

**Sumner County
Regional Airport Authority
Audited Financial Statements
June 30, 2011**

**Sumner County
Regional Airport Authority
June 30, 2011**

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**Sumner County
Regional Airport Authority
1475 Airport Rd.
Gallatin, Tennessee 37066
June 30, 2011**

To the Members of the Authority

The financial statements of the Sumner County Regional Airport Authority (the "Authority") for the fiscal year ended June 30, 2011 are hereby submitted to the Authority Board and all others interested in the financial condition of the Authority. This report is published in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the financial position of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A which can be found immediately following the report of the independent auditor.

Dr. Wayne Hooper, Jr.
Treasurer

Steve Sudbury
Airport Administrator

**Sumner County Regional Airport Authority
Roster of Board Members and Officials**

Officers

David Hunter	Chairman
Dr. Tom Graves	Vice-Chairman
Sue McPherson	Secretary
Dr. Wayne Hooper	Treasurer

Board of Commissioners

Tim Adair	David Blankenship
Richard Coker	Dan Downs
Jerry Kirby	Charles Moore

Other Officials

Steve Sudbury	Airport Administrator
GTO Aviation, LLC	Fixed – Base Operator

Carl A. Davis & Company
Certified Public Accountants

131 Maple Row Boulevard
Suite A100
Hendersonville, TN 37075

Phone: 615-822-0231

Fax: 615-822-2220

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
Sumner County Regional Airport Authority
Gallatin, Tennessee

We have audited the accompanying financial statements of the Sumner County Regional Airport Authority (the "Authority"), a component unit of Sumner County, Tennessee, as of and for the year ended June 30, 2011, which comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's Board of Commissioners. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

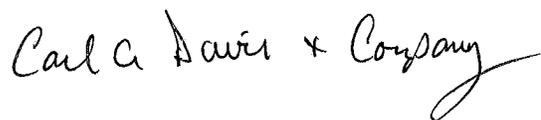
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sumner County Regional Airport Authority, a component unit of Sumner County, Tennessee as of June 30, 2011, and the respective changes in financial position and 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 December 23, 2011, on our consideration of the Sumner County Regional Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control

over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Sumner County Regional Airport Authority, taken as a whole. The management's discussion and analysis on pages 7 thru 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The other reports listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, and is also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Carl A. Davis & Company, CPAs
Hendersonville, Tennessee
December 23, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (the "MD&A") of the Sumner County Regional Airport Authority provides an introduction to the major activities affecting the operations of the airport and an introduction and overview to the financial performance and statements of the Sumner County Regional Airport Authority (the "Authority") for the fiscal year ended June 30, 2011.

Following the MD&A are the basic financial statements of the Authority together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

Financial Statements

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board, (the "GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Statement of Net Assets and the Statement of Revenues, Expenditures and Changes in Net Assets provide information about the activities of the Authority and present a longer-term view of the Authority's finances. The Statement of Cash Flows depicts how the Authority's cash was used during the year.

Airport Activities & Highlights

The Sumner County Regional Airport continues to expand its operations and improve its image as a premier provider of general aviation services in the Middle Tennessee area. Pursuant to state law, the Authority began formulating a twenty-year development plan for all of its facilities in early 2006. Among other things, the plan provides an in-depth look at where the Authority sees itself headed in the decades to come.

In order to implement this type of long-term planning, the Authority needed to hire an engineering firm that possessed substantive knowledge of both general aviation and airport structure. The Authority also looked for a firm that could manage not only the ongoing construction projects, but also the airport's growth and terminal area development plans. After reviewing more than thirteen highly qualified firms, the Authority chose world-renown engineering firm R.W. Armstrong, who immediately began developing a new airport layout plan. That plan is now complete, and has been approved by the FAA and the Aeronautics Board.

But, the Authority's efforts to upgrade its facilities do not stop there. Since 2005, the Authority has applied for, and received, grants totaling over \$10.5 million. In

addition, several other projects have been recently completed or are currently underway. These include runway safety projects, reconstruction of the north end hangar apron, the addition of a ten-unit "T" hangar with an additional taxiway and apron. The Authority has also repaired tarmac surface cracks and sealed the existing taxiways and aprons. As a safety precaution, the Authority removed all underground storage tanks on the premises, and replaced them with an above ground fuel system for both "100 low-lead" and "Jet-A" fuel.

The Authority has also completed the purchase of the first twenty-four acre tract of land for the purpose of relocating Airport Road, which currently marks the eastern boundary of the property. The Authority is continuing the process of purchasing additional acreage which will allow for that relocation consistent with our new airport layout plan. The Authority has also received additional grants toward our runway extension project and has completed an environmental assessment. The first phase of the runway extension and the taxiway LED lighting project are underway.

Long term, the Authority must continue to play a vital role in industrial recruiting, community development, and aviation advancement as it relates the future of Sumner County. The Authority firmly believes that its ongoing efforts will do much to assure that this goal is met. When all of these projects are complete, the Authority is certain that the Sumner County Regional Airport will be second to none in general aviation in Middle Tennessee.

Summary of Operations and Changes in Net Assets

Operations

Operating income was increased approximately 8% in the current year as compared to 2010 with the leasing of the new hangars. The Authority received grant funds of \$1,071,401 from the State of Tennessee which was used in the above noted expansion. The construction is overseen by the State and all expenditures are reviewed for propriety by the State. Operating Expenses were relatively consistent with last year due to no significant changes in planned expenses.

Below is a summary of the Authority's results of operations and changes in net assets for the years ended June 30, 2011 and 2010:

	2011	2010
Operating Revenues	\$219,161	\$203,770
Operating Expenses	147,262	149,922
Profit (loss) before depreciation and non-operating revenue	71,899	53,848
Depreciation	374,474	344,619
Loss before non-operating revenue	(302,575)	(290,771)
Non-operating Revenue, net	1,066,323	236,336
Increase (Decrease) in Net Assets	\$763,748	(\$54,435)

Net Assets

The largest portion of the Authority's net assets (88% for the year ended June 30, 2011) represents its investment in capital assets (e.g., buildings, improvements and equipment). The Authority uses these capital assets to provide services to the pilots and other users at the Airport; consequently, these assets are not available for future spending. The remaining unrestricted net assets may be used to meet any of the Authority's ongoing obligations.

The following is a summary of the Authority's assets, liabilities and net assets at June 30, 2011 and 2010:

	2011	2010
ASSETS:		
Current and other assets	\$ 731,360	\$791,515
Capital assets	5,743,608	4,639,709
Total assets	6,474,968	5,561,721
LIABILITIES:		
Accounts Payable and Other Liabilities	794,675	645,175
Total liabilities	794,675	645,175
NET ASSETS:		
Invested in capital assets	4,948,933	3,994,534
Unrestricted	731,360	922,012
Total Net Assets	5,680,293	4,916,546
TOTAL LIABILITIES & NET ASSETS	\$ 6,474,968	\$5,351,157

Request for Information

These financial statements are designed to provide detail information on the Authority's operations and to all those with an interest in the Authority's financial affairs. Questions concerning any of the information provided in this report or any request for additional information should be addressed to Dr. Wayne Hooper, Jr., Treasurer, or Steve Sudbury, Airport Administrator.

Sumner County Regional Airport Authority
Statement of Net Assets
June 30, 2011

Assets

Current Assets

Cash	\$ 40,610
Certificate of Deposit	320,912
Deposits with State	334,642
Prepaid expenses	15,520

Total Current Assets	711,684
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Non-current Assets

Capital assets, net of accumulated depreciation	5,743,608
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Other non-current assets	19,676
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Total Non-current Assets	5,763,284
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Total Assets	\$ 6,474,968
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Liabilities and Net Assets

Current Liabilities

Current maturities of long term debt	\$ 30,000
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Line of Credit	\$ 179,500
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Total Current Liabilities	209,500
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Long term debt, net of current portion	585,175
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Total Liabilities	794,675
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Net Assets

Invested in capital assets, net of debt	4,948,933
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Unrestricted net assets	731,360
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Total Net Assets	5,680,293
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Total Liabilities and Net Assets	\$ 6,474,968
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Sumner County Regional Airport Authority
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended June 30, 2011

Hangar Lease Revenue	\$	207,787
Other Operating Revenues		11,374
Total Operating Revenue		219,161
Maintenance Expense		49,428
Insurance Expense		15,881
Utilities Expense		22,483
Administrative		48,088
Legal & Professional Expense		11,381
Depreciation Expense		374,474
Total Operating Expenses		521,736
Net Income (Loss) From Operating Activities		(302,574)
Non-Operating Revenue (Expense)		
State funds		1,071,401
Interest Income		4,983
Interest Expense		(10,061)
Total Non-Operating Revenue		1,066,323
Increase (Decrease) in Net Assets		763,748
Total Net Assets at June 30, 2010		4,916,545
Total Net Assets at June 30, 2011		\$ 5,680,293

See independent auditor's report and notes to financial statements

Sumner County Regional Airport Authority
Statement of Cash Flows
For the Year Ended June 30, 2011

Cash Flows from Operating Activities

Cash received from customers	\$ 219,161
Cash paid to suppliers and employees	<u>(148,027)</u>

Net Cash Provided By (Used in) Operating Activities	<u>71,134</u>
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Cash Flows from Investing Activities

Invested in certificate of deposit	\$ (4,868)
Interest income received	<u>4,983</u>

Net Cash Provided By (Used In) Investing Activities	<u>115</u>
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Cash Flows from Non-Capital Financing Activities

Net Cash Provided By (Used In) Financing Activities	<u>0</u>
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Cash Flows from Capital and Related Financing Activities

State grant payments received	1,071,401
Repayments on loan from Sumner County	(30,000)
Interest paid on financing	(10,061)
Proceeds from line of credit	179,500
County grant matching funds submitted to state	(519,000)
County grant matching funds reimbursed from state	339,822
Cash payments for the purchase of capital assets	<u>(1,367,552)</u>

Net Cash Flows from Capital and Related Financing Activities	<u>(335,890)</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	(264,641)
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Cash and Cash Equivalents at June 30, 2010	<u>305,252</u>
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Cash and Cash Equivalents at June 30, 2011	<u><u>\$ 40,610</u></u>
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Sumner County Regional Airport Authority
Statement of Cash Flows
For the Year Ended June 30, 2011

Reconciliation of Net Gain to Net Cash Provided by Operating Activities

Net Loss from Operating Activities	\$ (302,574)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation and amortization	374,473
(Increase) decrease in prepaid expenses	<u>(765)</u>
Total Adjustments	<u>373,708</u>
Net Cash Provided by Operating Activities	<u><u>\$ 71,134</u></u>

See independent auditor's report and notes to financial statements

Sumner County Regional Airport Authority
Notes to the Financial Statements
June 30, 2011

Note 1 – Organization and Reporting Entity

The Sumner County Regional Airport Authority (the "Authority"), a component unit of Sumner County, Tennessee (the "County") was established in 1981 in accordance with Resolution No. 1181-102 of the Sumner County Commission, pursuant to the Airport Authorities Act as set forth in the Tennessee Code Annotated, 42-3-103. The governing Board of the Authority is selected by the Authority as terms expire and confirmed by the Sumner County Board of County Commissioners. The Authority's eleven member board consists of individuals who have the requisite aviation background or have a lifetime and/or an education background in the aviation field as well as members who are residents of the community. The Authority is managed on a daily basis by a third party administrator (see Note 6).

The Authority meets the criteria set forth in generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit with the County's general purpose financial statements based on the County's responsibility for the appointment of the Authority members, and their approval of capital programs and certain debt issuances. As a component unit of the County, the Authority's financial statements are discretely presented in the County's general purpose financial statements. The accompanying financial statements present the financial position and the changes in net assets and cash flows of the Authority only. The Authority does not have any component units and is not involved in any joint ventures.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (the "GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Cash, Cash Equivalents and Investments

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. No cash equivalents were held by the Authority as of June 30, 2011.

Sumner County Regional Airport Authority
Notes to the Financial Statements
June 30, 2011

Per Tennessee statutes, bank accounts may only be established and maintained in financial institutions whose deposits are federally insured. Bank account balances (including checking and investment accounts combined) must not exceed the amount federally insured by the FDIC unless the financial institution participates in the State Collateral Pool or pledges collateral for deposits in excess of the insured limits and the collateral is maintained in accordance with state statutes. As of June 30, 2011, the Authority's combined bank account balances exceeded FDIC insured limits by \$111,522. The financial institution does not participate in the State Collateral Pool but has pledged adequate collateral to cover the excess risk.

Receivables

Receivables are reported at their gross value when earned and reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts is based on collection history, aviation industry trends and current information regarding the credit worthiness of the tenants and others doing business with the Authority. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected. The Authority determined an allowance for uncollectible amounts was not needed as of June 30, 2011.

Capital Assets

Capital assets are recorded at historical cost. Subsequent acquisitions of new assets and expenditures which substantially increase the useful lives of existing assets exceeding \$7,500 are recorded at cost. Other acquisitions below this threshold are expensed in the period incurred.

Maintenance and repairs are expensed as incurred. In the future, when properties are disposed of, the related costs and accumulated depreciation will be removed from the respective accounts and any gain or loss on disposition will be credited or charged to an expense. Capital assets will be written off when fully depreciated unless clearly identified as still being in use.

Capital assets are depreciated over their estimated useful lives. Office equipment, computers and fixtures are fully expensed in the year of purchase. The estimated lives by general classification are as follows:

	<u>Years</u>
Buildings	30
Building and land improvements.....	10-15
Large equipment and vehicles.....	10
Small equipment and vehicles	5

Sumner County Regional Airport Authority
Notes to the Financial Statements
June 30, 2011

Capital Contributions

Certain expenditures for airport capital improvements are significantly funded through State allocation or grant programs. Capital funding provided under government grants is considered earned as the related allowable expenditure is incurred.

Grants for capital asset acquisition, facility development and rehabilitation are reported in the Statement of Revenues, Expenses and Changes in Net Assets, after non-operating revenues and expenses as capital contributions.

Revenue

The Authority provides hangars for pilots who use the Airport facilities and one hangar for the Fixed Base Operator (FBO). The majority of the hangars were built and are owned by the Authority, however, eleven of the hangars were built and are owned by private individuals. The Authority leases to the owners the underlying land related to the hangars privately built. The ownership of the eleven hangars built by private individuals will transfer to the Authority at the end of their respective thirty year lease terms. Underlying land leases range from \$40 to \$323 month. Leases on hangars built and owned by the Authority have rents which range from \$145 to \$175 per month for individual hangars and \$500 and \$3,750 per month for the two corporate hangars.

Deferred Revenue

The Authority records hangar rent collected in advance of the months in which it is earned as deferred revenue. Deferred revenue was \$0 at June 30, 2011.

Net Assets

In conformity with GASB Statement No. 34, net assets have been labeled and displayed in three components: "invested in capital assets, net of debt", "restricted" and "unrestricted". As of June 30, 2011, there were no restricted net assets.

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 estimated.

Sumner County Regional Airport Authority
Notes to the Financial Statements
June 30, 2011

Note 3 - Litigation

The Authority is currently involved in two eminent domain litigation cases. Collectively, the independent appraisals obtained by the Authority and separately confirmed by TDOT appraisals indicate total value of \$402,600, while the defendant's appraisals total \$867,000. While the outcome at this time cannot be reasonably estimated, any increase would be funded by additional grant funds. The Authority's maximum exposure is limited to 10% matching on new grants, and would therefore be limited to \$46,440.

Previously disclosed litigation involving the Authority in separate matters against Northstar Environmental Group and against Gina Moore have both been resolved in favor of the Authority without liability.

Note 4 – Long Term Debt

Long term debt at June 30, 2011 consisted of the following:

3.00% bank note with interest payable monthly. Note matures July 31, 2010; collateralized by a certificate of deposit (see note 14 regarding refinancing below)	\$350,175
Non-interest bearing loan from Sumner County, Tennessee requiring \$2,500 monthly installment payments beginning June 1, 2010 and ending June 1, 2020	<u>265,000</u>
Total long term debt	615,175
Less: amounts due in 12 months or less	<u>(30,000)</u>
Net long term debt	<u>\$ 585,175</u>

Note 5 - State Grants

During the year ended June 30, 2011, a total of \$1,071,401 in federal and state grant monies were paid by the State of Tennessee to the Authority. These funds were disbursed for various construction and maintenance projects. The construction is overseen by the State and all expenditures are reviewed for propriety by the State. None of these funds are required to be repaid.

At June 30, 2011, the Authority had \$334,642 remaining on deposit with the State of Tennessee for matching portions of grants that have been awarded to the Authority. Matching funds are recognized by the Authority on a pro rata basis as the underlying projects are completed and grant funds are released by the State.

At June 30, 2011 the Authority held approved State grants with \$3,474,857 remaining and available to the Authority and was liable for \$36,675 in local matching funds that were not yet submitted to the grantor agency.

Sumner County Regional Airport Authority
Notes to the Financial Statements
June 30, 2011

Note 6 - Airport Management

The Authority has entered into a tentative agreement with Gallatin Terminal Operations Aviation, LLC (GTO) to act as Fixed Base Operator for the airport and expects to execute a long term agreement soon. As FBO, GTO engages in flight instruction, aircraft rental, aircraft maintenance, aircraft charter and the sale of fuel and lubricants. The Authority has contracted with J & S Properties to perform daily management duties for \$2,500 per month. During the year ended June 30, 2011, management expense totaled \$30,000.

Note 7 - Budget

The Authority is not required by law or GASB to utilize a budget and does not do so.

Note 8 – Fixed Assets

Non-depreciable assets owned by the Authority consist solely of land recorded at cost. Eleven privately built hangars were removed from the airport's fixed assets in previous years. These hangars are leased by private parties on thirty year terms and ownership of the hangars will revert to the Authority at the conclusion of the respective leases. Depreciation expense for the year ending June 30, 2011 totaled \$374,474. The following is a summary of the Authority's depreciable and non-depreciable assets as of June 30, 2011:

Depreciable Assets	June 30, 2010	Additions	Retirements	June 30, 2011	Accum Deprec	June 30, 2011
Buildings	5,200,474	-	-	5,200,474	3,507,112	1,693,362
Building Improvements	149,471	-	-	149,471	144,997	4,474
Leasehold Improvements	2,030,172	260,953	-	2,291,125	520,869	1,770,256
Equipment	377,061	-	-	377,061	114,354	262,707
Total	7,757,178	260,953	-	8,018,131	4,287,332	3,730,799
Non-depreciable Assets						
Land	717,415	1,175,625	-	1,893,040	-	1,893,040
Construction in Progress	77,974	41,795	-	119,769	-	119,769
Total	795,389	1,217,420	-	2,012,809	-	2,012,809
Total Assets	8,552,567	1,478,373	-	10,030,940	4,287,332	5,743,608

Sumner County Regional Airport Authority
Notes to the Financial Statements
June 30, 2011

Note 9 – Related Party Transactions

During the year ended June 30, 2011 the Authority did not receive any funds from Sumner County or the City of Gallatin. Certain board members lease hangars for their private aircraft. Total revenues derived from board members was approximately \$6,430. These leases are structured on the same terms as those leases made to the general public.

Note 10 - Risk Financing Activities

The Authority is exposed to certain risks of loss related to its buildings (hangars), equipment and infrastructure improvements. The Authority is not covered by the Sumner County Self Insurance Plan, but has obtained insurance as required by the "Airport Minimum Standards and Rules and Regulations". The Authority has had no settlements in excess of insurance coverage in the past three years.

Note 11 - Leases

The Authority has a 30 year lease for certain privately built hangars whose ownership reverts to the Authority at the end of the lease period. These hangars were removed from fixed assets in previous years. The value of these hangars is estimated at \$1,260,000.

Note 12 – Other Noncurrent Assets

Other assets listed on the balance sheet of \$19,676 include assets not placed in service at June 30, 2011 and advance costs on capital activities expected to be reimbursed under federal grants.

Note 14 –Subsequent Events

Authority management has evaluated subsequent events through December 23, 2011, which is the date of the Accountants' Report and the date the financial statements were available to be issued. Subsequent to year end, the Authority renewed the bank promissory note outlined in Note 4 for an additional year at the amount of \$350,350 with an interest rate of 1.8%. The note remains collateralized by a certificate of deposit which had a balance of \$320,912 at June 30, 2011.

*** End of Notes ***

Other Reports

Sumner County Regional Airport Authority
 Schedule of Expenditures of Federal Awards
 For the Year Ending June 30, 2011

Pass Through Grantor	CFDA #	Sub-recipient Number	Balance June 30, 2010	Funds Received	Expenditures	Balance June 30, 2011
Tennessee Department of Transportation - Aeronautics Division	20.106	Z-08-20-0686-00	\$0	\$340,500	\$340,500	\$0
Tennessee Department of Transportation - Aeronautics Division	20.106	Z-08-20-0727-00	0	33,920	33,920	0
Tennessee Department of Transportation - Aeronautics Division	20.106	Z-08-20-0787-00	0	500,000	500,000	0
Tennessee Department of Transportation - Aeronautics Division	20.106	Z-08-20-0798-00	0	290,000	290,000	0
Tennessee Department of Transportation - Aeronautics Division	20.106	Z-0-21-4000-00	0	83,857	83,857	0
Tennessee Department of Transportation - Aeronautics Division	20.106	Z-09-21-4066-00	0	18,700	18,700	0
Tennessee Department of Transportation - Aeronautics Division	20.106	AERO-11-121-00	0	91,284	91,284	0
			\$ -	\$ 1,358,261	\$ 1,358,261	\$ -

**Carl A. Davis & Company
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131 Maple Row Blvd.
Suite A100
Hendersonville, TN 37075**

Phone: 615-822-0231

Fax: 615-822-2220

**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**

Members of the Board of Commissioners
Sumner County Regional Airport Authority
Gallatin, Tennessee

We have audited the financial statements of the Sumner County Regional Airport Authority, a component unit of Sumner County, Tennessee, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 identified one deficiency in internal control over financial reporting that we consider to be a material weakness, as defined above.

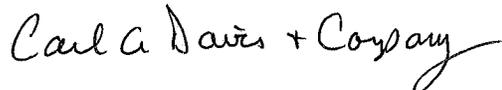
Compliance and Other Matters

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of the Board, management, and others within the organization, the County Commission and federal awarding agencies, pass-through entities and other regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.



Carl A. Davis & Company, CPA's
Hendersonville, Tennessee
December 23, 2011

**Carl A. Davis & Company
Certified Public Accountants
131 Maple Row Blvd.
Suite A100
Hendersonville, TN 37075**

Phone: 615-822-0231

Fax: 615-822-2220

**Report on Compliance with Requirements That Could Have a Direct and Material
Effect on Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

Members of the Board of Commissioners
Sumner County Regional Airport Authority
Gallatin, Tennessee

Compliance

We have audited the compliance of the Sumner County Regional Airport Authority with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Fund's major federal programs for the year ended June 30, 2011. The Sumner County Regional Airport Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Authority management. Our responsibility is to express an opinion on the Sumner County Regional Airport Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of State, Local Governments, and Nonprofit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Sumner County Regional Airport Authority's compliance with those requirements.

In our opinion, the Sumner County Regional Airport Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance*, or combination of control deficiencies, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the entity's internal control that might be deficiencies, significant deficiencies or material weaknesses. As discussed in the Schedule of Findings and Responses, we identified one deficiency in internal control over compliance that we consider to be a material weakness, as defined above.

This report is intended solely for the information and use of the management, the Sumner County Regional Airport Authority Board of Commissioners, 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.



Carl A. Davis & Company, CPAs
Hendersonville, TN
December 23, 2011

**Sumner County Regional Airport Authority
Schedule of Audit Findings and Responses
For the Year Ended June 30, 2011**

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the Sumner County Regional Airport Authority.
2. There is one significant deficiency considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the Authority were disclosed during the audit.
4. The auditor's report on compliance with major federal awards programs for the Authority expresses an unqualified opinion.
5. Audit findings relative to the major federal awards for the Authority, when applicable, appear in Part B of this schedule.
6. The programs tested as major federal awards programs include those of the Tennessee Department of Transportation – Aeronautics Division.
7. The threshold for determining Type A and B programs was \$300,000.
8. The Authority was determined to be a high risk auditee.

B. Findings – Financial Statements Audit

Finding 2011-1 (repeat finding)

Statement of Condition

The Authority has an inadequate segregation of duties.

Criteria

Internal controls should include adequate segregation of duties.

Effect of Condition

The absence of segregation could increase the opportunity to misstate or misuse the Authority's funds.

Cause of Condition

The size of the Authority's management precludes the ability to segregate the necessary accounting functions.

Recommendation

Management should continue to look for opportunities to increase Board oversight and controls.

Management Response

The Authority's Board, officers and management work together and openly share all financial information relevant to the operation of the airport. We continue to believe the current management structure is the best use of the State, County, and customer resources and we will continue to strengthen controls as appropriate.

**Sumner County
Regional Airport Authority
1475 Airport Rd.
Gallatin, Tennessee 37066**

December 23, 2011

Tennessee Department of Transportation –
Aeronautics Division

The Sumner County Regional Airport Authority respectively submits the following corrective action plan for the year ended June 30, 2011.

Name and address of independent public accounting firm: Carl A. Davis & Company, CPAs, 131 Maple Row Boulevard, Suite A100, Hendersonville, TN 37075

Audit period: The year ended June 30, 2011

The findings from the 2011 Schedule of Findings and Responses are discussed below:

Findings – Financial Statement Audit

2011-1 Segregation of Duties

Recommendation

Management should continue to look for opportunities to increase Board oversight and controls.

Action Taken

Management will continue to work openly and will strive to identify any further cost effective enhancements to internal control.