

LAWRENCEBURG - LAWRENCE COUNTY

AIRPORT BOARD

Financial Statements

June 30, 2012

LAWRENCEBURG - LAWRENCE COUNTY AIRPORT BOARD

Contents

|  | <u>Page No.</u> |
|--|-----------------|
| Roster of Officers, Board Members and Officials  | i               |
| Independent Auditor's Report   | 1 - 2           |
| Management's Discussion and Analysis   | 3 - 8           |
| Financial Statements   |                 |
| Statement of Net Assets  | 9               |
| Statement of Revenues, Expenses and Changes in Net Assets  | 10              |
| Statement of Cash Flows  | 11 - 12         |
| Notes to Financial Statements  | 13 - 16         |
| Schedule of Grant Activity   | 17              |
| Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with Governmental Auditing Standards | 18 - 19         |

LAWRENCEBURG - LAWRENCE COUNTY AIRPORT BOARD

Roster of Officers, Board Members and Officials

June 30, 2012

| <u>Officers and Board Memebers</u> | <u>Position</u>     | <u>Appointed By</u>  |
|------------------------------------|---------------------|----------------------|
| Jim Bush                           | Chairperson         | City of Lawrenceburg |
| Steve Frisbie                      | Secretary/Treasurer | City of Lawrenceburg |
| Michael Boyd                       | Director            | Lawrence County      |
| James Fleeman                      | Director            | Lawrence County      |
| John Franks                        | Director            | Lawrence County      |
| Patricia Hudgins                   | Director            | City of Lawrenceburg |
| <br><u>Management Officials</u>    |                     |                      |
| Doris Venable                      | Airport manager     |                      |

JOHN J. MICHIE  
*Certified Public Accountant*  
2108 B WESTWOOD AVENUE  
NASHVILLE, TENNESSEE 37212

TELEPHONE  
(615) 383-8806

FACSIMILE  
(615) 986-5551

Independent Auditor's Report

Board of Directors  
Lawrenceburg - Lawrence County  
Airport Board  
Lawrenceburg, Tennessee

I have audited the statement of net assets of Lawrenceburg - Lawrence County Airport Board as of June 30, 2012, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Lawrenceburg - Lawrence County Airport Board's management. My responsibility is to express an opinion on the financial statements based on my audit.

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. 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 financial position of Lawrenceburg - Lawrence County Airport Board, as of June 30, 2012, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, I have also issued my report dated November 19, 2012, on my consideration of Lawrenceburg/Lawrence County Airport Board'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.

Lawrenceburg - Lawrence County  
Airport Board  
November 19, 2012  
Page Two

Accounting principles general accepted in the United State of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. I have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lawrenceburg - Lawrence County Airport Board's financial statements taken as a whole. The accompanying Roster of Officers, Board Members and Officials for the year ended June 30, 2012 is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Grant Activity is also presented for purposes of additional analysis and is also not a required part of the financial statements. The Schedule of Grant Activity is the responsibility of management and was 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 general 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. The Roster of Officers, Board Members and Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, I do not express an opinion or provide any assurance on it.

A handwritten signature in dark ink, consisting of a series of loops and a long horizontal stroke extending to the right.

November 19, 2012

**LAWRENCEBURG - LAWRENCE COUNTY AIRPORT BOARD**

**Management's Discussion and Analysis**

June 30, 2012

This section of the Lawrenceburg - Lawrence County Airport Board's financial statements present's management's overview and analysis of the Airport Board's financial performance for the year ended June 30, 2012. This section should be read in conjunction with the financial statements which follow this section.

**Financial Highlights**

Key highlights for the year ended June 30, 2012 are as follows:

The Board's net assets decreased \$38,802.

At the end of the current year the Board reported total net assets of \$4,633,586.

At the end of the current year the Board reported current assets in excess of current liabilities of \$335,112.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Board's basic financial statements. The notes to the financial statements also contain more detail on some of the information presented in the financial statements. The financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Assets presents information on all of the Board's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the Board's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The final required statement is the statement of Cash Flows. The primary purpose of this statement is to provide information about the Board's cash receipts and cash payments during the year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non capital financing activities.

The financial statements can be found on pages 9-12 of this report.

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided within the financial statements. The notes to the financial can be found on pages 13-16 of this report.

LAWRENCEBURG - LAWRENCE COUNTY AIRPORT BOARD

Management's Discussion and Analysis

June 30, 2012

Financial Analysis

For the year ended June 30, 2012, assets exceeded liabilities by \$4,633,586. The Airport Board is a capital intensive enterprise, and 93% of the net assets are invested in capital assets. The following is a summary of the Airport Board's net assets.

|                            | 2012               | 2011               | Change            |
|----------------------------|--------------------|--------------------|-------------------|
| <b>Assets</b>              |                    |                    |                   |
| Current assets             | \$ 481,015         | \$ 335,110         | \$145,905         |
| Capital Assets             | <u>4,395,190</u>   | <u>4,459,245</u>   | <u>(64,055)</u>   |
| Total assets               | <u>4,876,205</u>   | <u>4,794,355</u>   | <u>81,850</u>     |
| <b>Liabilities</b>         |                    |                    |                   |
| Current liabilities        | 145,906            | 14,904             | 131,002           |
| Long-term debt             | <u>96,713</u>      | <u>107,063</u>     | <u>(10,350)</u>   |
| Total liabilities          | <u>242,619</u>     | <u>121,967</u>     | <u>120,652</u>    |
| <b>Net Assets</b>          |                    |                    |                   |
| Invested in capital assets | 4,184,741          | 4,341,382          | (156,641)         |
| Unrestricted               | <u>448,845</u>     | <u>331,006</u>     | <u>117,839</u>    |
| Total net assets           | <u>\$4,633,586</u> | <u>\$4,672,388</u> | <u>\$(38,802)</u> |

The Airport Board's net assets decreased by \$39,802 in 2012. The following is a summary Statement of Statement of Revenues, Expenses, and Changes in Net Assets.

|                        | 2012              | 2011              | Change        |
|------------------------|-------------------|-------------------|---------------|
| Operating revenues     | \$228,881         | \$ 221,097        | 7,784         |
| Operating expenses     | <u>481,886</u>    | <u>476,262</u>    | <u>5,624</u>  |
| Operating loss         | (253,005)         | (255,165)         | 2,160         |
| Non-operating revenues | 116,753           | 206,796           | (90,043)      |
| Capital contributions  | <u>97,450</u>     | <u>9,098</u>      | <u>88,352</u> |
| Change in net assets   | <u>\$(38,802)</u> | <u>\$(39,271)</u> | <u>\$ 469</u> |

LAWRENCEBURG - LAWRENCE COUNTY AIRPORT BOARD

Management's Discussion and Analysis

June 30, 2012

**Revenues**

The major changes in the Airport Board's revenues for the year ended June 30, 2012 was a decrease in operating grant revenue of \$12,240, a decrease recovery of local share of grant \$34,755, an increase in capital contributions of 88,352 and a decrease of County funding in the amount of \$40,000. Operating and capital grant contributions consist entirely of grants from Tennessee Department of Aeronautics for airport operations and capital improvements.

The following is a summary of revenues:

|   | 2012             | 2011             | Change          |
|---|------------------|------------------|-----------------|
| Sale of aviation fuel and oil           | \$194,132        | \$189,292        | \$ 4,840        |
| Hanger rent and tie down fees           | 26,875           | 26,488           | 387             |
| Miscellaneous income                    | 7,874            | 5,317            | 2,557           |
| Operating grant revenues                | 12,956           | 25,196           | (12,240)        |
| Interest income                         | 283              | 197              | 86              |
| Gain on sale of equipment               | (2,619)          | -                | (2,619)         |
| Recovery of local share of grant        | 551              | 35,306           | (34,755)        |
| Capital contributions                   | 97,450           | 9,098            | 88,352          |
| Contributions from City of Lawrenceburg | 40,000           | 40,000           | -               |
| Contributions from Lawrence County      |                  |                  |                 |
| Imputed interest                        | 5,582            | 6,097            | (515)           |
| Contributions from Lawrence County      | <u>60,000</u>    | <u>100,000</u>   | <u>(40,000)</u> |
| <br>                                    |                  |                  |                 |
| Total Revenues                          | <u>\$443,084</u> | <u>\$436,991</u> | <u>\$ 6,093</u> |

**Expenses**

The major change in operating expenses for the year ended June 30, 2012 was a decrease in engineering fees of \$13,750, and increase in hanger and terminal maintenance of \$9,351. The following is a summary of operating expenses:

|                                | 2012      | 2011      | Change   |
|--------------------------------|-----------|-----------|----------|
| Depreciation                   | \$171,815 | \$173,366 | (1,551)  |
| Aviation fuel and oil          | 183,802   | 171,707   | 12,095   |
| Grounds and runway maintenance | 20,420    | 19,078    | 1,342    |
| Salaries                       | 30,418    | 28,722    | 1,696    |
| Insurance                      | 12,373    | 10,709    | 1,664    |
| Utilities                      | 15,381    | 16,783    | (1,402)  |
| Legal and professional         | 8,900     | 8,800     | 100      |
| Engineering fees               | -         | 13,750    | (13,750) |

**LAWRENCEBURG - LAWRENCE COUNTY AIRPORT BOARD**

Management's Discussion and Analysis

June 30, 2012

**Expenses - continued**

|                                 | 2011                 | 2012                 | Change              |
|---------------------------------|----------------------|----------------------|---------------------|
| Interest expense                | 5,582                | 6,097                | (515)               |
| Travel and education            | 4,910                | 5,444                | (534)               |
| Hanger and terminal maintenance | 14,880               | 5,529                | 9,351               |
| Miscellaneous                   | 1,775                | 2,352                | (577)               |
| Payroll taxes                   | 2,439                | 2,374                | 65                  |
| Telephone                       | 1,777                | 2,771                | (994)               |
| Credit card fees                | 5,200                | 5,161                | 39                  |
| Equipment maintenance           | 229                  | 948                  | (719)               |
| Office supplies                 | 1,100                | 1,459                | (359)               |
| Courtesy car expenses           | <u>885</u>           | <u>1,212</u>         | <u>(327)</u>        |
| <br>Total Expenses              | <br><u>\$481,886</u> | <br><u>\$476,262</u> | <br><u>\$ 5,624</u> |

**Cash Flows**

Cash decreased \$94,321 for the year ended June 30, 2012.

The following is a summary of the Airport Board's cash flows:

|   | 2012                   | 2011                 | Change                 |
|---|------------------------|----------------------|------------------------|
| Cash Flows used in operations                               | \$(73,618)             | \$(71,652)           | (1,966)                |
| Cash Flows from Non-Capital<br>Financing activities         | 121,835                | 155,293              | (33,458)               |
| Cash Flows from Capital and Related<br>Financing Activities | (142,821)              | (8,918)              | (133,903)              |
| Cash Flows from Investing Activities                        | <u>283</u>             | <u>197</u>           | <u>86</u>              |
| <br>Change in cash  | <br><u>\$( 94,321)</u> | <br><u>\$ 74,920</u> | <br><u>\$(169,241)</u> |

**Capital Assets**

The Airport Board's investment in capital assets as of June 30, 2012 amounted to \$4,184,741, net of accumulated depreciation and related liabilities. Capital assets consist of land, runways and taxiways, buildings and building improvements, airport operations and office equipment, and vehicles. Investment in capital assets increased by \$156,641 for the year. Depreciation expense was recorded in the amount of \$171,815 for the year.

LAWRENCEBURG - LAWRENCE COUNTY AIRPORT BOARD

Management's Discussion and Analysis

June 30, 2012

The following is a summary of investment in capital:

|                              | 2012               | 2011               | Change              |
|------------------------------|--------------------|--------------------|---------------------|
| Non-depreciable assets       |                    |                    |                     |
| Land                         | \$ 968,337         | \$ 963,837         | \$ 4,500            |
| Construction in progress     | 57,543             | -                  | 57,543              |
| Depreciable assets           |                    |                    |                     |
| Terminal building & hangers  | 1,380,353          | 1,380,353          | -                   |
| Runways and taxiways         | 3,623,833          | 3,634,353          | (10,520)            |
| Equipment                    | 283,952            | 242,843            | 41,109              |
| Paving                       | 21,292             | 21,292             | -                   |
| Furniture and fixtures       | 21,163             | 29,014             | (7,851)             |
| Automobile                   | 7,150              | 6,900              | 250                 |
| Total property and equipment | 6,363,623          | 6,278,592          | 85,031              |
| Accumulated depreciation     | <u>1,968,433</u>   | <u>1,819,347</u>   | <u>149,086</u>      |
| Property and equipment - net | 4,395,190          | 4,459,245          | (64,055)            |
| Related liabilities          | <u>210,449</u>     | <u>117,863</u>     | <u>92,586</u>       |
| Investment in capital assets | <u>\$4,184,741</u> | <u>\$4,341,382</u> | <u>\$ (156,641)</u> |

Changes in investment in capital assets are as follows:

|   |                     |
|---|---------------------|
| Acquisition of capital assets             |                     |
| Land                                      | 4,500               |
| Construction in progress - runway overlay | 57,543              |
| Automobile                                | 2,650               |
| Computer                                  | 430                 |
| REIL lighting                             | <u>45,756</u>       |
| Total additions                           | 110,879             |
| Book value of disposals                   | (3,119)             |
| Depreciation                              | (171,815)           |
| Increase in related liabilities           | <u>(92,586)</u>     |
| Change in investment in capital assets    | <u>\$ (156,641)</u> |

LAWRENCEBURG - LAWRENCE COUNTY AIRPORT BOARD

Management's Discussion and Analysis

June 30, 2012

**Economic Factors and Future Outlook**

Utilizing funds from the City of Lawrenceburg and Lawrence County the Lawrenceburg/Lawrence County Airport budgetary plan for 2013 include the following airport improvements

1. Airport Emergency Power Supply
2. Automation of fuel delivery system
3. Construction of handicap accessible ramp
4. Construction of maintenance hanger
5. Construction of additional T-hangers
6. Improve airport drainage
7. Relocate AWOS
8. Seal asphalt on taxiway and ramp
9. Update runway and taxiway lighting

**Goals:**

The Lawrenceburg - Lawrence County Airport Board continues to expand resources while becoming more financially independent supporting and promoting economic and community development for Lawrence County through the aviation industry.

LAWRENCEBURG - LAWRENCE COUNTY AIRPORT BOARD

Statement of Net Assets

June 30, 2012

Assets

Current Assets

|                                 |    |                |
|---------------------------------|----|----------------|
| Petty Cash                      | \$ | 100            |
| Cash in bank                    |    | <u>163,381</u> |
| Total Cash and cash equivalents |    | 163,481        |
| Accounts receivable - trade     |    | 2,346          |
| Accounts receivable - grants    |    | 98,854         |
| Inventory                       |    | 40,245         |
| Prepaid local portion of grants |    | 166,203        |
| Prepaid expenses                |    | <u>9,886</u>   |
| Total Current Assets            |    | 481,015        |

Property and Equipment - Net 4,395,190

Total Assets \$4,876,205

Liabilities and Net Assets

Current Liabilities

|   |    |                |
|---|----|----------------|
| Accounts payable - trade                | \$ | 30,559         |
| Accounts payable - property & equipment |    | 102,936        |
| Current portion long-term debt          |    | 10,800         |
| Accrued and withheld taxes              |    | <u>1,611</u>   |
| Total Current Liabilities               |    | <u>145,906</u> |

Long Term Debt 96,713

Net Assets

|   |  |                  |
|---|--|------------------|
| Invested in capital assets, net of related debt |  | 4,184,741        |
| Unrestricted                                    |  | <u>448,845</u>   |
| Total Net Assets                                |  | <u>4,633,586</u> |

Total Liabilities and Net Assets \$4,876,205

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

LAWRENCEBURG - LAWRENCE COUNTY AIRPORT BOARD

Statement of Revenues, Expenses and Changed in Net Assets

For the Year Ended June 30, 2012

Operating Revenues

|                               |                |
|-------------------------------|----------------|
| Sale of aviation fuel and oil | \$ 194,132     |
| Hanger rent and tie down fees | 26,875         |
| Miscellaneous income          | <u>7,874</u>   |
| Total Revenues                | <u>228,881</u> |

Operating Expenses

|                                       |                |
|---------------------------------------|----------------|
| Depreciation                          | 171,815        |
| Cost of sales - aviation fuel and oil | 183,802        |
| Grounds and runway maintenance        | 20,420         |
| Salaries                              | 30,418         |
| Insurance                             | 12,373         |
| Utilities                             | 15,381         |
| Legal and professional                | 8,900          |
| Interest expense                      | 5,582          |
| Travel and education                  | 4,910          |
| Hanger and terminal maintenance       | 14,880         |
| Miscellaneous                         | 1,775          |
| Payroll taxes                         | 2,439          |
| Telephone                             | 1,777          |
| Credit card fees                      | 5,200          |
| Equipment maintenance                 | 229            |
| Office supplies                       | 1,100          |
| Courtesy car expenses                 | <u>885</u>     |
| Total Expenses                        | <u>481,886</u> |

Loss from Operations (253,005)

Non-operating Revenues (Expenses)

|   |                |
|---|----------------|
| Contributions from City of Lawrenceburg               | 40,000         |
| Contributions form Lawrence County                    | 60,000         |
| Contributions from Lawrence County - imputed interest | 5,582          |
| Operating grant revenues                              | 12,956         |
| Recovery of local share of grant                      | 551            |
| Interest income                                       | 283            |
| Loss on disposal of assets                            | <u>(2,619)</u> |
| Total Non-operating Revenues                          | <u>116,753</u> |

Capital Contributions

|                             |               |
|-----------------------------|---------------|
| Capital contributions       | <u>97,450</u> |
| Total Capital Contributions | <u>97,450</u> |

Change in Net Assets (38,802)

Net Assets - beginning of year 4,672,388

Net Assets - end of year \$4,633,586

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

LAWRENCEBURG - LAWRENCE COUNTY AIRPORT BOARD

Statement of Cash Flows

For the Year Ended June 30, 2012

|   |                  |
|---|------------------|
| <u>Cash Flows from Operations</u>                               |                  |
| Cash received from aviation operations                          | \$219,669        |
| Miscellaneous income  | <u>7,874</u>     |
|   | 227,543          |
| Cash paid to suppliers  | 270,743          |
| Cash paid to employees  | <u>30,418</u>    |
|   | 301,161          |
| Total Cash Provided (Used) by Operations                        | <u>(73,618)</u>  |
| <u>Cash Flows from Non-Capital Financing Activities</u>         |                  |
| Contributions from State, County and City                       | 100,000          |
| Operating grants received                                       | <u>12,081</u>    |
| Cash Provided by Non-Capital Financing Activities               | <u>112,081</u>   |
| <u>Cash Flows from Capital and Related Financing Activities</u> |                  |
| Capital contributions   | 5,318            |
| Proceeds from sale of assets                                    | 500              |
| Repayment of long term debt                                     | (10,350)         |
| Purchase of property and equipment                              | (7,943)          |
| Prepaid local grant expenditures                                | <u>(120,592)</u> |
| Cash Used by Capital and Related Financing Activities           | <u>(133,067)</u> |
| <u>Cash Flows from Investing Activities</u>                     |                  |
| Interest income received  | <u>283</u>       |
| Cash Provided from Investing Activities                         | <u>283</u>       |
| Total Decrease in Cash  | (94,321)         |
| <u>Cash</u> - beginning of year                                 | <u>257,802</u>   |
| <u>Cash</u> - end of year                                       | <u>\$163,481</u> |

Imputed interest amounted to \$5,582

Non cash property and equipment purchases \$102,936

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

LAWRENCEBURG - LAWRENCE COUNTY AIRPORT BOARD

Statement of Cash Flows

For the Year Ended June 30, 2012

Reconciliation of Net Operating Loss to Net  
Cash Flows from Operating Activities

|  |                    |
|--|--------------------|
| Loss from Operations   | (253,005)          |
| Adjustment to reconcile excess revenues and<br>other sources over expenses to net cash<br>provided by operating activities |                    |
| Depreciation   | 171,815            |
| Imputed interest   | 5,582              |
| (Increase) decrease in:  |                    |
| Trade accounts receivable  | (1,338)            |
| Inventory  | (16,547)           |
| Prepaid expenses   | (8,191)            |
| Increase (decrease) in:  |                    |
| Accounts payable   | 28,149             |
| Accrued and withheld taxes   | <u>(83)</u>        |
| Net Cash Used by Operations  | <u>\$ (73,618)</u> |

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

LAWRENCEBURG - LAWRENCE COUNTY AIRPORT BOARD

Notes to Financial Statements

June 30, 2012

Note 1 - Summary of Significant Accounting Policies

Business Activity - The Lawrenceburg - Lawrence County Airport Board is a joint venture of the City of Lawrenceburg and Lawrence County, Tennessee. Lawrenceburg/Lawrence County Airport Board is the administrative authority for operating the Lawrenceburg/Lawrence County Airport.

Method of Accounting - The Airport Board recognizes income and expenses on the accrual basis of accounting, whereby Airport operating income is reported as earned, grant income is reported when the applicable grant expense is incurred, expenses are reported when incurred. The financial statements have been prepared in conformity with all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Credit Risk - The Board grants credit to customers for hanger rent and gasoline purchases, substantially all of whom are local residents.

Accounts receivable - The Board reports trade receivables at net realized value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, if a receivable is determined to be uncollectible, it is written off through a charge against an existing allowance account or against earnings. As of June 30, 2012 no allowance for doubtful accounts was deemed necessary.

Inventories - Inventories are stated at the lower of cost or market value, with cost determined by using the first-in, first-out method (FIFO).

Property and Equipment - Property and equipment are stated at cost. The Board capitalizes expenditures when an individual cost exceeds \$250 and its estimated useful life is three years or greater. Depreciation is computed by the straight-line method based on the following estimated useful lives:

|                        | <u>Years</u> |
|------------------------|--------------|
| Buildings              | 10 - 40      |
| Runway and taxiways    | 10 - 30      |
| Equipment              | 5 - 15       |
| Paving                 | 12           |
| Furniture and fixtures | 5 - 10       |
| Automobile             | 3            |

LAWRENCEBURG - LAWRENCE COUNTY AIRPORT BOARD

Notes to Financial Statements

June 30, 2012

Note 1 - Summary of Significant Accounting Policies

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - For purpose of reporting cash flows, cash and cash equivalents include cash and all highly liquid investments with an original maturity of three months or less.

Net Assets - Net assets comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net assets are classified in the following two components:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition

Unrestricted net assets - This component of net assets consists on net assets that do not meet the definition of "invested in capital assets, net of related debt.

Operating and Non-operating revenues - Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues not meeting this definition are reported as non-operating revenues.

Note 2 - Cash - At June 30, 2012 cash in bank consisted of the following accounts:

|                   | <u>Balance</u>   |
|-------------------|------------------|
| Operating account | \$ 22,430        |
| Savings account   | 122,389          |
| Savings account   | <u>18,562</u>    |
| Total             | <u>\$163,381</u> |

Custodial Credit Risk For cash deposits, this is the risk that in the event of bank failure. The above accounts are deposited in single accounts with the same bank and collectively are covered by FDIC insurance, In the event the amounts exceed FDIC insurance limits excess amounts are covered by a collateral agreement between the bank and the Board of Directors.

LAWRENCEBURG - LAWRENCE COUNTY AIRPORT BOARD

Notes to Financial Statements

June 30, 2012

Note 3 - Property and Equipment - At June 30, 2012, property and equipment consisted of the following:

|                                | <u>Cost</u>        | <u>Accumulated<br/>Depreciation</u> |
|--------------------------------|--------------------|-------------------------------------|
| <u>Non-depreciable assets</u>  |                    |                                     |
| Land                           | \$ 968,337         |                                     |
| Construction in progress       | 57,543             |                                     |
| <u>Depreciable assets</u>      |                    |                                     |
| Buildings and improvements     | 1,380,353          | \$ 325,359                          |
| Runways and taxiways           | 3,623,833          | 1,358,390                           |
| Equipment                      | 283,952            | 237,559                             |
| Paving                         | 21,292             | 21,292                              |
| Furniture and fixtures         | 21,163             | 20,953                              |
| Automobile                     | <u>7,150</u>       | <u>4,880</u>                        |
| Total Equipment                | 6,363,623          | <u>\$1,968,433</u>                  |
| Less: accumulated depreciation | <u>1,968,433</u>   |                                     |
| Property and equipment - net   | <u>\$4,395,190</u> |                                     |

|                               | <u>Balance<br/>June 31, 2011</u> | <u>Additions</u> | <u>Transfers &amp;<br/>Disposals</u> | <u>Balance<br/>June 30, 2012</u> |
|-------------------------------|----------------------------------|------------------|--------------------------------------|----------------------------------|
| <u>Non-depreciable assets</u> |                                  |                  |                                      |                                  |
| Land                          | \$ 963,837                       | \$ 4,500         | \$ -                                 | \$ 968,337                       |
| Construction in progress      |                                  | 57,543           | -                                    | 57,543                           |
| <u>Depreciable assets</u>     |                                  |                  |                                      |                                  |
| Buildings                     | 1,380,353                        | -                | -                                    | 1,380,353                        |
| Runways and taxiways          | 3,634,353                        | -                | 10,520                               | 3,623,833                        |
| Equipment                     | 242,843                          | 46,186           | 5,077                                | 283,952                          |
| Paving                        | 21,292                           | -                | -                                    | 21,292                           |
| Furniture and equipment       | 29,014                           | -                | 7,851                                | 21,163                           |
| Automobiles                   | <u>6,900</u>                     | <u>2,650</u>     | <u>2,400</u>                         | <u>7,150</u>                     |
| Total                         | <u>\$6,278,592</u>               | <u>\$110,879</u> | <u>\$25,848</u>                      | <u>\$6,363,623</u>               |

Depreciation expense for the year ended June 30, 2012 amounted to \$171,815.

Note 4 - Long-term Debt

Lawrence County inter-local agreement, dated May 18, 2012, no stated interest, interest imputed at 5%, payable in quarterly installments determined by rental income produced by hangers constructed with loan proceeds. Unsecured.

|                       |                  |
|-----------------------|------------------|
|                       | \$107,513        |
| Less: current portion | <u>10,800</u>    |
| Long-term debt - net  | <u>\$ 96,713</u> |

LAWRENCEBURG - LAWRENCE COUNTY AIRPORT BOARD

Notes to Financial Statements

June 30, 2012

Note 4 - Long-term Debt - continued

Aggregate maturities of long-term debt is as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Interest and<br/>Principal</u> |
|-------------|------------------|-----------------|-----------------------------------|
| 2012        | \$ 10,800        | \$ 5,174        | \$ 15,974                         |
| 2013        | 10,800           | 4,634           | 15,434                            |
| 2014        | 10,800           | 4,094           | 14,894                            |
| 2015        | 10,800           | 3,564           | 14,364                            |
| 2016        | 10,800           | 3,014           | 13,814                            |
| 2017-2020   | 53,513           | 6,946           | 60,459                            |
|             | <u>\$107,513</u> | <u>\$27,426</u> | <u>\$134,939</u>                  |

Summary of changes in indebtedness is as follows:

|                       | <u>Balance<br/>June 30, 2011</u> | <u>Payment</u>  | <u>Balance<br/>June 30, 2012</u> |
|-----------------------|----------------------------------|-----------------|----------------------------------|
| Inter-local agreement | <u>\$117,863</u>                 | <u>\$10,350</u> | <u>\$107,513</u>                 |

Interest was imputed for the year ended June 30, 2012 in the amount of \$5,582. Amount charged to expense \$5,582. Amount capitalized \$-0-.

Note 5 - Insurance Risk

It is the policy of the Board to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, and workman's compensation. Settled claims have not exceeded this commercial coverage in the last three years.

Note 6 - Commitments and Contingencies

The Lawrenceburg - Lawrence County Airport Board has contracted for a runway repair and overlay project. The total cost of the project is \$1,616,065 with the Tennessee Department of Transportation providing State funding in the amount of \$1,460,212 and local funding being provided by the Lawrenceburg - Lawrence County Airport Board in the amount of \$155,853. The local funding has been forwarded to the Tennessee Department of Transportation in compliance with the terms of the grant.

Date of Management Evaluation

Management has evaluated subsequent events through November 15, 2012, the date of which the financial statements were available to be issued.

LAWRENCEBURG - LAWRENCE COUNTY AIRPORT BOARD

Schedule of Grant Activity

For the Year Ended June 30, 2012

| <u>Grant Number</u>            | <u>Program Name</u>    | <u>Grantor Agency</u>                     | <u>Deferred<br/>(Due from)<br/>Balance<br/>June 30,<br/>2011</u> | <u>Receipts</u>  | <u>Expenditures</u> | <u>Deferred<br/>(Due From)<br/>Balance<br/>June 30,<br/>2012</u> |
|--------------------------------|------------------------|---|--|------------------|---------------------|--|
|                                |                        |   | \$ 5,029   | \$ 4,985         | \$ (44)             | \$ -   |
| <u>Operating grants</u>        |                        |   |  |                  |                     |  |
| TOA Project<br>#99-555-1206-04 | Airport Maintenance    | Tennessee Department<br>of Transportation |  |                  |                     |  |
| TOA Project<br>#99-555-1217-04 | Airport Maintenance    | Tennessee Department<br>of Transportation | -  | 7,096            | 13,000              | 5,904  |
| <u>Capital grants</u>          |                        |   |  |                  |                     |  |
| TOA Project<br>#99-555-0742-04 | Land<br>purchase       | Tennessee Department<br>of Transportation | 818  | 818              | -                   | -  |
| TOA Project<br>#99-555-0742-04 | Land<br>purchase       | Tennessee Department<br>of Transportation | -  | 4,500            | 4,500               | -  |
| TOA Project<br>#50-555-0745-04 | Engineering<br>overlay | Tennessee Department<br>of Transportation | -  | -                | 51,789              | 51,789   |
| TOA Project<br>#50-555-0746-04 | REIL<br>lighting       | Tennessee Department<br>of Transportation | -  | -                | 41,161              | 41,161   |
| <b>Total</b>                   |                        |   | <u>\$ 5,847</u>  | <u>\$ 17,399</u> | <u>\$ 110,406</u>   | <u>\$ 98,854</u>   |

JOHN J. MICHIE  
*Certified Public Accountant*  
2108 B WESTWOOD AVENUE  
NASHVILLE, TENNESSEE 37212

TELEPHONE  
(615) 383-8806

FACSIMILE  
(615) 986-5551

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

Board of Directors  
Lawrenceburg - Lawrence County  
Airport Board  
Lawrenceburg, Tennessee

I have audited the financial statements of Lawrenceburg - Lawrence County Airport Board as of and for the year ended June 30, 2012, and have issued my report thereon dated November 19, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lawrenceburg - Lawrence County Airport Board'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 Lawrenceburg - Lawrence County Airport Board internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Lawrenceburg - Lawrence County Airport Board's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented or detected on a timely basis.

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

Lawrenceburg - Lawrence County  
Airport Board  
November 19, 2012  
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawrenceburg - Lawrence County Airport Board's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the management of the Lawrenceburg - Lawrence County Airport Board, the City of Lawrenceburg, the County of Lawrence, and the State of Tennessee, Comptroller's office and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in dark ink, consisting of a stylized initial 'D' followed by a long, sweeping horizontal line that curves upwards at the end.

November 19, 2012