

**JACKSON-MADISON COUNTY  
AIRPORT AUTHORITY**

**JACKSON, TENNESSEE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011**

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
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For The Fiscal Year Ended June 30, 2011

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## **INTRODUCTORY SECTION**

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY  
DIRECTORY**  
June 30, 2011

**BOARD MEMBERS**

Hoyt Hayes, Jr.  
Essie Lovelady  
Bill Sipes  
Tim Wilson  
Bill Maniss

**MANAGEMENT TEAM**

Steve Smith, Executive Director  
Cindy Melton, Accountant

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Alexander Thompson Arnold PLLC  
Jackson, Tennessee

## **FINANCIAL SECTION**



Certified Public Accountants

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Kentucky Society of Certified Public Accountants

## Independent Auditor's Report

Jackson-Madison County Airport Authority  
McKellar-Sipes Regional Airport  
Jackson, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Jackson-Madison County Airport Authority, Jackson, Tennessee (the 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 Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2012, on our consideration of the 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 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.

Jackson-Madison County Airport Authority  
McKellar-Sipes Regional Airport  
Jackson, Tennessee

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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 statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The introductory section and the other supplementary section are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Alexander Thompson Arnold, PLLC". The signature is written in a cursive, flowing style.

Jackson, Tennessee  
July 9, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Jackson-Madison County Airport Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2011. All amounts, unless otherwise indicated, are expressed in actual dollars. A comparative analysis of key elements of total governmental funds and total enterprise funds has been provided. A prior year comparative analysis of government-wide data has been provided.

### FINANCIAL HIGHLIGHTS

Management believes the Authority's financial condition is strong. The Authority is well within its more stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets at year-end were \$7.51 million and exceeded liabilities in the amount of \$6.87 million (i.e. net assets).
- Net assets decreased \$50 thousand during the current year.
- Operating revenues were \$2.18 million, while operating expenses were \$2.23 million which resulted in a decrease in net assets of \$50 thousand.
- The Authority acquired the FBO, an enterprise fund, during the year, resulting in an increase in notes payable of \$251 thousand.

### OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's strategic plan, budget, bond resolutions and other management tools were used for this analysis. The Financial Statements are made up of three sections: 1) the introductory section, 2) the financial section, and 3) the internal control and compliance section. The introductory section includes the Authority's directory. The financial section includes the MD&A, the independent auditor's report, and the financial statements with accompanying notes. The internal control and compliance section includes the report on internal control and compliance.

### REQUIRED FINANCIAL STATEMENTS

The Authority's required financial statements include both government-wide financial statements and fund financial statements. The fund financial statements consist of governmental fund financial statements and business-type, proprietary fund financial statements. The Authority's governmental activities include general operations and capital projects. The Authority's business-type activities include the FBO (Fixed Based Operator).

#### **Government-wide Financial Statements**

The *Statement of Net Assets* includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Authority.

The *Statement of Activities* presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of

## MANAGEMENT'S DISCUSSION AND ANALYSIS

the related cash flows. This statement measures the success of the Authority's operations and can be used to determine whether the Authority has successfully recovered all of its costs. This statement also measures the Authority's profitability and credit worthiness. The government-wide financial statements can be found on pages 9 and 10 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Authority's funds can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds* – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of Authority's near-term financing decisions. Both the Balance Sheet — Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 11 through 14 of this report.

Information is presented separately in the Balance Sheet — Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds for the General Fund and Capital Projects Fund, which are considered to be major funds.

*Proprietary funds* - Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The Authority uses an enterprise fund to account for the FBO.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the FBO, which is considered a major fund of the Authority. The basic proprietary fund financial statements can be found on pages 15 through 17 of this report.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual* presents the results of activities over the course of the fiscal year in comparison with the original and final budget. An additional column is presented showing the differences between the final budget and the actual expenditures for the year.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Statement of Net Assets** - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$6.87 million at the close of the most recent fiscal year. A portion of the Authority's net assets, 75.23% reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1A

#### CONDENSED STATEMENT OF NET ASSETS

	Governmental		Business-type		Total	
	Activities		Activities			
	June 30,		June 30,		June 30,	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 798,462	\$ 1,066,595	\$ 62,100	\$ -	\$ 860,562	\$ 1,066,595
Capital assets	6,398,971	6,478,419	252,602	-	6,651,573	6,478,419
Total assets	<u>7,197,433</u>	<u>7,545,014</u>	<u>314,702</u>	<u>-</u>	<u>7,512,135</u>	<u>7,545,014</u>
Long-term liabilities	-	-	162,501	-	162,501	-
Other liabilities	340,399	622,867	137,092	-	477,491	622,867
Total liabilities	<u>340,399</u>	<u>622,867</u>	<u>299,593</u>	<u>-</u>	<u>639,992</u>	<u>622,867</u>
Invested in capital assets	5,124,612	6,478,419	1,898	-	5,126,510	6,478,419
Unrestricted	1,732,422	443,729	13,211	-	1,745,633	443,729
Total net assets	<u>\$ 6,857,034</u>	<u>\$ 6,922,148</u>	<u>\$ 15,109</u>	<u>\$ -</u>	<u>\$ 6,872,143</u>	<u>\$ 6,922,148</u>

**Statement of Activities** – Expenses in the governmental activities column exceeded revenues by \$65 thousand. Revenues decreased during the year due to the fact that the Authority received less grant money from state and federal governments, while expenses decreased by less which resulted in an overall decrease of \$50 thousand in the Authority's net assets.

Table 2A

#### CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS

	Governmental		Business-type		Total	
	Activities		Activities			
	Year Ended June 30,		Year Ended June 30,		Year Ended June 30,	
	2011	2010	2011	2010	2011	2010
Operating revenues	\$ 934,840	\$ 1,854,242	\$ 1,244,084	\$ -	\$ 2,178,924	\$ 1,854,242
Non-operating revenues	354	12,970	-	-	354	12,970
Total revenues	<u>935,194</u>	<u>1,867,212</u>	<u>1,244,084</u>	<u>-</u>	<u>2,179,278</u>	<u>1,867,212</u>
Operating expenditures	1,000,308	1,036,919	1,228,975	-	2,229,283	1,036,919
Total expenses	<u>1,000,308</u>	<u>1,036,919</u>	<u>1,228,975</u>	<u>-</u>	<u>2,229,283</u>	<u>1,036,919</u>
Change in net assets	(65,114)	830,293	15,109	-	(50,005)	830,293
Beginning net assets	<u>6,922,148</u>	<u>6,091,855</u>	<u>-</u>	<u>-</u>	<u>6,922,148</u>	<u>6,091,855</u>
Ending net assets	<u>\$ 6,857,034</u>	<u>\$ 6,922,148</u>	<u>\$ 15,109</u>	<u>\$ -</u>	<u>\$ 6,872,143</u>	<u>\$ 6,922,148</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### COMMENTS ON FUND FINANCIAL STATEMENTS

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

**General fund** – The focus of the Authority's general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements.

In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Revenue and other financing sources in the general fund increased from last year by approximately \$59 thousand. The most significant changes in revenues and other financing sources in the general fund were:

- A \$15 thousand increase in intergovernmental revenues.
- A \$65 thousand increase in services and property use.

Expenditures and other financing uses in the general fund increased from last year by approximately \$49 thousand. The most significant changes in expenditures and other financing uses in the general fund were:

- A \$49 thousand decrease in fire protection expenses.
- A \$132 thousand increase in administration expenses.
- An \$66 thousand decrease in transfers.

A budget comparison statement has been provided to demonstrate compliance with the budget.

### GENERAL FUND BUDGETARY HIGHLIGHTS

#### *Final Budgeted and Actual Amounts*

Actual revenues and other financing sources were less than the final budgeted amounts by approximately \$6 thousand. Significant variances are as follows:

- Fuel flowage was less than final budgeted amounts by approximately \$19 thousand.
- Expenditures were less than the budgeted amounts by approximately \$65 thousand in the current year. Significant variances were noted in all administrative departments where expenditures were less than budget amounts by \$49 thousand and also in maintenance and utilities where expenditures were less than budget amounts by \$13 thousand.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets** - At the end of the fiscal year, the Authority had invested \$6.65 million in a variety of capital assets.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

There are no substantial changes anticipated for next year's budget for the general, capital projects funds and FBO funds

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Jackson-Madison County Airport Authority, 308 Grady Montgomery Drive, Jackson, TN 38301.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF NET ASSETS**  
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 257,536	\$ 27,247	\$ 284,783
Receivables			
Accounts	47,748	124,774	172,522
Intergovernmental	2,244	18,620	20,864
Grants	228,001	-	228,001
Internal Balances	131,120	(131,120)	-
Inventories	5,388	22,579	27,967
Deposits on contracts	34,124	-	34,124
Deferred expenses	92,301	-	92,301
Capital assets not being depreciated			
Land	35,000	-	35,000
Construction in progress	1,236,359	-	1,236,359
Capital assets being depreciated (net of accumulated depreciation)			
Land improvements	220	-	220
Buildings	3,224,320	-	3,224,320
Infrastructure	1,293,220	-	1,293,220
Machinery and equipment	609,852	42,080	651,932
Unamortized lease cost (net of accumulated amortization)	-	210,522	210,522
Total assets	<u>7,197,433</u>	<u>314,702</u>	<u>7,512,135</u>
<b>Liabilities</b>			
Accounts payable	60,210	48,456	108,666
Compensated absences payable	18,089	-	18,089
Refundable deposits	6,562	-	6,562
Contracts payable - capital projects	207,000	-	207,000
Deferred revenues	48,538	-	48,538
Noncurrent liabilities			
Notes payable, due within one year	-	88,636	88,636
Notes payable, due after one year	-	162,501	162,501
Total liabilities	<u>340,399</u>	<u>299,593</u>	<u>639,992</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	5,127,612	1,898	5,129,510
Unrestricted	1,729,422	13,211	1,742,633
<b>Total net assets</b>	<u><b>\$ 6,857,034</b></u>	<u><b>\$ 15,109</b></u>	<u><b>\$ 6,872,143</b></u>

*The accompanying notes are an integral part of the financial statements.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Airport operation	\$ 1,000,308	\$ 325,342	\$ 242,140	\$ 367,358	\$ (65,468)	\$ -	\$ (65,468)
Business-type activities							
FBO	<u>1,228,975</u>	<u>1,244,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,109</u>	<u>15,109</u>
Total	<u>\$ 2,229,283</u>	<u>\$ 1,569,426</u>	<u>\$ 242,140</u>	<u>\$ 367,358</u>	<u>\$ (65,468)</u>	<u>\$ 15,109</u>	<u>\$ (50,359)</u>
		General Revenues					
					266	-	266
					<u>88</u>	<u>-</u>	<u>88</u>
					<u>354</u>	<u>-</u>	<u>354</u>
					<b>(65,114)</b>	<b>15,109</b>	<b>(50,005)</b>
					<u>6,922,148</u>	<u>-</u>	<u>6,922,148</u>
					<u>\$ 6,857,034</u>	<u>\$ 15,109</u>	<u>\$ 6,872,143</u>

*The accompanying notes are an integral part of the financial statements.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**GOVERNMENTAL FUNDS BALANCE SHEET**

June 30, 2011

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 138,357	\$ 119,179	\$ 257,536
Receivables			
Accounts	47,748	-	47,748
Intergovernmental	2,244	-	2,244
Grants	23,400	204,601	228,001
Due from other funds	75,021	60,891	135,912
Inventories	5,388	-	5,388
Deposits on contracts	-	34,124	34,124
	<b>\$ 292,158</b>	<b>\$ 418,795</b>	<b>\$ 710,953</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 24,817	\$ 35,393	\$ 60,210
Refundable deposits	6,562	-	6,562
Due to other funds	4,792	-	4,792
Contracts payable	-	207,000	207,000
Deferred revenues	14,416	34,122	48,538
Total liabilities	50,587	276,515	327,102
<b>Fund Balances</b>			
Non-spendable	5,388	-	5,388
Unassigned	236,183	142,280	378,463
Total fund balances	241,571	142,280	383,851
	<b>\$ 292,158</b>	<b>\$ 418,795</b>	<b>\$ 710,953</b>

*The accompanying notes are an integral part of the financial statements.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY  
RECONCILIATION OF STATEMENT OF NET ASSETS  
TO GOVERNMENTAL FUNDS BALANCE SHEET  
June 30, 2011**

Amounts reported for the governmental activities in the statement  
of net assets (Page 9) are different because

Fund balance - total governmental funds (Page 11)	\$ 383,851
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds	6,398,971
Deferred asset not available to pay current expenditures, therefore, is deferred in the funds	92,301
Compensated absences not due in the current period, therefore, not reported in the funds	<u>(18,089)</u>
Net assets of governmental activities (Page 9)	<u>\$ 6,857,034</u>

*The accompanying notes are an integral part of the financial statements.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
For the Year Ended June 30, 2011

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b>Revenues</b>			
Intergovernmental			
Grants			
Local	\$ -	\$ 20,436	\$ 20,436
State	23,400	78,295	101,695
Federal	-	189,921	189,921
Operating subsidies	218,740	-	218,740
Service and property use			
Space rentals	246,551	-	246,551
Concessions	22,159	-	22,159
Fuel flowage	13,912	-	13,912
Landing fees	3,986	-	3,986
Land rentals	24,750	-	24,750
Reimbursements	13,984	72,247	86,231
Other			
PFC revenue	-	6,459	6,459
Vending and miscellaneous	88	166	254
Interest income	100	-	100
Bad debt	(8,087)	-	(8,087)
Total revenues	559,583	367,524	927,107
<b>Expenditures</b>			
Current			
Fire protection	9,868	-	9,868
Maintenance and utilities	176,114	-	176,114
Administration	294,041	-	294,041
Control tower	18,448	-	18,448
Capital projects	-	386,824	386,824
Total expenditures	498,471	386,824	885,295
Revenues over (under) expenditures	61,112	(19,300)	41,812
<b>Other financing sources (uses)</b>			
Transfers in	-	18,477	18,477
Transfers out	(18,477)	-	(18,477)
Total other financing sources (uses)	(18,477)	18,477	-
<b>Net change in fund balance</b>	<b>42,635</b>	<b>(823)</b>	<b>41,812</b>
Fund balances, beginning of the year	198,936	143,103	342,039
Fund balances, end of the year	<u>\$ 241,571</u>	<u>\$ 142,280</u>	<u>\$ 383,851</u>

*The accompanying notes are an integral part of the financial statements.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY  
RECONCILIATION OF STATEMENT OF GOVERNMENTAL FUND REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE TO  
STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2011

Amounts reported for the governmental activities in the statement of activities  
(Page 10) are different because

Excess of revenues over expenditures - total governmental funds (Page 13)	\$	41,812
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period. This is the amount by which depreciation exceeds capital outlays in the current period		(79,448)
Amortization of deferred asset not reported in the funds		(23,076)
Increase in accrual for compensated absences not reported in the funds		<u>(4,402)</u>
Change in net assets of governmental activities (Page 10)	\$	<u><u>(65,114)</u></u>

*The accompanying notes are an integral part of the financial statements.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
June 30, 2011

	<b>FBO</b>
<b>Assets</b>	
Current Assets	
Cash	\$ 27,247
Receivables	
Accounts	66,376
Credit cards	58,398
Inventory	
ACGAS	9,627
Jet fuel	11,556
Oil and additive	1,396
Due from United States Government	18,620
Total Current Assets	193,220
Noncurrent assets	
Capital Assets	
Automobiles	23,000
Equipment	22,739
Furniture and fixtures	10,026
Accumulated depreciation	(13,685)
Total capital assets (net of accumulated depreciation)	42,080
Unamortized lease cost	210,522
Total noncurrent assets	252,602
Total assets	445,822
<b>Liabilities</b>	
Current liabilities	
Accounts payable	43,070
Sales tax payable	5,386
Due to other funds	131,120
Note payable - current maturities	88,636
Total current liabilities	268,212
Noncurrent liabilities	
Notes payable, net of current maturities	162,501
Total liabilities	430,713
<b>Net assets</b>	
Invested in capital assets, net of related debt	1,898
Unrestricted	13,211
<b>Total net assets</b>	<b>\$ 15,109</b>

*The accompanying notes are an integral part of the financial statements.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND**

For the Year Ended June 30, 2011

	<b>FBO</b>
<b>Operating revenues</b>	
Sales - fuel, oil and additives	\$ 1,143,157
Sales - other	6,789
Military overpayment	4,686
Rentals	84,475
Other operating revenues	4,977
Total operating revenues	1,244,084
 <b>Operating expenses</b>	
Cost of goods sold	908,842
Credit card fees	24,133
Uniforms	4,071
Equipment rentals	1,671
Bad debts	2,768
Salaries and wages	163,979
Depreciation	13,685
Repairs and maintenance	11,081
Truck lease	19,829
Insurance	7,709
Lease expense	61,918
Telephone	1,334
Travel	1,907
Utilities	1,282
Miscellaneous	4,766
Total operating expenses	1,228,975
 <b>Change in net assets</b>	<b>15,109</b>
Total net assets, beginning of the year	-
Total net assets, end of the year	<b>\$ 15,109</b>

*The accompanying notes are an integral part of the financial statements.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2011

	<b>FBO</b>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 1,097,923
Cash received from other funds	131,120
Cash paid to suppliers	(882,965)
Cash paid to employees for services	(163,979)
Other operating payments	(77,783)
Net cash provided by operating activities	104,316
 <b>Cash flows from capital and related financing activities</b>	
Acquisition of fixed assets	(3,206)
Principal payments on long-term note payable	(73,863)
Net cash used by capital and related financing activities	(77,069)
 <b>Net increase in cash and cash equivalents</b>	<b>27,247</b>
 Cash and cash equivalents - beginning of the year	-
 Cash and cash equivalents - end of the year	\$ 27,247
 <b>Reconciliation of operating income to net cash provided</b>	
(used) by operating activities	
Operating income	\$ 15,109
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	13,685
Amortization	61,918
Bad debts	2,768
(Increase) decrease in receivables	(146,161)
(Increase) decrease in inventories	(22,579)
Increase (decrease) in payables	48,456
Increase (decrease) in due to other funds	131,120
Net cash provided by operating activities	\$ 104,316
 Noncash capital and related financing activities	
Acquisition of capital assets and unamortized lease cost with execution of note payable	\$ 325,000

*The accompanying notes are an integral part of the financial statements.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

**NOTE 1 – ORGANIZATION**

The Jackson-Madison County Airport Authority (the Authority) is a governmental entity, which is a joint venture between the City of Jackson and Madison County, Tennessee. There are no other governmental units that are considered component units of the Authority.

The Authority was created by a joint resolution of the governing bodies of the City of Jackson and Madison County, being vested with the authority for the “planning, establishment, development, construction, enlargement, improvement, maintenance, equipment operation, regulation, protection and policing of McKellar-Sipes Regional Airport for and on behalf of Madison County and the City of Jackson.

On August 31, 2010, the Authority acquired the operations of the vendor operating the McKellar-Sipes Regional Airport fixed base operations (FBO). The Authority assumed the fixed based operations on September 1 providing services including rental of hangar space and sales of fuel.

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

The accounting policies of the Authority conform to generally accepted accounting principles applicable to governments as defined in the *Statement of Governmental Accounting Standards Board (GASB)*. The following is a summary of the more significant accounting policies.

**A. Reporting Entity**

The funds related to the Authority included in this report are controlled by or dependent on the Authority’s Board. Control by or dependence on the Authority are determined on the basis of budget adoption, outstanding debt secured by revenues or general obligation of the Authority or the Authority’s obligation to fund any deficits that may occur.

On this basis, the following funds groups are included in this report:

Fund Types:

Governmental Funds:

General Fund

Capital Projects Fund

Proprietary Fund:

Fixed base operations

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment, are offset by program revenues. Direct expenses are those that are clearly

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. 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, as are the fiduciary fund financial statements. 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 government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Authority reports the following governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for the capital outlay and special projects of the Authority.

The Authority reports the following proprietary fund:

The FBO fund accounts for revenues and expenditures related to the fixed based operation, including, but not limited to hangar rental and fuel sales.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles. The Authority's reporting entity applies all relevant *Governmental Accounting Standards Board* (GASB) pronouncements and applicable *Financial Accounting*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

*Standards Board* (FASB) pronouncements and *Accounting Principle Board* (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Assets, Liabilities, and Net Assets or Equity**

***Deposits and Investments***

The Authority's cash and cash equivalents are considered to be cash on hand and demand deposits. All interest earned is allocated to the source from which the cash originated.

***Capital Assets***

Capital assets, which include equipment and furniture, are included in the government-wide financial statements. The Authority land and building are titled to the City of Jackson and Madison County, and therefore are not included in the Authority's capital assets. Capital assets are defined by the Board as assets with an initial, individual (or group combined) cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Land improvements	20 years
Buildings	10 - 40 years
Machinery and equipment	5 - 50 years

***Compensated Absences***

The Authority records as expenditures the vacation accrued during the year that would normally be liquidated with expendable available financial resources. The employees accumulate vacation days and in the event of termination employees are reimbursed for accumulated vacation up to a maximum of 30 days. The current portion of the accrued vacation at June 30, 2011 recorded in the General Fund is the amount that would normally be liquidated with expendable available financial resources. Accumulated annual leave at June 30, 2011 totaled \$18,089.

Full-time employees accrue sick leave up to a maximum accumulation of 120 days. However, no employees retain any vested interest in their unused sick leave upon termination of employment.

***Fund Equity***

The Authority has implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, beginning with the fiscal year ended June 30, 2011. In accordance with GASB No. 54, fund balances are classified as follows:

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the Authority Charter, Authority Code, state or federal laws or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by formal action by the Board of Directors ordinance or resolution. To be reported as committed, amounts cannot be used for any other purpose unless the Authority takes the same highest level action to remove or change the constraint.

Assigned – Amounts the Authority intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Board of Directors or the finance committee has provided otherwise in its commitment or assignment actions.

***Deferred Revenue***

Deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

***Interfund Transactions***

Interfund transactions are recorded as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

The Authority adopts annual operating budgets on a basis consistent with generally accepted accounting principles. The operating budget serves as a management control device that is presented to the city and county for their consideration in providing operating support and grants to the Authority. The current operating budget details the Authority's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year.

Some Capital Projects Fund expenditures are also budgeted in accordance with generally accepted accounting principles. However, project-length financial plans are also adopted for certain other Capital Projects Funds expenditures.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

**NOTE 4 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets**

Adjustments to the balance sheet of governmental funds to the statement of net assets include the following items:

When capital assets that are to be used in governmental activities are purchased, the costs of those assets are reported as expenditures in the governmental funds. However, the statement of net assets includes those capital assets among the assets of the Authority as a whole.

Cost of capital assets	\$ 10,461,567
Accumulated depreciation	<u>(4,062,596)</u>
	<u>\$ 6,398,971</u>

Elimination of interfund balances

Internal balances	<u>\$ 4,792</u>
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**B. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities**

The net change in fund balances of governmental funds differs from the change in net assets for governmental activities. The difference arises primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

When capital assets that are to be used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital assets purchased	\$ (350,213)
Depreciation and amortization expense	<u>429,662</u>
Difference	<u>\$ 79,449</u>

Accrued compensated absences not expected to be liquidated with current resources are not reflected as an expenditure in the governmental funds.

Compensated absences at beginning of year	\$ (13,687)
compensated absences at end of year	<u>18,089</u>
	<u>\$ 4,402</u>

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

**NOTE 5 – CASH AND INVESTMENTS**

***Custodial Credit Risk***

The Authority's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Authority's agent in the Authority's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Authority to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2011, all bank deposits were fully collateralized or insured.

**NOTE 6 - CAPITAL ASSETS**

Fixed assets acquired in the General Fund are expensed when purchased. The assets on the government-wide financial statements include only those that have met the Authority's capitalization policy. The City of Jackson and Madison County budget for Capital Outlay by the Authority, and pays directly for the items so budgeted. These items are also included in the Capital Asset account, if they meet the criteria. The land occupied by the Authority is owned by the City of Jackson and Madison County and is therefore not reflected in these financial statements. Capital asset activity for the year ended June 30, 2011 was as follows:

<b>Governmental activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Capital assets, not being depreciated				
Construction in process	\$ 1,152,746	\$ 83,613	\$ -	\$ 1,236,359
Land	-	35,000	-	35,000
Total capital assets not being depreciated	<u>1,152,746</u>	<u>118,613</u>	<u>-</u>	<u>1,271,359</u>
Capital assets, being depreciated				
Land improvements	800	-	-	800
Buildings	5,544,018	174,200	-	5,718,218
Infrastructre	1,835,933	-	-	1,835,933
Machinery and equipment	1,697,671	57,400	119,814	1,635,257
Total capital assets, being depreciated	<u>9,078,422</u>	<u>231,600</u>	<u>119,814</u>	<u>9,190,208</u>
Total capital assets	10,231,168	350,213	119,814	10,461,567
Less: accumulated depreciation for:				
Land improvements	540	40	-	580
Buildings	2,276,043	217,855	-	2,493,898
Infrastructre	438,837	103,876	-	542,713
Machinery and equipment	1,037,328	107,891	119,814	1,025,405
Total depreciation	<u>3,752,748</u>	<u>429,662</u>	<u>119,814</u>	<u>4,062,596</u>
Governmental activities capital assets, net	<u>\$ 6,478,420</u>	<u>\$ (79,449)</u>	<u>\$ -</u>	<u>\$ 6,398,971</u>

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

<b>Business-type activities:</b>	<b>Beginning</b>		<b>Retirements</b>	<b>Ending</b>
	<b>Balance</b>	<b>Additions</b>		<b>Balance</b>
Capital assets, being depreciated				
Machinery and equipment	\$ -	\$ 32,765	\$ -	\$ 32,765
Vehicles	-	23,000	-	23,000
Total capital assets	-	55,765	-	55,765
Less: accumulated depreciation for:				
Machinery and equipment	-	7,296	-	7,296
Vehicles	-	6,389	-	6,389
Total depreciation	-	13,685	-	13,685
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ 42,080</u>	<u>\$ -</u>	<u>\$ 42,080</u>

Amounts remaining in capital outlay in the governmental-wide column is for items that were not capitalized.

Depreciation expense for the year ended June 30, 2011 was \$429,660.

**NOTE 7 – UNAMORTIZED LEASE COST**

On August 31, 2010, the Authority acquired the operations of the vendor operating the McKellar-Sipes Regional Airport fixed based operations for \$325,000. The acquisition cost included the purchase of capital assets totaling \$52,559 and a lease buyout totaling \$272,441. Beginning in September 2010, the cost of the lease buyout is being amortized over 44 months, the term of the related debt used to finance the acquisition as described in Note 11. Amortization expense pertaining to the lease buyout totaled \$61,918 for the year ended June 30, 2011.

**NOTE 8 – DEFERRED ASSET**

The deferred asset totals \$92,302 as of June 30, 2011. This amount represents work that was done on the Master Plan Update. This deferred asset is being amortized over a useful life of 10 years in the amount of \$23,076 per year beginning in the fiscal year 2009.

**NOTE 9 – PENSION PLANS**

During the fiscal year ended June 30, 2011, certain employees of the Authority were members of the Tennessee Consolidated Retirement System. The Tennessee Consolidated Retirement System is a defined benefit retirement plan covering general employees and teachers of the state as well as employees of political subdivisions that have elected coverage. Benefits are determined by a formula using the high five-year average salary and years of service of each employee. Employees of the Authority are covered in the plan under Madison County's account.

Madison County makes all required employer contributions for the employees covered under the plan.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

**NOTE 10 – REVENUE FROM OPERATING LEASES AND CONTRACTS**

A significant portion of the Authority's revenues come from operating leases on the Authority's property and various other concessions. All property under lease is owned jointly by the City of Jackson and Madison County. The Authority has future minimum revenues under operating leases as follows:

Year Ending June 30,	Minimum Lease Revenues
2012	\$ 144,089
2013	139,040
2014	132,441
2015	39,009
2016	9,902
2017	200

The Authority has annual revenues of \$59,093 from leases cancelable by either party on thirty days notice.

The Authority also receives the following revenues from concession contracts:

<u>Concession</u>	<u>Revenue Base</u>
Automobile rentals	7.50% of gross rents
Fuel sales	\$0.085 per gallon sold

**NOTE 11 – LONG-TERM DEBT**

On August 31, 2010, the Authority acquired the operations of the vendor operating the McKellar-Sipes Regional Airport fixed based operations for \$325,000. The Authority financed this acquisition with non-interest bearing debt totaling \$325,000 payable to US Aviation in 44 monthly installments of \$7,386 through April 2014.

Long-term debt activity for the year ended June 30, 2011 is as follows:

**Business-type activities:**

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Amounts Due Within One Year
Notes payable	\$ -	\$ 325,000	\$ (73,863)	\$ 251,137	\$ 88,636

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

Maturities of notes payable are as follows:

Year Ended June 30,	Amount
2012	\$ 88,636
2013	88,636
2014	73,865
	<u>\$ 251,137</u>

**NOTE 12 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2011, the Authority or Madison County purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

## **OTHER SUPPLEMENTARY INFORMATION SECTION**

The other supplementary information section of this report includes information not required to be included in the basic financial statements and is provided for the purpose of additional analysis.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u>
				<u>(Under)</u>
<b>Revenues</b>				
Intergovernmental				
State maintenance grant	\$ 23,400	\$ 23,400	\$ 23,400	\$ -
Operating subsidies - local	201,740	201,740	201,740	-
Operatng subsidies for control tower - local	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>	-
	<u>242,140</u>	<u>242,140</u>	<u>242,140</u>	-
Services and Property Use				
Space Rentals:				
Airline	12,920	12,920	12,931	11
Hangar #3	9,900	9,900	10,050	150
Hangar #4 - Suite B	9,000	9,000	9,000	-
Hangars #8 and #10	34,040	34,040	34,721	681
Hangar #6	23,300	23,300	23,772	472
Hangar #10 - Suite B	5,400	5,400	5,400	-
Hangar # 6 office	8,250	8,250	8,415	165
Hangar #8 offices	21,900	21,900	21,900	-
Tee hangars	27,420	27,420	27,670	250
AFSS/AFSFO	37,184	37,184	37,184	-
Car rental service area - building #15	1,620	1,620	1,620	-
Rental offices - terminal building #9	20,200	20,200	20,538	338
Fuel farm	2,500	2,500	2,550	50
EMA building #7	30,000	30,000	30,000	-
Miscellaneous rent	-	-	800	800
	<u>243,634</u>	<u>243,634</u>	<u>246,551</u>	<u>2,917</u>
Concessions:				
Hertz	8,000	8,000	22,009	14,009
Enterprise	<u>1,000</u>	<u>1,000</u>	<u>150</u>	<u>(850)</u>
	<u>9,000</u>	<u>9,000</u>	<u>22,159</u>	<u>13,159</u>
Fuel Flowage:				
FBO	26,800	26,800	4,840	(21,960)
United Foods	6,500	6,500	9,007	2,507
American Aviation	-	-	65	65
	<u>33,300</u>	<u>33,300</u>	<u>13,912</u>	<u>(19,388)</u>
Landing Fees:				
Corporate Airlines	3,430	3,430	3,821	391
Freight surcharge	<u>300</u>	<u>300</u>	<u>165</u>	<u>(135)</u>
	<u>3,730</u>	<u>3,730</u>	<u>3,986</u>	<u>256</u>

*See the independent auditor's report.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u>
				<u>(Under)</u>
Land Rentals				
Agriculture	\$ 20,600	\$ 20,600	\$ 20,950	\$ 350
Golf course	3,600	3,600	3,600	-
BellSouth	200	200	200	-
	<u>24,400</u>	<u>24,400</u>	<u>24,750</u>	<u>350</u>
Reimbursements				
Joint use - Army National Guard	10,000	10,000	10,000	-
Miscellaneous	600	600	3,984	3,384
	<u>10,600</u>	<u>10,600</u>	<u>13,984</u>	<u>3,384</u>
Total services and property use	<u>324,664</u>	<u>324,664</u>	<u>325,342</u>	<u>678</u>
Other				
Vending and miscellaneous	300	300	88	(212)
Interest	100	100	100	-
Bad debt	(1,500)	(1,500)	(8,087)	(6,587)
	<u>(1,100)</u>	<u>(1,100)</u>	<u>(7,899)</u>	<u>(6,799)</u>
Total Revenues	<u>565,704</u>	<u>565,704</u>	<u>559,583</u>	<u>(6,121)</u>
<b>Expenditures</b>				
Current				
Fire Protection				
ARFF training and supplies	5,500	5,500	2,715	(2,785)
Fuel, oil and grease	2,000	2,000	1,945	(55)
Maintenance- fire equipment	5,000	5,000	4,961	(39)
Maintenance - passenger screening	500	500	247	(253)
	<u>13,000</u>	<u>13,000</u>	<u>9,868</u>	<u>(3,132)</u>
Maintenance and Utilities				
Fuel, oil and grease	\$ 4,500	\$ 4,500	\$ 4,388	\$ (112)
Maintenance - other	13,000	13,000	15,118	2,118
Outside lighting	96,804	96,804	73,472	(23,332)
Utilities	7,500	7,500	7,196	(304)
Maintenance equipment	62,500	62,500	69,105	6,605
	<u>5,000</u>	<u>5,000</u>	<u>6,835</u>	<u>1,835</u>
	<u>189,304</u>	<u>189,304</u>	<u>176,114</u>	<u>(13,190)</u>

*See the independent auditor's report.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2011

	<b>Budgeted Amounts</b>			<b>Variance- Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>(Under)</b>
Current:				
Administration				
Personnel cost	300,000	300,000	251,344	(48,656)
Dues and publications	6,000	6,000	5,244	(756)
Automobile expense	2,500	2,500	2,218	(282)
Office equipment	1,200	1,200	1,198	(2)
Administration	6,500	6,500	6,011	(489)
Legal and accounting	7,500	7,500	7,484	(16)
Office supplies and postage	6,500	6,500	6,484	(16)
Communications	7,500	7,500	8,452	952
Repairs and maintenance	1,000	1,000	623	(377)
Promotion	5,000	5,000	4,983	(17)
	<u>343,700</u>	<u>343,700</u>	<u>294,041</u>	<u>(49,659)</u>
Control Tower				
Utilities	9,700	9,700	10,457	757
Maintenance and janitorial	5,000	5,000	5,514	514
Equipment purchases and repairs	4,000	4,000	2,477	(1,523)
Miscellaneous	1,000	1,000	-	(1,000)
	<u>19,700</u>	<u>19,700</u>	<u>18,448</u>	<u>(1,252)</u>
Total expenditures	<u>565,704</u>	<u>565,704</u>	<u>498,471</u>	<u>(67,233)</u>
Excess revenues over expenditures	-	-	61,112	61,112
Other Financing Uses				
Operating transfers out	-	-	(18,477)	18,477
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>42,635</u>	<u>\$ (42,635)</u>
Fund balance, beginning of year			<u>198,936</u>	
Fund balance, end of year			<u>\$ 241,571</u>	

*See the independent auditor's report.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
CAPITAL PROJECTS FUND**

For the Year Ended June 30, 2011

**Revenues**

Intergovernmental	
Grants - local governments	\$ 20,436
Grants - TDOT Aeronautics Division	78,295
Grants - Federal Aviation Administration	<u>189,921</u>
	<u>288,652</u>
Reimbursements	<u>72,247</u>
Other	
PFC revenue	6,459
Interest and miscellaneous	<u>166</u>
	<u>6,625</u>
Total Revenues	<u>367,524</u>

**Expenditures**

Capital Projects	
State and local projects	112,228
FAA capital projects	212,519
Other capital projects	31,261
Miscellaneous local projects	18,587
Other capital improvements	<u>12,229</u>
Total Expenditures	<u>386,824</u>
Revenues over (under) expenditures	(19,300)

**Other Financing Sources**

Operating transfers in	<u>18,477</u>
------------------------	---------------

**Net change in fund balance (823)**

Fund balance, beginning of year	<u>143,103</u>
Fund balance, end of year	<u>\$ 142,280</u>

*The accompanying notes are an integral part of the financial statements.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS**  
June 30, 2011

<u>Name</u>	<u>Position</u>	<u>Annual Salary</u>	<u>Amount of Bond</u>
Bill Douglas	Chairman	None	\$ 500,000
Delita Thompson-Johnson	Commissioner	None	500,000
Bill Sipes	Commissioner	None	500,000
Hoyt Hayes, Jr.	Commissioner	None	500,000
Bill Maniss	Commissioner	None	500,000

*See the independent auditor's report.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY  
SCHEDULE OF STATE FINANCIAL ASSISTANCE**

For the Year Ended June 30, 2011

<u>Grant or Program</u>	<u>Grant Number</u>	<u>(Receivable) Unspent 7/1/2010</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Deposits on Contract (1)</u>	<u>(Receivable) Unspent 6/30/2011</u>
State:						
Tennessee Department of Transportation:						
Airport Improvements	57-555-0787-04	\$ (280,096)	\$ 280,499	\$ 4,655	\$ 517	\$ (4,769)
Airport Improvements	57-555-0391-04	(14,250)	24,005	7,316	2,439	-
Airport Improvements	57-555-0793-04	(153,473)	225,174	66,324	7,369	(1,992)
Airport Improvements	Z-10-22-0209-00	(23,400)	23,400	23,400	-	(23,400)
<b>Total State Financial Assistance</b>		<b><u>\$ (471,219)</u></b>	<b><u>\$ 553,078</u></b>	<b><u>\$ 101,695</u></b>	<b><u>\$ 10,325</u></b>	<b><u>\$ (30,161)</u></b>

(1) - Deposits on contracts consists of local match funds sent to the Tennessee Department of Transportation and held on deposit. These funds are returned to the Authority as grant drawdowns occur.

*See the independent auditor's report.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2011

<u>Grant or Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>(Receivable) Unspent 7/1/2010</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Deposits on Contracts (1)</u>	<u>(Receivable) Unspent 6/30/2011</u>
Federal:							
U.S. Department of Transportation							
Passed through Tennessee							
Department of Transportation:							
Airport Improvements	20.106	Z-09-21-4022-00	\$ (45,133)	\$ 47,325	\$ 1,973	\$ 219	\$ -
Land Acquisition Agreement	20.106	DG-10-29290-00	-	-	187,948	9,892	(197,840)
<b>Total Federal Awards</b>			<u>\$ (45,133)</u>	<u>\$ 47,325</u>	<u>\$ 189,921</u>	<u>\$ 10,111</u>	<u>\$ (197,840)</u>

**Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of the Jackson-Madison County Airport Authority under programs of the federal government for the year ended June 30, 2011. The expenditures are presented using the modified accrual basis of accounting.

(1) - Deposits on contracts consists of local match funds sent to the Tennessee Department of Transportation and held on deposit. These funds are returned to the Authority as grant drawdowns occur.

*See the independent auditor's report.*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



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**Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

Jackson-Madison County Airport Authority  
McKellar-Sipes Regional Airport  
Jackson, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Jackson-Madison County Airport Authority, Jackson, Tennessee (the Authority), as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated July 9, 2012. 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

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Jackson-Madison County Airport Authority  
McKellar-Sipes Regional Airport  
Jackson, Tennessee

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2011-01.

We noted certain other matters which reported to the management of the Authority in a separate letter dated July 9, 2012.

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Directors, management, and the Comptroller of the Treasury, State of Tennessee 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 "Alexander Thompson Arnold, PE". The signature is written in a cursive style with a large, stylized initial 'A'.

Jackson, Tennessee  
July 9, 2012

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS**

June 30, 2011

**FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Finding 2011-01 – Issuance of long-term debt without legal authority**

Condition: The Authority issued a long-term note in the amount of \$325,000 on August 31, 2010 for the purchase of the fixed base operations of U.S. Aviation Services, Inc.

Criteria: Specific authorization for issuance of long-term debt for a local governmental entity in the State of Tennessee must be provided under state statute or some other enabling legislation. The joint agreement between the Jackson City Council and the Madison County Commission which governs the operations of the Authority contains no provision for the issuance of long-term debt by the Authority..

Cause: The Authority did not consider the legal justification for the issuance of long-term debt.

Effect: Long-term debt was issued without authorization.

Recommendation: Management should pay off the debt outstanding as soon as practical and consider appropriate revisions to its governing charter and organization structure before future debt is issued.

Management response: Management concurs.