>

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

NOTE C – RECEIVABLES

Receivables at June 30, 2011, consist of the following:

Hangar rent	\$	1,975
Maury County appropriation		40,000
City of Columbia appropriation		<u>10,000</u>
		<u>\$ 51,975</u>

NOTE D – DEPOSITS AND PREPAID EXPENSES

Deposits and prepaid expenses at June 30, 2011, consist of the following:

Prepaid 10% match for State of Tennessee Hangar Refurbishment grant	\$	22,000
Prepaid 10% match for State of Tennessee Pavement Evaluation grant		1,000
Prepaid 10% match for State of Tennessee Self-service Fuel Farm grant		2,500
Other deposits		<u>748</u>
		<u>\$ 26,248</u>

NOTE E – CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 1,722,970	\$ -	\$ -	\$ 1,722,970
Capital assets, being depreciated:				
Land improvements	354,398	-	-	354,398
Building	330,500	-	-	330,500
Equipment & fixtures	780,348	-	-	780,348
Runways, taxiway, & apron	<u>5,845,053</u>	-	-	<u>5,845,053</u>
Total capital assets, being depreciated	<u>7,310,299</u>	-	-	<u>7,310,299</u>
Less accumulated depreciation:				
Land improvements	(29,533)	(14,176)	-	(43,709)
Building	(226,144)	(9,025)	-	(235,169)
Equipment & fixtures	(770,082)	(5,087)	-	(775,169)
Runways, taxiway, & apron	<u>(2,853,678)</u>	<u>(221,641)</u>	-	<u>(3,075,319)</u>
Total accumulated depreciation	<u>(3,879,437)</u>	<u>(249,929)</u>	-	<u>(4,129,366)</u>
Total capital assets, being depreciated, net	<u>3,430,862</u>	<u>(249,929)</u>	-	<u>3,180,933</u>
Capital assets, net	<u>\$ 5,153,832</u>	<u>\$ (249,929)</u>	<u>\$ -</u>	<u>\$ 4,903,903</u>

Depreciation was charged to governmental functions in the general fund in the amount of \$249,929.

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

NOTE F – FUND BALANCES

At June 30, 2011, fund balances for governmental funds are made up of the following:

	<u>General Fund</u>
Nonspendable	
Inventory	\$ 42,243
Deposits and prepaid expenses	<u>26,248</u>
	68,491
Unassigned	<u>164,597</u>
Total	<u>\$ 233,088</u>

NOTE G – ECONOMIC DEPENDENCE

The Authority is economically dependent on the appropriations from state and local governments. For the current year, these appropriations represent approximately 19% of total revenues of the Authority, and 56% of total non-fuel-sale revenue.

NOTE H – 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; injuries to employees; and natural disasters. The Authority maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE I – AIRPORT MANAGEMENT

The Authority contracted with Maury Aviation, LLC for the day-to-day operations of the airport facility. As part of the agreement, the Authority received a portion of fuel sale revenue and Maury Aviation received 10% of the hangar rent. On October 27, 2010, the contract with Maury Aviation, LLC was terminated. Since then, the Authority has assumed responsibility for the management of the airport facility and the purchase and sale of fuel. Fuel is provided by the Authority, and the Authority receives 100% of the receipts of all fuel sales. The Authority has a contract with a manager for the daily oversight and maintenance of the facility. Total management fees incurred in the current year amounted to \$50,661.

SUPPLEMENTARY INFORMATION

MAURY COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues				
Hangar rent	\$ 48,600	\$ 48,600	\$ 50,400	\$ 1,800
Ground lease income	1,884	1,884	1,884	-
Fuel sales	4,936	4,936	258,347	253,411
Government appropriations and grants	54,000	64,000	71,525	7,525
Interest income	-	-	354	354
Other income	-	300	3,554	3,254
	<u>109,420</u>	<u>119,720</u>	<u>386,064</u>	<u>266,344</u>
Expenditures				
Bookkeeping	3,600	6,030	6,624	(594)
Cable television	456	-	457	(457)
Conferences	750	750	1,093	(343)
Contract management	4,860	43,500	50,661	(7,161)
Fuel purchases	-	-	205,297	(205,297)
Fuel selling expenses	-	10,488	18,246	(7,758)
Grounds maintenance	19,400	19,400	15,275	4,125
Industry information provider	2,000	-	-	-
Insurance	16,700	16,700	17,439	(739)
Janitorial	-	1,500	1,247	253
Office supplies	-	400	5,555	(5,155)
Postage	360	-	251	(251)
Professional fees	12,000	6,600	15,239	(8,639)
Public notices	360	360	514	(154)
Repairs & maintenance	28,200	30,600	12,385	18,215
Telephone	4,596	4,596	4,612	(16)
Utilities	31,436	33,892	25,148	8,744
	<u>124,718</u>	<u>174,816</u>	<u>380,043</u>	<u>(205,227)</u>
Excess of revenues over (under) expenditures	(15,298)	(55,096)	6,021	61,117
Fund balance, beginning of year	<u>227,067</u>	<u>227,067</u>	<u>227,067</u>	<u>-</u>
Fund balance, end of year	<u>\$ 211,769</u>	<u>\$ 171,971</u>	<u>\$ 233,088</u>	<u>\$ 61,117</u>

See auditor's report.

MAURY COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2011

CFDA Number	Grant Number	Program Name	Grantor Agency	Receivable		Cash Expenditures	Receivable Balance June 30, 2011
				Balance July 1, 2010	Cash Receipts		
20.016	DG-11-31518-00	Airport maintenance contract	Department of Transportation	-	17,525	17,525	-
				\$ -	\$ 17,525	\$ 17,525	\$ -

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

204 WEST 4TH STREET, SUITE B
COLUMBIA, TENNESSEE 38401

TELEPHONE 931-381-7010
FAX 931-381-3752

**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**

Board of Commissioners
Maury County Regional Airport Authority
Mt. Pleasant, Tennessee

I have audited the financial statements of the governmental activities and the major governmental fund of the Maury County Regional Airport Authority as of and for the year ended June 30, 2011, which collectively comprise the Maury County Regional Airport Authority's basic financial statements and have issued my report thereon dated July 16, 2012. I conducted my 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 my audit, I considered Maury County Regional Airport Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Maury County Regional Airport Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Maury County Regional Airport Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maury County Regional Airport Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-1 and 2011-2.

Maury County Regional Airport Authority's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit Maury County Regional Airport Authority's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Maury County Regional Airport Authority, its management and others within the organization, the Comptroller of the Treasury of the State of Tennessee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "D. Gregory Johnson, CPA". The signature is written in a cursive style with a large initial "D" and "J".

D. Gregory Johnson, CPA
Columbia, Tennessee
July 16, 2012

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011**

Finding 2011-1 – Expenditures Exceeded Budget and Fiscal Plan

The Authority exceeded budget amounts in several of its operating expenses. According to Tennessee law, the Authority cannot expend moneys regardless of their source except in accordance with a budget previously adopted. The law further states that nothing limits the Board of Commissioners from amending a budget after adoption. (This was also a finding at June 30, 2010.)

Recommendation

I recommend that the Board of Commissioners review on a monthly basis, as required by law, the actual-to-budget comparisons and adopt amendments to its budget when unexpected departures from its fiscal plan are anticipated.

Management's Comments

The Board of Commissioners will attempt to review the budget with regards to expenditures and adopt amendments to the budget when unexpected departures from its fiscal plan occur.

Finding 2011-2 – Year-End Financial Audit Not Submitted in a Timely Manner to the Comptroller of the Treasury of the State of Tennessee

The Authority's audit report has consistently been filed late with the Comptroller's Office. The approved Contract to Audit Accounts requires audits to be submitted within six months of yearend. The usefulness of reports issued so long after yearend is greatly diminished. (This was also a finding at June 30, 2010.)

Recommendation

I recommend that the Authority ensure that financial statements are complete and ready to audit as quickly and efficiently as possible at yearend. Coordinate and schedule with the auditor as soon as possible after yearend to provide the auditor enough time to perform necessary and required audit procedures in order to complete the audit in a timely manner as required by the Comptroller's Office.

Management's Comments

Required documentation and files will be handed over to the auditor no later than 3 months after year end.