

**Sumner County
Regional Airport Authority
Audited Financial Statements
June 30, 2012**

**Sumner County
Regional Airport Authority
June 30, 2012**

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**Sumner County
Regional Airport Authority
1475 Airport Rd.
Gallatin, Tennessee 37066
June 30, 2012**

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, 2012 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 (J&S Properties)	Airport Administrator
GTO Aviation, LLC	Fixed – Base Operator

Independent Auditor

Carl A. Davis & Company, CPAs
Hendersonville, TN



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, 2012, 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, 2012, 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 October 3, 2012, 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
October 3, 2012

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, 2012.

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.

However, the Authority's efforts to upgrade its facilities do not stop there. Since 2005, the Authority has applied for, and received, grants totaling over \$14 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 property for the purpose of relocating Airport Road, which currently marks the western boundary of the property. The Authority is continuing the process of working with the City of Gallatin and the State of Tennessee 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. Phase 1 of the runway extension and the taxiway LED lighting project are almost complete and Phase 2 began in late July 2012.

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

Net operating income remains relatively consistent with prior years as the Authority's available hangars remain fully leased. The Authority received grant funds of \$1,920,978 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. Construction in progress has grown to \$2,177,970 as substantial work is ongoing with respect to expansion.

Below is a summary of the Authority's results of operations and changes in net assets for the years ended June 30, 2012 and 2011:

	2012	2011
Operating Revenues	\$214,570	\$219,161
Operating Expenses	148,453	147,262
Profit (loss) before depreciation and non-operating revenue	66,117	71,899
Depreciation	370,526	374,474
Loss before non-operating revenue	(304,409)	(302,575)
Non-operating Revenue, net	1,904,214	1,066,323
Increase (Decrease) in Net Assets	\$1,599,804	\$763,748

Net Assets

The largest portion of the Authority's net assets (91% for the year ended June 30, 2012) 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, 2012 and 2011:

	2012	2011
ASSETS:		
Current and other assets	\$ 882,721	\$711,684
Capital assets	7,447,040	5,743,608
Total assets	8,329,761	6,474,968
LIABILITIES:		
Accounts Payable and Other Liabilities	1,049,664	794,675
Total liabilities	1,049,664	794,675
NET ASSETS:		
Invested in capital assets	6,665,190	4,948,933
Restricted	56,892	0
Unrestricted	558,015	731,360
Total Net Assets	7,280,097	5,680,293
TOTAL LIABILITIES & NET ASSETS	\$ 8,329,761	\$6,474,968

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, 2012

Assets

Current Assets

Cash	\$	114,670
Certificate of Deposit		320,912
Cash - Restricted for Retainage Payments		56,892
Grant funds receivable		210,948
Deposits with State		144,104
Prepaid expenses		15,520
Total Current Assets		863,045

Non-current Assets

Capital assets, net of accumulated depreciation		7,447,040
Other non-current assets		19,676
Total Non-current Assets		7,466,716

Total Assets

\$ 8,329,761

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$	210,948
Retainage Payable		56,866
Current maturities of long term debt		30,000
Line of Credit		196,500
Total Current Liabilities		494,314

Long term debt, net of current portion

555,350

Total Liabilities

1,049,664

Invested in capital assets, net of debt		6,665,190
Restricted net assets		56,892
Unrestricted net assets		558,015
Total Net Assets		7,280,097

Total Liabilities and Net Assets

\$ 8,329,761

Sumner County Regional Airport Authority
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended June 30, 2012

Hangar Lease Revenue	\$	200,706
Other Operating Revenues		13,864
Total Operating Revenue		214,570
Maintenance Expense		62,249
Insurance Expense		16,988
Utilities Expense		19,048
Administrative		35,043
Legal & Professional Expense		15,125
Depreciation Expense		370,526
Total Operating Expenses		518,979
Net Income (Loss) From Operating Activities		(304,409)
Non-Operating Revenue (Expense)		
State funds		1,920,978
Interest Income		69
Interest Expense		(16,832)
Total Non-Operating Revenue		1,904,214
Increase (Decrease) in Net Assets		1,599,804
Total Net Assets at June 30, 2011		5,680,293
Total Net Assets at June 30, 2012		\$ 7,280,097

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, 2012

Cash Flows from Operating Activities	
Cash received from customers	\$ 214,570
Cash paid to suppliers and employees	<u>(148,453)</u>
Net Cash Provided By (Used in) Operating Activities	<u>66,117</u>
Cash Flows from Investing Activities	
Interest income received	<u>69</u>
Net Cash Provided By (Used In) Investing Activities	<u>69</u>
Cash Flows from Non-Capital Financing Activities	
Net Cash Provided By (Used In) Financing Activities	<u>0</u>
Cash Flows from Capital and Related Financing Activities	
State grant payments received	1,920,978
Repayments on loan from Sumner County	(30,000)
Interest paid on financing	(16,833)
Proceeds from line of credit	17,152
County grant matching funds submitted to state	(35,000)
County grant matching funds reimbursed from state	225,538
Cash payments for the purchase of capital assets	<u>(2,073,960)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>7,875</u>
Net Increase (Decrease) in Cash and Cash Equivalents	74,060
Cash and Cash Equivalents at June 30, 2011	<u>40,610</u>
Cash and Cash Equivalents at June 30, 2012	<u><u>\$ 114,670</u></u>

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, 2012

Reconciliation of Net Gain to Net Cash Provided by Operating Activities

Net Loss from Operating Activities	\$ (304,409)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation and amortization	<u>370,526</u>
Total Adjustments	<u>370,526</u>
Net Cash Provided by Operating Activities	<u><u>\$ 66,117</u></u>

See independent auditor's report and notes to financial statements

Sumner County Regional Airport Authority
Notes to the Financial Statements
June 30, 2012

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, 2012.

Sumner County Regional Airport Authority
Notes to the Financial Statements
June 30, 2012

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, 2012, the Authority's combined bank account balances exceeded FDIC insured limits by \$242,474. 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, 2012.

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, 2012

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 \$170 to \$285 per month for individual hangars and \$500 and \$4,000 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, 2012.

Net Assets

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

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.

Sumner County Regional Airport Authority
Notes to the Financial Statements
June 30, 2012

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.

When 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 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 has provided otherwise in its commitment or assignment actions.

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.

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 \$482,600, 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.

As of June 30, 2012, the Authority has deposited \$482,600 toward the purchase of this land with the Chancery Court of Sumner County, Tennessee.

Sumner County Regional Airport Authority
Notes to the Financial Statements
June 30, 2012

Note 4 – Long Term Debt

Long term debt at June 30, 2012 consisted of the following:

3.00% bank note with interest payable monthly. Note matures July 30, 2012; collateralized by a certificate of deposit (see note 14 regarding refinancing below)	\$350,350
Non-interest bearing loan from Sumner County, Tennessee requiring \$2,500 monthly installment payments beginning June 1, 2010 and ending June 1, 2020	<u>235,000</u>
Total long term debt	585,350
Less: amounts due in 12 months or less	<u>(30,000)</u>
Net long term debt	<u><u>\$ 555,350</u></u>

Maturities of long term debt are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2013	30,000
2014	380,350
2015	30,000
2016	30,000
2017	30,000
Thereafter	85,000

Note 5 - State Grants

During the year ended June 30, 2012, a total of \$1,920,978 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, 2012, the Authority had \$144,104 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, 2012 the Authority held approved State grants with \$5,288,079 remaining and available to the Authority and was liable for \$443,500 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, 2012

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, 2012, 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 – Related Party Transactions

During the year ended June 30, 2012 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 \$6,720. These leases are structured on the same terms as those leases made to the general public.

Note 9 - 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 10 – Capital 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, 2012 totaled \$370,526.

Sumner County Regional Airport Authority
Notes to the Financial Statements
June 30, 2012

The following is a summary of the Authority's depreciable and non-depreciable assets as of June 30, 2012:

<u>Cost</u>	<u>Capital Assets, not depreciated</u>		<u>Capital Assets, depreciated</u>			
	<u>Land</u>	<u>Construction in Process</u>	<u>Buildings and Improvements</u>	<u>Taxiways, runways, and ramps</u>	<u>Furniture and Equipment</u>	<u>Totals</u>
Balance, June 30, 2011	1,893,040	119,769	5,349,945	2,291,125	377,061	10,030,940
Additions		2,058,201		15,759		2,073,960
Retirements						-
Balance, June 30, 2012	1,893,040	2,177,970	5,349,945	2,306,884	377,061	12,104,900
Accumulated Depreciation						
Balance, June 30, 2011			3,652,109	520,869	114,354	4,287,332
Additions			177,823	168,299	24,404	370,526
Retirements						-
Balance, June 30, 2012			3,829,932	689,168	138,758	4,657,858
Net Assets	1,893,040	2,177,970	1,520,013	1,617,716	238,303	7,447,042

Note 11 - Leases

The Authority has a 30 year lease for certain privately built hangers whose ownership reverts to the Authority at the end of the lease period. These hangers were removed from fixed assets in previous years. The value of these hangers 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, 2012 and advance costs on capital activities expected to be reimbursed under federal grants.

Note 13 – Line of Credit

At June 30, 2012, the Authority had an unsecured line of credit with Sumner Bank & Trust in the amount of \$200,000 bearing interest at 5.5% with a maturity date of July 19, 2012. At June 30, 2012 the balance drawn on this line was \$196,500. (see Note 14 regarding refinancing subsequent to year end)

Sumner County Regional Airport Authority
Notes to the Financial Statements
June 30, 2012

Note 14 –Subsequent Events

Authority management has evaluated subsequent events through October 3, 2012, 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 in the amount of \$350,525 with an interest rate of 1.7%. The note remains collateralized by a certificate of deposit which had a balance of \$320,912 at June 30, 2012.

Also subsequent to year end, the Authority renewed the line of credit outlined in Note 13 for three months in the amount of \$200,000 with an interest rate of 5.5%. The note remains unsecured.

***** End of Notes *****

Other Reports

Sumner County Regional Airport Authority
Schedule of Expenditures of Federal Awards
For the Year Ending June 30, 2012

Pass Through Grantor	CFDA #	Sub-recipient Number	Grants Receivable June 30, 2011	Funds Received	Expenditures	Return of Local Matching Funds (A)	Grants Receivable June 30, 2012
Tennessee Department of Transportation - Aeronautics Division	20.106	(all programs)					
		83-555-0148-04	\$ -	3,586	3,984	398	-
		83-555-0754-04	-	6,689	7,432	743	-
		83-555-0756-04	-			271	B
		83-555-0765-04	-	2,108	2,342	234	-
		83-555-0778-04	-	7,458	8,288	830	-
		83-555-0180-04	-	1,091,800	1,232,471	121,311	(19,360)
		83-555-0763-04	-	103,883	229,078	11,543	(113,652)
		83-555-0766-04	-	180,990	201,100	20,110	-
		83-555-0184-04	-	233,638	280,272	25,960	(20,674)
		83-555-0182-04	-	16,433	18,259	1,826	-
		99-555-1206-04	-	13,000	13,000	-	-
		83-555-0785-04	-	20,820	23,133	2,313	-
		83-555-0450-04	-			40,000	B
		83-555-0787-04	-	29,625	86,887		(57,262)
			\$ -	\$ 1,710,030	\$ 2,106,246	\$ 225,539	\$ (210,948)

Basis of Presentation

This schedule summarizes the expenditures of the Sumner County Regional Airport Authority under programs of the federal government for the year ended June 30, 2012. This schedule is presented on the accrual basis of accounting.

A - Deposits on contracts consist of local match funds previously sent to the Tennessee Department of Transportation. These funds are returned to the Authority as grant drawdowns occur.

B - Return of unspent local funds; grant cancelled or completed

See independent auditor's report and notes to financial statements



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, 2012, and have issued our report thereon dated October 3, 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

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 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 2012-02.

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
October 3, 2012



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, 2012. 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, 2012.

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, and one compliance matter.

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
October 3, 2012

**Sumner County Regional Airport Authority
Schedule of Audit Findings and Responses
For the Year Ended June 30, 2012**

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. One instance of noncompliance material to the financial statements of the Authority was 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 2012-1 (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.

Finding 2012-2

Statement of Condition

The Authority has not developed and issued an debt management policy in accordance with TCA Section 9-21-151(b)(1).

Criteria

The State of Tennessee has directed that all governmental entities that borrow money must draft a debt management policy by December 31, 2011.

Cause of Condition

The Authority failed to complete their policy in accordance with the specified timeline.

Effect of Condition

The Authority is not in compliance with TCA Section 9-21-151(b)(1) as of June 30, 2012.

Recommendation

Management should adopt the specified policy as soon as practical and make the appropriate filings.

Management Response

Our debt policy is in draft and slated for approval at our November 2012 board meeting.

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

October 3, 2012

Tennessee Department of Transportation –
Aeronautics Division

The Sumner County Regional Airport Authority respectfully submits the following corrective action plan for the year ended June 30, 2012.

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, 2012

The findings from the 2012 Schedule of Findings and Responses are discussed below:

Findings – Financial Statement Audit

2012-1 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.

2012-2 Segregation of Duties

Recommendation

Management should adopt the specified policy as soon as practical and make the appropriate filings.

Management Response

Our debt policy is in draft and slated for approval at our November 2012 board meeting.