

MAURY COUNTY REGIONAL
AIRPORT AUTHORITY

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012**

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Roster of Officials and Commissioners	3
Basic Financial Statements:	
Government-wide Financial Statements -	
Statement of Net Assets	4
Statement of Activities.....	5
Fund Financial Statements -	
Balance Sheet - Governmental Funds.....	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	9
Notes to Financial Statements	10
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	16
Schedule of Federal and State Financial Assistance.....	17
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Schedule of Findings and Responses	20

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

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

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

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities and the major governmental fund of the Maury County Regional Airport Authority, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Maury County Regional Airport Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

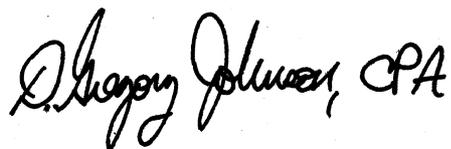
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major governmental fund of the Maury County Regional Airport Authority, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 8, 2014, on my consideration of Maury County Regional Airport Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

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

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

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

D. Gregory Johnson, CPA
Columbia, Tennessee
February 8, 2014

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
ROSTER OF OFFICIALS AND COMMISSIONERS
YEAR ENDED JUNE 30, 2012**

Management Officials

Paul Turner, Manager

Carol Black, Secretary/Treasurer

Commissioners

Joe Duncan, Chairman

Scotty Stockard

Michelle Williams

MAURY COUNTY REGIONAL AIRPORT AUTHORITY
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

Cash and cash equivalents	\$ 99,677
Receivables	51,400
Inventory	29,079
Deposits and prepaid expenses	21,357
Capital assets, not being depreciated	1,775,470
Capital assets, being depreciated, net	<u>2,965,738</u>
Total assets	<u>4,942,721</u>

LIABILITIES

Accounts payable	31,623
Sales tax payable	<u>4,968</u>
Total liabilities	<u>36,591</u>

NET ASSETS

Invested in capital assets	4,741,208
Unrestricted	<u>164,922</u>
Total net assets	<u><u>\$ 4,906,130</u></u>

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

MAURY COUNTY REGIONAL AIRPORT AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

ASSETS

Cash and cash equivalents	\$ 99,677
Receivables	51,400
Inventory	29,079
Deposits and prepaid expenses	<u>21,357</u>
Total assets	<u><u>\$ 201,513</u></u>

LIABILITIES AND FUND BALANCES

Accounts payable	\$ 31,623
Sales tax payable	<u>4,968</u>
Total liabilities	<u>36,591</u>
Fund balances	
Nonspendable	50,436
Unassigned	<u>114,486</u>
Total fund balances	<u>164,922</u>
Total liabilities and fund balances	<u><u>\$ 201,513</u></u>

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

MAURY COUNTY REGIONAL AIRPORT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Fund Balances - total governmental funds \$ 164,922

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds

Governmental capital assets	\$9,121,870	
Less accumulated depreciation	<u>(4,380,662)</u>	<u>4,741,208</u>

Net Assets of Governmental Activities \$4,906,130

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

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

Revenues

Hangar rent	\$ 46,167
Ground lease income	1,884
Fuel sales	398,903
Government appropriations and grants	114,905
Interest income	171
Other income	4,414
	566,444
Total revenues	566,444

Expenditures

Bookkeeping	3,610
Cable television	455
Capital expenditures	88,601
Conferences	1,064
Contract management	70,800
Fuel purchases	336,080
Fuel selling expenses	26,369
Grounds maintenance	16,305
Insurance	17,662
Janitorial	863
Office supplies	6,861
Postage	203
Professional fees	10,286
Public notices	846
Repairs & maintenance	18,431
Taxes, licenses & penalties	7,328
Telephone	5,292
Utilities	23,554
	634,610
Total expenditures	634,610

Excess of revenues over (under) expenditures	(68,166)
--	----------

Fund balance, beginning of year	233,088
--	---------

Fund balance, end of year	\$ 164,922
----------------------------------	------------

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

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balances - total governmental funds \$ (68,166)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	88,601	
Less current depreciation	<u>(251,296)</u>	<u>(162,695)</u>
Change in Net Assets of Governmental Activities		<u><u>\$ (230,861)</u></u>

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

MAURY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Sources of Revenue

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

Maury County	\$ 40,000
City of Columbia	10,000
City of Mt. Pleasant	4,000
State of Tennessee	<u>60,905</u>
	<u>\$114,905</u>

Cash and Cash Equivalents

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

Inventory

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

Investment in Capital Assets

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

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

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Capital Assets (continued)

Capital assets are defined by the Authority as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2012.

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

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

Fund Equity

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

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

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

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (continued)

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

- Committed
- Assigned
- Unassigned

Use of Estimates

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

Budgets and Budgetary Accounting

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

NOTE B – DEPOSITS AND CASH INVESTMENTS

The Authority's funds are required to be deposited to accounts with commercial banks which are required to pledge securities as collateral for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) coverage amount of \$250,000, or participate in the Tennessee Collateral Pool. There were no amounts in banks in excess of insured limits as of June 30, 2012.

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

At June 30, 2012, the Authority's funds were maintained in an interest-bearing account earning interest at a rate of 0.10%.

Cash deposits at June 30, 2012, are summarized as follows:

Cash and cash equivalents, as reported in financial statements	<u>\$ 99,677</u>
Bank balance for above deposits	<u>\$ 93,360</u>

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

NOTE C – RECEIVABLES

Receivables at June 30, 2012, consist of the following:

Hangar rent	\$ 1,400
Maury County appropriation	40,000
City of Columbia appropriation	<u>10,000</u>
	<u>\$ 51,400</u>

NOTE D – DEPOSITS AND PREPAID EXPENSES

Deposits and prepaid expenses at June 30, 2012, consist of the following:

Prepaid 10% match for State of Tennessee Repair/Seal Airfield grant	\$ 8,500
Prepaid 10% match for State of Tennessee Pavement Evaluation grant	1,000
State of Tennessee Sales tax credits	11,109
Other deposits	<u>748</u>
	<u>\$ 21,357</u>

NOTE E – CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets, not being depreciated:				
CIP – Hanger refurbishment	\$ -	\$ 52,500	\$ -	\$ 52,500
Land	<u>1,722,970</u>	<u>-</u>	<u>-</u>	<u>1,722,970</u>
Total capital assets, not being depreciated	<u>1,722,970</u>	<u>52,500</u>	<u>-</u>	<u>1,775,470</u>
Capital assets, being depreciated:				
Land improvements	354,398	-	-	354,398
Building	330,500	-	-	330,500
Equipment & fixtures	780,348	36,101	-	816,449
Runways, taxiway, & apron	<u>5,845,053</u>	<u>-</u>	<u>-</u>	<u>5,845,053</u>
Total capital assets, being depreciated	<u>7,310,299</u>	<u>36,101</u>	<u>-</u>	<u>7,346,400</u>
Less accumulated depreciation:				
Land improvements	(43,709)	(14,176)	-	(57,885)
Building	(235,169)	(9,025)	-	(244,194)
Equipment & fixtures	(775,169)	(6,454)	-	(781,623)
Runways, taxiway, & apron	<u>(3,075,319)</u>	<u>(221,641)</u>	<u>-</u>	<u>(3,296,960)</u>
Total accumulated depreciation	<u>(4,129,366)</u>	<u>(251,296)</u>	<u>-</u>	<u>(4,380,662)</u>
Total capital assets, being depreciated, net	<u>3,180,933</u>	<u>(215,195)</u>	<u>-</u>	<u>2,965,738</u>
Capital assets, net	<u>\$ 4,903,903</u>	<u>\$ (162,695)</u>	<u>\$ -</u>	<u>\$ 4,741,208</u>

Depreciation was charged to governmental functions in the general fund in the amount of \$251,296.

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

NOTE F – FUND BALANCES

At June 30, 2012, fund balances for governmental funds are made up of the following:

	<u>General Fund</u>
Nonspendable	
Inventory	\$ 29,079
Deposits and prepaid expenses	21,357
	50,436
Unassigned	114,486
Total	\$ 164,922

NOTE G – ECONOMIC DEPENDENCE

The Authority is economically dependent on the appropriations from state and local governments. For the current year, these appropriations represent approximately 20% of total revenues of the Authority, and 69% of total non-fuel-sale revenue.

NOTE H – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE I – AIRPORT MANAGEMENT

The Authority has responsibility for the management of the airport facility and the purchase and sale of fuel. Fuel is provided by the Authority, and the Authority receives 100% of the receipts of all fuel sales. The Authority has a contract with a manager for the daily oversight and maintenance of the facility. Total management fees incurred in the current year amounted to \$70,800.

NOTE J – SUBSEQUENT EVENTS

The Authority considered events and transactions that occur after the statement of net assets, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements were issued on February 8, 2014, and subsequent events have been evaluated through that date.

SUPPLEMENTARY INFORMATION

MAURY COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget
				Favorable
				(Unfavorable)
Revenues				
Hangar rent	\$ 43,200	\$ 43,200	\$ 46,167	\$ 2,967
Ground lease income	1,884	1,884	1,884	-
Fuel sales	240,000	240,000	398,903	158,903
Government appropriations and grants	54,000	54,000	114,905	60,905
Interest income	-	-	171	171
Other income	-	-	4,414	4,414
Total revenues	<u>339,084</u>	<u>339,084</u>	<u>566,444</u>	<u>227,360</u>
Expenditures				
Bookkeeping	4,000	4,000	3,610	390
Cable television	456	456	455	1
Capital expenditures	-	-	88,601	(88,601)
Conferences	750	750	1,064	(314)
Contract management	64,800	64,800	70,800	(6,000)
Fuel purchases	192,000	192,000	336,080	(144,080)
Fuel selling expenses	-	-	26,369	(26,369)
Grounds maintenance	19,400	19,400	16,305	3,095
Insurance	16,700	16,700	17,662	(962)
Janitorial	1,500	1,500	863	637
Office supplies	-	-	6,861	(6,861)
Postage	360	360	203	157
Professional fees	11,600	11,600	10,286	1,314
Public notices	360	360	846	(486)
Repairs & maintenance	26,700	26,700	18,431	8,269
Taxes, licenses & penalties	-	-	7,328	(7,328)
Telephone	4,596	4,596	5,292	(696)
Utilities	33,436	33,436	23,554	9,882
Total expenditures	<u>376,658</u>	<u>376,658</u>	<u>634,610</u>	<u>(257,952)</u>
Excess of revenues over (under) expenditures	(37,574)	(37,574)	(68,166)	(30,592)
Fund balance, beginning of year	<u>233,088</u>	<u>233,088</u>	<u>233,088</u>	<u>-</u>
Fund balance, end of year	<u>\$ 195,514</u>	<u>\$ 195,514</u>	<u>\$ 164,922</u>	<u>\$ (30,592)</u>

See auditor's report.

MAURY COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2012

CFDA Number	Grant Number	Program Name	Grantor Agency	Receivable		Cash Receipts	Cash Expenditures	Receivable Balance June 30, 2012
				Balance July 1, 2011				
20.016	99-555-1206-04	Airport maintenance contract	Department of Transportation	-	9,050	9,050	-	-
-	60-555-0136-04	Airport self service fuel grant	Department of Transportation	-	24,355	24,355	-	-
-	60-555-0138-04	Airport hangar refurbishment grant	Department of Transportation	-	27,500	27,500	-	-
				\$ -	\$ 60,905	\$ 60,905	\$ -	\$ -

See auditor's report.

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

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

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

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

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

I have audited the financial statements of the governmental activities and the major governmental fund of the Maury County Regional Airport Authority as of and for the year ended June 30, 2012, which collectively comprise the Maury County Regional Airport Authority's basic financial statements and have issued my report thereon dated February 8, 2014. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Maury County Regional Airport Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Maury County Regional Airport Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Maury County Regional Airport Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Maury County Regional Airport Authority's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness as item 2012-1.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency as item 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maury County Regional Airport Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2012-3, 2012-4 and 2012-5.

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

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

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

D. Gregory Johnson, CPA
Columbia, Tennessee
February 8, 2014

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012**

Finding 2012-1 – Lack of Supervision

Condition: The Authority had a lack of supervision in regards to financial matters. There were obvious errors in the general ledger during the year, items missing or inconsistent from the interim financial reporting to the general ledger, delinquencies in sales tax payments including a levy by the Tennessee Department of Revenue out of the operating account, fuel bank account not being reconciled while the operating bank account was not being reconciled in a timely manner, and no controls on the acceptance and deposit of cash payments for fuel sales after stating in the manager's agreement that only credit cards would be accepted or checks from those that rented hangers.

Criteria: Internal controls should be in place that provides reasonable assurance that the general ledger, accounts payable, accounts receivable and the internal financial information are accurate and have proper management approval. Internal controls should also be in place to ensure the protection of cash and that the Authority is paying their obligations. According to Tennessee law, the Authority should have in place procedures to accurately supervise financial matters, controls and reporting.

Effect: Because of the failure to require oversight from the proper management, board decisions were periodically being based on inconsistent, inaccurate and unreconciled monthly internal financial information. Failures to have controls on fuel cash sales, to reconcile the bank balance in a timely manner and to the general ledger can allow for material misstatements in the accounting records.

Recommendation: Procedures should be implemented that a designated individual review the bank statements and reconciliations, review the general ledger for errors periodically to insure there are not material misstatements to the financial statements and require financial statement verification and board approval. To assist in the supervision in regards to financial matters, a separate individual who does not have prior access to the records should assist in addressing financial reporting practices, internal control, compliance issues and ethics.

Management's Response: *The Maury County Regional Airport Authority agrees with the Auditor's recommendations and has retained an outside accountant to assist with these matters.*

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2012**

Finding 2012-2 – Payments Not Deposited Within Three Days and Missing Duplicate Deposit Slips With Related Receipt Information

Condition: Majority of the deposits were not made within three business days as required by state law. There was no evidence of a duplicate deposit slip or any identifiable receipt information of the items listed on a deposit. Cash receipts were being held in a change fund with no standard procedures for deposit.

Criteria: According to Tennessee Law, the authority should ensure that collections are deposited daily, if possible, but no more than three business days after the initial collections. They should also ensure that duplicate deposit slips with traceable receipt information are used and deposits are made intact.

Effect: Failure to deposit payments within three days allows for misplacement of funds. Failure to not issue a duplicate deposit slip with related receipt information allows the deposit to be untraceable to the receipts and to verify if a deposit was made intact.

Recommendation: To minimize the risk of loss or misuse of funds, the Authority should ensure that all collections are deposited within three days into an official bank account with a duplicate deposit slip containing either related receipt numbers or copies of receipts attached.

Management's Response: *The Maury County Regional Airport Authority agrees with the Auditor's recommendation and is exploring hiring a part-time individual to assist and make sure funds are deposited in a timely manner and then have the records reviewed by an outside accountant.*

Finding 2012-3 – Missing Federal Form 1099 Reports

Condition: There was no evidence of any federal form 1099 miscellaneous reports being issued to those qualified recipients or the Internal Revenue Service.

Criteria: The Internal Revenue Service requires each calendar year that 1099s be issued to each noncorporate recipients that qualifies for the current reporting limit as does the *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 5, Chapter 19, Section 13.

Effect: Disbursements may be issued that have not been properly approved or reported.

Recommendation: To prepare and issue federal form 1099 miscellaneous reports to any service providers and consultants under contract, as well as to any other nonpayroll, noncorporate recipients as per the current IRS reporting limit.

Management's Response: *The Maury County Regional Airport Authority agrees with the Auditor's recommendation and has retained an outside accountant to assist with these issues.*

**MAURY COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2012**

Finding 2012-4 – Year-End Financial Audit Not Submitted in a Timely Manner to the Comptroller of the Treasury of the State of Tennessee

Condition: The Authority's audit report has consistently been filed late with the Comptroller's Office. This was also a finding at June 30, 2011.

Criteria: The approved Contract to Audit Accounts requires audits to be submitted within six months after year-end.

Effect: The usefulness of reports issued so long after yearend is greatly diminished.

Recommendation: The Authority ensures that financial statements are complete and ready to audit as quickly and efficiently as possible at year-end. Coordinate and schedule with the auditor as soon as possible after year-end to provide the auditor enough time to perform necessary and required audit procedures in order to complete the audit in a timely manner as required by the Comptroller's Office.

Management's Response: The Maury County Regional Airport Authority agrees with the Auditor's recommendation and has retained an outside accountant to assist with this issue.

Finding 2012-5 – Expenditures Exceed the Budget and Fiscal Plan

Condition: The Authority exceeded budget amounts in several of its operating expenses. This was also a finding at June 30, 2011.

Criteria: According to Tennessee law, the authority cannot expend moneys regardless of their source except in accordance with a budget previously adopted. The law further states that nothing limits the Board of Commissioners from amending a budget after adoption.

Effect: State Statues, charters and local ordinances assign the responsibility of the budgeting process and establish budgetary authority for expenditures. To avoid possible conflict, officials should authorize all expenditures either in the original budget, in an amendment, or in a supplemental appropriation.

Recommendation: The Board of Commissioners reviews on a monthly basis, as required by law, the actual-to-budget comparisons and adopt amendments to its budget when unexpected departures from its fiscal plan are anticipated.

Management's Response: The Maury County Regional Airport Authority agrees with the Auditor's recommendation and has retained an outside accountant to assist with these matters.