

**JACKSON-MADISON COUNTY
AIRPORT AUTHORITY**

JACKSON, TENNESSEE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
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INTRODUCTORY SECTION

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
DIRECTORY
June 30, 2013

BOARD MEMBERS

Bill Sipes, Chairman
Essie Lovelady
Ryan Porter
Tim Wilson
Bob Maniss

MANAGEMENT TEAM

Steve Smith, Executive Director
Cindy Melton, Deputy Director

FINANCIAL SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



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Independent Auditor's Report

To the Board of Directors
Jackson-Madison County Airport Authority
McKellar-Sipes Regional Airport
Jackson, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Jackson-Madison County Airport Authority, Jackson, Tennessee (the Authority) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Authority as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements. The introductory section and other supplementary information section are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Alexander Thompson Arnold, PLLC". The signature is written in a cursive style with a large, sweeping flourish at the end.

Jackson, Tennessee
January 3, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Jackson-Madison County Airport Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2013. All amounts, unless otherwise indicated, are expressed in actual dollars. A comparative analysis of key elements of total governmental funds and total enterprise funds has been provided. A prior year comparative analysis of government-wide data has been provided.

FINANCIAL HIGHLIGHTS

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

- Total assets at year-end was \$7.30 million and exceeded liabilities in the amount of \$6.76 million (i.e. net position).
- Net position decreased \$74 thousand during the current year.
- Operating revenues were \$2.57 million, while operating expenses were \$2.64 million which resulted in a decrease in net position of \$67.60 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's strategic plan, budget, bond resolutions and other management tools were used for this analysis. The Financial Statements are made up of four sections: 1) the introductory section, 2) the financial section, 3) the other supplementary information section and 4) the internal control and compliance section. The introductory section includes the Authority's directory. The financial section includes the MD&A, the independent auditor's report, and the financial statements with accompanying notes. The other supplementary information section includes the Schedule of revenues, expenditures, and changes in fund balance – general fund- budget and actual, the schedule of salaries and bonds of principal officials, schedule of state financial assistance and the schedule of federal awards. The internal control and compliance section includes the report on internal control and compliance.

REQUIRED FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The *Statement of Activities* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are

MANAGEMENT'S DISCUSSION AND ANALYSIS

reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Authority's operations and can be used to determine whether the Authority has successfully recovered all of its costs. This statement also measures the Authority's profitability and credit worthiness. The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of Authority's near-term financing decisions. Both the Balance Sheet — Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 12 through 15 of this report.

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$6.76 million at the close of the most recent fiscal year. A portion of the Authority's net position, 93.41% reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1A
CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	June 30,		June 30,		June 30,	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 898,740	\$ 885,383	\$ 167,945	\$ 221,521	\$ 1,066,685	\$ 1,106,904
Capital assets	6,220,505	6,286,541	15,485	26,441	6,235,990	6,312,982
Total assets	<u>7,119,245</u>	<u>7,171,924</u>	<u>183,430</u>	<u>247,962</u>	<u>7,302,675</u>	<u>7,419,886</u>
Long-term liabilities	-	-	-	-	-	-
Other liabilities	460,158	347,143	87,427	243,614	547,585	590,757
Total liabilities	<u>460,158</u>	<u>347,143</u>	<u>87,427</u>	<u>243,614</u>	<u>547,585</u>	<u>590,757</u>
Net investment in capital assets	6,220,505	6,322,645	15,485	441	6,235,990	6,323,086
Restricted	119,733	201,507	-	-	119,733	201,507
Unrestricted	318,849	300,629	80,518	3,907	399,367	304,536
Total net position	<u>\$ 6,659,087</u>	<u>\$ 6,824,781</u>	<u>\$ 96,003</u>	<u>\$ 4,348</u>	<u>\$ 6,755,090</u>	<u>\$ 6,829,129</u>

An additional portion of the Authority's net position (1.77%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$399,367 may be used to meet the Authority's ongoing obligations.

The increase in restricted net position of \$19,424 represented an increase in net assets restricted by grant contracts.

Statement of Activities – Expenses in the governmental activities column exceeded revenues by \$168,876. Revenues and expenses slightly increased during the year due to the fact that the Authority received more grant money from state and federal governments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2A

	Governmental		Business-type		Total	
	Activities		Activities			
	Year Ended June 30,		Year Ended June 30,		Year Ended June 30,	
	2013	2012	2013	2012	2013	2012
Operating revenues	\$ 892,790	\$ 1,011,039	\$ 1,675,069	\$ 1,723,870	\$ 2,567,859	\$ 2,734,909
Non-operating revenues	226	215	-	-	226	215
Total revenues	893,016	1,011,254	1,675,069	1,723,870	2,568,085	2,735,124
Operating expenses	1,058,710	1,014,259	1,583,414	1,729,923	2,642,124	2,744,182
Total expenses	1,058,710	1,014,259	1,583,414	1,729,923	2,642,124	2,744,182
Change in net position	(165,694)	(3,005)	91,655	(6,053)	(74,039)	(9,058)
Beginning net position	6,824,781	6,827,786	4,348	10,401	6,829,129	6,838,187
Ending net position	\$ 6,659,087	\$ 6,824,781	\$ 96,003	\$ 4,348	\$ 6,755,090	\$ 6,829,129

COMMENTS ON FUND FINANCIAL STATEMENTS

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

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

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

Revenues in the general fund were essentially unchanged from the prior year. The most significant changes in revenues in the general fund were:

- A \$13 thousand decrease in space rentals.
- A \$14 thousand decrease in operating subsidies.
- A \$7 thousand increase in landing fees.

Expenditures and other financing uses in the general fund decreased from last year by approximately \$15 thousand. The most significant changes in expenditures and other financing uses in the general fund were:

- A \$13 thousand decrease in maintenance and utilities expenses.

A budget is adopted for the General Fund but is used as a management tool and is not considered a legal spending restriction.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of the fiscal year, the Authority had invested \$6.24 million in a variety of capital assets.

Debt – At year ended June 30, 2013 the authority had no outstanding debt since the previous year's debt outstanding was paid in full during the fiscal year ended June 30, 2013.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

There are no substantial changes anticipated for next year's budget for the general, capital projects funds and FBO funds. Rehabilitation and expansion of airport facilities will continue as previously set forth by the authority's master plan.

REQUESTS FOR INFORMATION

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash	\$ 325,111	\$ 98,492	\$ 423,603
Receivables			
Accounts	87,498	106,138	193,636
Intergovernmental	-	9,673	9,673
Grants	49,140	-	49,140
Internal balances	160,521	(160,521)	-
Inventories	5,388	52,245	57,633
Deposits on contracts	224,931	-	224,931
Deferred expenses	46,151	-	46,151
Capital assets not being depreciated			
Construction in progress	437,561	-	437,561
Capital assets being depreciated (net of accumulated depreciation)			
Land improvements	74,772	-	74,772
Buildings	3,189,255	-	3,189,255
Infrastructure	2,211,373	-	2,211,373
Machinery and equipment	307,544	15,485	323,029
Unamortized lease cost (net of accumulated amortization)	-	61,918	61,918
Total assets	<u>7,119,245</u>	<u>183,430</u>	<u>7,302,675</u>
Liabilities			
Accounts payable	190,213	84,057	274,270
Compensated absences payable	24,486	2,770	27,256
Refundable deposits	6,112	600	6,712
Contracts payable - capital projects	224,931	-	224,931
Deferred revenues	14,416	-	14,416
Total liabilities	<u>460,158</u>	<u>87,427</u>	<u>547,585</u>
Net position			
Net investment in capital assets	6,220,505	15,485	6,235,990
Restricted for capital projects	119,733	-	119,733
Unrestricted	318,849	80,518	399,367
Total net position	<u>\$ 6,659,087</u>	<u>\$ 96,003</u>	<u>\$ 6,755,090</u>

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Airport operation	\$ 1,058,710	\$ 315,195	\$ 230,360	\$ 347,235	\$ (165,920)	\$ -	\$ (165,920)
Business-type activities							
FBO	<u>1,583,414</u>	<u>1,675,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,655</u>	<u>91,655</u>
Total	<u>\$ 2,642,124</u>	<u>\$ 1,990,264</u>	<u>\$ 230,360</u>	<u>\$ 347,235</u>	<u>(165,920)</u>	<u>91,655</u>	<u>(74,265)</u>
			General revenues				
			Interest earnings		<u>226</u>	<u>-</u>	<u>226</u>
			Total general revenues and transfers		<u>226</u>	<u>-</u>	<u>226</u>
			Change in net position		(165,694)	91,655	(74,039)
			Net position - beginning		<u>6,824,781</u>	<u>4,348</u>	<u>6,829,129</u>
			Net position - ending		<u>\$ 6,659,087</u>	<u>\$ 96,003</u>	<u>\$ 6,755,090</u>

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

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

June 30, 2013

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Assets			
Cash	\$ 118,789	\$ 206,322	\$ 325,111
Receivables			
Accounts	21,519	65,979	87,498
Grants	49,140	-	49,140
Due from other funds	156,085	4,436	160,521
Inventories	5,388	-	5,388
Deposits on contracts	-	224,931	224,931
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 350,921</u>	<u>\$ 501,668</u>	<u>\$ 852,589</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 33,209	\$ 157,004	\$ 190,213
Refundable deposits	6,112	-	6,112
Contracts payable	-	224,931	224,931
Deferred revenues	14,416	-	14,416
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>53,737</u>	<u>381,935</u>	<u>435,672</u>
Fund Balances			
Non-spendable	5,388	-	5,388
Restricted for grant projects	-	119,733	119,733
Unassigned	291,796	-	291,796
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>297,184</u>	<u>119,733</u>	<u>416,917</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 350,921</u>	<u>\$ 501,668</u>	<u>\$ 852,589</u>

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

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY
RECONCILIATION OF STATEMENT OF NET POSITION
TO GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2013**

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

Fund balance - total governmental funds (Page 12)	\$ 416,917
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds	6,220,505
Deferred asset not available to pay current expenditures, therefore, is deferred in the funds	46,151
Compensated absences not due in the current period, therefore, not reported in the funds	<u>(24,486)</u>
Net assets of governmental activities (Page 10)	<u>\$ 6,659,087</u>

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues			
Intergovernmental			
Grants			
Local	\$ -	\$ 73,750	\$ 73,750
State	25,740	258,691	284,431
Federal	-	4,494	4,494
Operating subsidies	204,620	-	204,620
Service and property use			
Space rentals	224,989	-	224,989
Concessions	13,490	-	13,490
Fuel flowage	39,673	-	39,673
Landing fees	7,728	-	7,728
Land rentals	29,800	-	29,800
Other			
PFC revenue	-	10,300	10,300
Vending and miscellaneous	-	150	150
Interest income	76	-	76
Bad debt	(485)	-	(485)
Total revenues	<u>545,631</u>	<u>347,385</u>	<u>893,016</u>
Expenditures			
Current			
Fire protection	8,068	-	8,068
Maintenance and utilities	146,109	-	146,109
Administration	347,492	-	347,492
Control tower	15,813	-	15,813
Capital projects	-	452,310	452,310
Total expenditures	<u>517,482</u>	<u>452,310</u>	<u>969,792</u>
Net change in fund balance	28,149	(104,925)	(76,776)
Fund balance, beginning of year	<u>269,035</u>	<u>224,658</u>	<u>493,693</u>
Fund balance, end of year	<u>\$ 297,184</u>	<u>\$ 119,733</u>	<u>\$ 416,917</u>

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

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

For the Year Ended June 30, 2013

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

Excess of revenues over expenditures - total governmental funds (Page 14)	\$	(76,776)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period. This is the amount by which depreciation exceeds capital outlays in the current period</p>		
		(66,036)
Amortization of deferred asset not reported in the funds		(23,075)
Increase in accrual for compensated absences not reported in the funds		<u>193</u>
Change in net assets of governmental activities (Page 11)	\$	<u>(165,694)</u>

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2013

	FBO
Assets	
Current assets	
Cash	\$ 98,492
Receivables	
Accounts	84,239
Credit cards	21,899
Inventory	
ACGAS	15,617
Jet fuel	32,176
Oil and additive	4,452
Due from United States Government	9,673
Total current assets	266,548
Noncurrent assets	
Capital assets	
Automobiles	23,000
Equipment	28,047
Furniture and fixtures	12,621
Accumulated depreciation	(48,183)
Total capital assets (net of accumulated depreciation)	15,485
Unamortized lease cost	61,918
Total noncurrent assets	77,403
Total assets	343,951
Liabilities	
Current liabilities	
Accounts payable	78,929
Sales tax payable	5,128
Refundable deposits	600
Accrued leave	2,770
Due to other funds	160,521
Total current liabilities	247,948
Net position	
Net investment in capital assets	15,485
Unrestricted	80,518
Total net position	\$ 96,003

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

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

For the Year Ended June 30, 2013

	FBO
Operating revenues	
Sales - fuel, oil and additives	\$ 1,515,634
Sales - other	1,377
Rentals	98,340
Other operating revenues	59,718
Total operating revenues	1,675,069
 Operating expenses	
Cost of goods sold	1,182,242
Credit card fees	30,566
Uniforms	8,158
Catering	677
Advertising	520
Salaries and wages	188,498
Depreciation	17,792
Dues and subscriptions	2,898
Entertainment	125
Equipment maintenance	5,338
FBO supplies	2,695
Truck lease	26,220
Professional fees	5,163
Lease expense	74,302
Flowage fee	25,734
Miscellaneous	1,225
Office supplies	1,309
Postage	277
Repairs and maintenance	9,120
Taxes - fuel and sales	(11)
Travel	566
Total operating expenses	1,583,414
 Change in net position	91,655
 Total net position, beginning	4,348
 Total net position, ending	\$ 96,003

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2013

	FBO
Cash flows from operating activities	
Cash received from customers	\$ 1,628,012
Other operating receipts	1,435
Cash paid to suppliers	(1,190,059)
Cash paid to employees for services	(185,728)
Receipts from other funds	20,330
Other operating payments	(119,643)
Net cash provided by operating activities	154,347
 Cash flows from capital and related financing activities	
Acquisition of capital assets	(6,835)
Principal payments on long-term note payable	(162,501)
Net cash used by capital and related financing activities	(169,336)
 Net increase in cash and cash equivalents	(14,989)
 Cash and cash equivalents - beginning of year	113,481
 Cash and cash equivalents - end of year	\$ 98,492
 Reconciliation of operating income to net cash provided	
(used) by operating activities	
Operating income	\$ 91,655
Adjustments to reconcile operating income to net	
cash provided (used) by operating activities	
Depreciation	17,792
Amortization	74,302
(Increase) decrease in receivables	(47,057)
(Increase) decrease in due from other governments	1,435
(Increase) decrease in inventories	(10,424)
Increase (decrease) in payables	2,606
Increase (decrease) in accruals	3,708
Increase (decrease) in due to other funds	20,330
Net cash provided by operating activities	\$ 154,347

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 – ORGANIZATION

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Fund Types:

Governmental Funds:

General Fund

Capital Projects Fund

Proprietary Fund:

Fixed Base Operations

B. Government-wide and Fund Financial Statements

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

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Authority reports the following governmental funds (both are considered major funds):

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

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

The Authority reports the following proprietary fund (considered a major fund):

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

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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

D. Impact of Recently Issued Accounting Pronouncements

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the Authority's financial statements.

In June 2011, the GASB issued statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. GASB 63 provides guidance for reporting deferred outflows and inflows of resources which are distinct from assets and liabilities, and also renames as net position, rather than net assets, the residual of all the other elements presented in the statement of net position. The provisions of this statement are effective for financial statements for periods beginning after December 31, 2011. As of June 30, 2013, the Authority had no deferred outflows or deferred inflows of resources.

E. Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

F. Assets, Liabilities, and Net Position or Equity

Deposits and Investments

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

Capital Assets

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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

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

Compensated Absences

The Authority records as expenditures the vacation accrued during the year that would normally be liquidated with expendable available financial resources. The employees accumulate vacation days and in the event of termination employees are reimbursed for accumulated vacation up to a maximum of 30 days. The current portion of the accrued vacation at June 30, 2013 recorded in the General Fund is the amount that would normally be liquidated with expendable available financial resources. Accumulated annual leave at June 30, 2013 totaled \$27,256.

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

Fund Equity

In accordance with GASB No. 54, fund balances 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.

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

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2013

assigned funds and finally unassigned funds, as needed, unless the Board of Directors or the finance committee has provided otherwise in its commitment or assignment actions.

Deferred Revenue

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

Interfund Transactions

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

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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

Cost of capital assets		\$ 11,223,226
Accumulated depreciation		<u>(5,002,721)</u>
		<u>\$ 6,220,505</u>

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

B. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities

The net change in fund balances of governmental funds differs from the change in net position for governmental activities. The difference arises primarily from the long-term economic focus

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

of the statement of activities versus the current financial resources focus of the governmental funds.

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

Capital assets purchased	\$ (445,462)
Depreciation expense	511,498
Difference	<u>\$ 66,036</u>

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

Compensated absences at end of year	\$ (24,486)
compensated absences at beginning of year	24,679
	<u>\$ 193</u>

NOTE 5 – CASH AND INVESTMENTS

Custodial Credit Risk

The Authority's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Authority's agent in the Authority's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Authority to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2013, all bank deposits are fully collateralized or insured.

NOTE 6 - CAPITAL ASSETS

Fixed assets acquired in the General Fund are expensed when purchased. The assets on the government-wide financial statements include only those that have met the Authority's capitalization policy. The City of Jackson and Madison County budget for Capital Outlay by the Authority, and pays directly for the items so budgeted. These items are also included in the Capital Asset account, if they meet the criteria. The land occupied by the Authority is owned by the City of Jackson and Madison County and is therefore not reflected in these financial statements. Capital asset activity for the year ended June 30, 2013 was as follows:

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Governmental activities:	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated				
Construction in process	\$ 335,377	\$ 342,879	\$ 240,695	\$ 437,561
Total capital assets not being depreciated	<u>335,377</u>	<u>342,879</u>	<u>240,695</u>	<u>437,561</u>
Capital assets, being depreciated				
Land improvements	154,214	12,450	-	166,664
Buildings	6,138,756	7,940	-	6,146,696
Infrastructure	2,786,550	276,377	-	3,062,927
Furniture and fixtures	8,692	-	-	8,692
Machinery and equipment	761,468	20,737	-	782,205
Vehicles	592,706	25,774	-	618,480
Total capital assets, being depreciated	<u>10,442,386</u>	<u>343,278</u>	<u>-</u>	<u>10,785,664</u>
Total capital assets	<u>10,777,763</u>	<u>686,157</u>	<u>240,695</u>	<u>11,223,225</u>
Less: accumulated depreciation for:				
Land improvements	82,196	9,695	-	91,891
Buildings	2,716,474	240,967	-	2,957,441
Infrastructure	689,980	161,574	-	851,554
Furniture and fixtures	6,326	908	-	7,234
Machinery and equipment	606,634	53,431	-	660,065
Vehicles	389,612	44,923	-	434,535
Total depreciation	<u>4,491,222</u>	<u>511,498</u>	<u>-</u>	<u>5,002,720</u>
Governmental activities capital assets, net	<u>\$ 6,286,541</u>	<u>\$ 174,659</u>	<u>\$ 240,695</u>	<u>\$ 6,220,505</u>

Amounts remaining in capital outlay in the governmental-wide column are for items that did not meet the capitalization criteria.

Business-type activities:	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, being depreciated				
Furniture and fixtures	\$ 12,382	\$ 1,882	\$ -	\$ 14,264
Machinery and equipment	21,452	4,952	-	26,404
Vehicles	23,000	-	-	23,000
Total capital assets	<u>56,834</u>	<u>6,834</u>	<u>-</u>	<u>63,668</u>
Less: accumulated depreciation for:				
Furniture and fixtures	7,199	4,457	-	11,656
Machinery and equipment	9,137	5,668	-	14,805
Vehicles	14,055	7,667	-	21,722
Total depreciation	<u>30,391</u>	<u>17,792</u>	<u>-</u>	<u>48,183</u>
Business-type activities capital assets, net	<u>\$ 26,443</u>	<u>\$ (10,958)</u>	<u>\$ -</u>	<u>\$ 15,485</u>

Depreciation expense for the year ended June 30, 2013 was \$529,290.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 – UNAMORTIZED LEASE COST

On August 31, 2010, the Authority acquired the operations of the vendor operating the McKellar-Sipes Regional Airport fixed based operations for \$325,000. The acquisition cost included the purchase of capital assets totaling \$52,559 and a lease buyout totaling \$272,441. Beginning in September 2010, the cost of the lease buyout is being amortized over 44 months, the term of the related debt used to finance the acquisition is described in Note 11. Amortization expense pertaining to the lease buyout totaled \$74,302 for the year ended June 30, 2013.

NOTE 8 – DEFERRED ASSET

The deferred asset totals \$46,151 as of June 30, 2013. This amount represents work that was done on the Master Plan Update. This deferred asset is being amortized over a useful life of 10 years in the amount of \$23,074 per year beginning in the fiscal year 2009.

NOTE 9 – PENSION PLANS

During the fiscal year ended June 30, 2013, certain employees of the Authority were members of the Tennessee Consolidated Retirement System. The Tennessee Consolidated Retirement System is a defined benefit retirement plan covering general employees and teachers of the state as well as employees of political subdivisions that have elected coverage. Benefits are determined by a formula using the high five-year average salary and years of service of each employee. Employees of the Authority are covered in the plan under Madison County's account.

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

NOTE 10 – REVENUE FROM OPERATING LEASES AND CONTRACTS

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

Year Ending June 30,	Minimum Lease Revenues
2014	\$ 138,441
2015	45,009
2016	15,902
2017	6,000
2018	6,000
2019-2023	30,000
2024-2028	30,000
2029-2033	30,000
2034-2038	30,000
2039-2042	20,000

The Authority has annual revenues of \$59,293 from leases cancelable by either party on thirty days notice.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

The Authority also receives the following revenues from concession contracts:

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

NOTE 11 – LONG-TERM DEBT

On August 31, 2010, the Authority acquired the operations of the vendor operating the McKellar-Sipes Regional Airport fixed based operations for \$325,000. The Authority financed this acquisition with non-interest bearing debt totaling \$325,000 payable to US Aviation in 44 monthly installments of \$7,386 through April 2014. However, the debt was paid in full during the year ended June 30, 2013.

Long-term debt activity for the year ended June 30, 2013 is as follows:

Business-type activities:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Amounts Due Within One Year
Notes payable	\$ 162,501	\$ -	\$ (162,501)	\$ -	\$ -

NOTE 12 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2013, the Authority or Madison County purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

OTHER SUPPLEMENTARY INFORMATION SECTION

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

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

For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental				
State maintenance grant	\$ 23,400	\$ 23,400	\$ 25,740	\$ 2,340
Operating subsidies - local	187,620	187,620	187,620	-
Operatng subsidies for control tower - local	17,000	17,000	17,000	-
	<u>228,020</u>	<u>228,020</u>	<u>230,360</u>	<u>2,340</u>
Services and Property Use				
Space Rentals:				
Airline	5,400	5,400	5,001	(399)
Tee hangars	27,420	27,420	26,945	(475)
Hangar #3	10,050	10,050	10,050	-
Hangar #4 - Suite B	9,000	9,000	9,000	-
Hangars #8 and #10	34,720	34,720	34,721	1
Hangar #6	23,770	23,770	23,772	2
Hangar #10 - Suite B	5,400	5,400	5,400	-
Hangar # 6 office	8,420	8,420	8,415	(5)
Hangar #8 offices	11,580	11,580	10,655	(925)
Hanger 1 - TN Aircraft	15,000	15,000	15,000	-
AFSS/AFSFO	38,810	38,810	38,809	(1)
Car rental service area - building #15	1,620	1,620	1,620	-
Rental offices - terminal building #9	20,540	20,540	20,538	(2)
Fuel farm	2,550	2,550	2,550	-
Miscellaneous rent	4,800	4,800	400	(4,400)
Joint use - Army National Guard	10,000	10,000	10,000	-
Miscellaneous	600	600	2,113	1,513
	<u>229,680</u>	<u>229,680</u>	<u>224,989</u>	<u>(4,691)</u>
Concessions:				
Hertz	16,500	16,500	13,354	(3,146)
Enterprise	50	50	136	86
	<u>16,550</u>	<u>16,550</u>	<u>13,490</u>	<u>(3,060)</u>
Fuel Flowage:				
FBO	30,654	30,654	25,734	(4,920)
United Foods	9,000	9,000	13,939	4,939
	<u>39,654</u>	<u>39,654</u>	<u>39,673</u>	<u>19</u>
Landing Fees:				
Corporate Airlines	7,400	7,400	7,728	328

See the independent auditor's report.

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

For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u>
				<u>(Under)</u>
Land Rentals				
Agriculture	\$ 21,000	\$ 21,000	\$ 21,000	\$ -
Golf course	3,600	3,600	3,600	-
BellSouth	200	200	200	-
Hanger land lease	6,000	6,000	5,000	(1,000)
	<u>30,800</u>	<u>30,800</u>	<u>29,800</u>	<u>(1,000)</u>
 Total Services and Property Use	 <u>324,084</u>	 <u>324,084</u>	 <u>315,680</u>	 <u>(8,404)</u>
 Other				
Vending and miscellaneous	100	100	-	(100)
Interest	-	-	76	76
Bad debt	(2,154)	(2,154)	(485)	1,669
	<u>(2,054)</u>	<u>(2,054)</u>	<u>(409)</u>	<u>1,645</u>
 Total Revenues	 <u>550,050</u>	 <u>550,050</u>	 <u>545,631</u>	 <u>(4,419)</u>
 Expenditures				
Current				
Fire Protection				
ARFF training and supplies	3,000	3,000	2,374	(626)
Fuel, oil and grease	2,000	2,000	1,978	(22)
Maintenance- fire equipment	5,000	5,000	3,716	(1,284)
Maintenance - passenger screening	500	500	-	(500)
	<u>10,500</u>	<u>10,500</u>	<u>8,068</u>	<u>(2,432)</u>
Maintenance and Utilities				
Janitorial supplies	\$ 4,000	\$ 4,000	\$ 3,959	\$ (41)
Fuel, oil and grease	12,000	12,000	11,929	(71)
Maintenance - ARFF	2,000	2,000	1,194	(806)
Maintenance - other	63,000	63,000	54,025	(8,975)
Outside lighting	7,500	7,500	7,478	(22)
Utilities	75,000	75,000	65,551	(9,449)
Maintenance equipment	1,000	1,000	1,973	973
	<u>164,500</u>	<u>164,500</u>	<u>146,109</u>	<u>(18,391)</u>

See the independent auditor's report.

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

For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Current:				
Administration				
Personnel cost	310,000	310,000	298,738	(11,262)
Dues and publications	3,000	3,000	5,878	2,878
Automobile expense	2,500	2,500	2,217	(283)
Office equipment	4,500	4,500	1,050	(3,450)
Administration	6,500	6,500	10,118	3,618
Legal and accounting	10,000	10,000	11,272	1,272
Office supplies and postage	4,500	4,500	4,261	(239)
Communications	8,550	8,550	9,418	868
Repairs and maintenance	1,000	1,000	831	(169)
Promotion	5,000	5,000	3,709	(1,291)
	<u>355,550</u>	<u>355,550</u>	<u>347,492</u>	<u>(8,058)</u>
Control Tower				
Utilities	8,500	8,500	8,868	368
Maintenance and janitorial	7,500	7,500	5,355	(2,145)
Equipment purchases and repairs	2,500	2,500	1,113	(1,387)
Miscellaneous	1,000	1,000	477	(523)
	<u>19,500</u>	<u>19,500</u>	<u>15,813</u>	<u>(3,687)</u>
Total expenditures	<u>550,050</u>	<u>550,050</u>	<u>517,482</u>	<u>(32,568)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,149</u>	<u>\$ 28,149</u>
Fund balance, beginning of year			<u>269,035</u>	
Fund balance, end of year			<u>\$ 325,333</u>	

See the independent auditor's report.

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

For the Year Ended June 30, 2013

Revenues

Intergovernmental

Grants - local governments	\$ 73,750
Grants - TDOT Aeronautics Division	258,691
Grants - Federal Aviation Administration	4,494
	<u>336,935</u>

Other

PFC revenue	10,300
Interest and miscellaneous	150
	<u>10,450</u>

Total revenues	<u>347,385</u>
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Expenditures

Capital Projects

State and local projects	374,676
FAA capital projects	22,536
Other capital projects	24,672
Miscellaneous local projects	24,308
Other capital improvements	6,118
Total expenditures	<u>452,310</u>

Net change in fund balance	(104,925)
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Fund balance, beginning of year	<u>224,658</u>
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Fund balance, end of year	<u>\$ 119,733</u>
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See the independent auditor's report.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS
June 30, 2013

<u>Name</u>	<u>Position</u>	<u>Annual Salary</u>	<u>Amount of Bond</u>
Tim Wilson	Commissioner	None	\$ 500,000
Essie Lovelady	Commissioner	None	500,000
Bill Sipes	Commissioner	None	500,000
Hoyt Hayes, Jr.	Commissioner	None	500,000
Bob Maniss	Commissioner	None	500,000

See the independent auditor's report.

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

For the Year Ended June 30, 2012

<u>Grant or Program</u>	<u>Grant Number</u>	<u>(Receivable) Unspent 7/1/2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Deposits on Contract (1)</u>	<u>(Receivable) Unspent 6/30/2012</u>
State:						
Tennessee Department of Transportation:						
Airport Improvements	AERO-13-253-00	\$ -	\$ 4,124	\$ 16,495	\$ 4,124	\$ (16,495)
Airport Improvements	AERO-13-163-00	-	53,225	56,650	2,832	(6,257)
Airport Improvements	Z-09-21-4015-00	(6,443)	6,443	-	-	-
Airport Improvements	AERO-13-107-00	-	11,028	14,400	828	(4,200)
Airport Improvements	AERO-13-121-00	-	10,830	20,695	2,069	(11,934)
Airport Improvements	AERO-12-223-00	(40,460)	142,121	97,761	9,776	(5,876)
Airport Improvements	AERO-12-139-00	(71,822)	72,107	2,855	285	(2,855)
Airport Improvements	AERO-12-106-00	-	50,456	62,560	6,256	(18,360)
Airport Improvements	AERO-11-188-00	(4,560)	35,894	28,440	2,894	-
Airport Improvements	57-555-0192-04	-	9,184	-	9,184	-
Airport Improvements	Z-10-22-0209-00	(23,400)	-	25,740	-	(49,140)
Total State Financial Assistance		<u>\$ (146,685)</u>	<u>\$ 395,412</u>	<u>\$ 325,596</u>	<u>\$ 38,248</u>	<u>\$ (115,117)</u>

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

See the independent auditor's report.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

<u>Grant or Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>(Receivable) Unspent 7/1/2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Deposits on Contracts (1)</u>	<u>(Receivable) Unspent 6/30/2012</u>
Federal:							
U.S. Department of Transportation							
Passed through Tennessee							
Department of Transportation:							
Airport Improvements	20.106	3-47-SBGP-38	\$ (28,215)	\$ 33,894	\$ 4,993	\$ 686	\$ -

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of the Jackson-Madison County Airport Authority under programs of the federal government for the year ended June 30, 2013. The expenditures are presented using the modified accrual basis of accounting.

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

See the independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

American Institute of Certified Public Accountants
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AICPA Governmental Audit Quality Center
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Independent Auditor's 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

To the Board of Directors
Jackson-Madison County Airport Authority
McKellar-Sipes Regional Airport
Jackson, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Jackson-Madison County Airport Authority, Jackson, Tennessee (the Authority), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated January 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Jackson, Tennessee
January 3, 2014

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS
June 30, 2012

FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Current year findings:

None reported.

Prior year findings:

Finding 2011-01 – Issuance of long-term debt without legal authority (Corrected – no additional debt issued).