Sumner County
Regional Airport Authority
Audited Financial Statements
June 30, 2013

Sumner County
Regional Airport Authority
June 30, 2013

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Sumner County
Regional Airport Authority
1475 Airport Rd.
Gallatin, Tennessee 37066
June 30, 2013

To the Members of the Authority

The financial statements of the Sumner County Regional Airport Authority (the "Authority") for the fiscal year ended June 30, 2013 are hereby submitted to the Authority Board and all others interested in the financial condition of the Authority. This report is published in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

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

Jim Egan
Chairman

Dianne Denson
Treasurer

Sumner County Regional Airport Authority
Roster of Board Members and Officials

See Footnotes 6, 8 & 13 regarding the Roster of Officials

Officers

Jim Egan	Chairman
Don Drayton	Vice-Chairman
Dr. Steven Nelson	Secretary
Dianne Denson	Treasurer

Board of Commissioners

John Berwind	Don Dickerson
Dan Downs	Tim Lynch, Jr.
Camden McConnell	Dr. Bill Taylor
Ben Williams	

Other Officials

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

Independent Auditor

Carl A. Davis & Company, CPAs

Hendersonville, TN

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Sumner County Regional Airport Authority (the "Authority"), a component unit of Sumner County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sumner County Regional Airport Authority, as of June 30, 2013, and the respective changes in financial position and 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 7–9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 an opinion on the financial statements of the Sumner County Regional Airport Authority. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013, on our consideration of the Sumner County Regional Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Carl A. Davis & Company, CPAs
Hendersonville, TN
December 10, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (the "MD&A") of the Sumner County Regional Airport Authority provides an introduction to the major activities affecting the operations of the airport and an introduction and overview to the financial performance and statements of the Sumner County Regional Airport Authority (the "Authority") for the fiscal year ended June 30, 2013.

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

Financial Statements

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

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

Airport Activities & Highlights

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

In order to implement this type of long-term planning, the Authority needed to hire an engineering firm that possessed substantive knowledge of both general aviation and airport structure. The Authority also looked for a firm that could manage not only the ongoing construction projects, but also the airport's growth and terminal area development plans. After reviewing more than thirteen highly qualified firms, the Authority chose world-renown engineering firm R.W. Armstrong, who immediately began developing a new airport layout plan. That plan is now complete, and has been approved by the FAA and the Aeronautics Board. On June 14, 2013, R.W. Armstrong merged with CHA Consulting, Inc. of Brentwood TN. Our engineering contract has since been assigned to CHA Consulting for reasons of continuity of services.

However, the Authority's efforts to upgrade its facilities do not stop there. Since 2005, the Authority has applied for, and received, grants totaling over $14 million. In addition, several other projects have been recently completed or are currently underway. These include runway safety projects, reconstruction of the north end hangar apron, the addition of a ten-unit "T" hangar with an additional taxiway and apron. The Authority has also repaired tarmac surface cracks and sealed the existing taxiways and aprons. As a safety precaution, the Authority removed all underground storage tanks on the premises,

and replaced them with an above ground fuel system for both "100 low-lead" and "Jet-A" fuel.

The Authority has also completed the purchase of the property for the purpose of relocating Airport Road, which currently marks the western boundary of the property. The Authority is continuing the process of working with the City of Gallatin and the State of Tennessee which will allow for relocation consistent with our new airport layout plan. The recently completed runway and taxiway extension to a length of 6,300 feet will promote an increase in the use of the airport by corporate jet aircraft and certainly create a demand for additional hangars in support of those operations. During the recently completed extension project, the FAA determined that the runway located north of the recent extension will require a gradient correction due to a change in the FAA's specification requirements. We are working with our engineers to bid out and complete this project as soon as possible. The Airport Road relocation project should be bid out by the State of Tennessee in 2014. This project will be fully funded by grants and at no cost to the Airport Authority. The completion of that project will provide the space required for additional hangars to support the expected increase in traffic, and eventually increase cash flow to the Authority from rentals.

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

Summary of Operations and Changes in Net Assets

Operations

Net operating income remains relatively consistent with prior years as the Authority's available hangars remain fully leased. The Authority received grant funds of $5,660,722 from the State of Tennessee which was used in the above noted expansion. The construction is overseen by the State and all expenditures are reviewed for propriety by the State. Construction in progress has grown to $3,251,247 as substantial work is ongoing with respect to expansion.

Below is a summary of the Authority's results of operations and changes in net assets for the years ended June 30, 2013 and 2012:

	2013	2012
Operating Revenues	$204,221	$214,570
Operating Expenses	174,423	148,453
Profit (loss) before depreciation and non-operating revenue	29,798	66,117
Depreciation	510,173	370,526
Loss before non-operating revenue	(480,375)	(304,409)
Non-operating Revenue, net	5,635,096	1,904,214
Increase (Decrease) in Net Assets	**$5,154,721**	**$1,599,804**

Net Assets

The largest portion of the Authority's net assets (97% for the year ended June 30, 2013) represents its investment in capital assets (e.g., buildings, improvements and equipment). The Authority uses these capital assets to provide services to the pilots and other users at the Airport; consequently, these assets are not available for future spending. The remaining unrestricted net assets may be used to meet any of the Authority's ongoing obligations.

The following is a summary of the Authority's assets, liabilities and net assets at June 30, 2013 and 2012:

	2013	2012
ASSETS:		
Current and other assets	$ 342,810	$ 882,721
Capital assets	12,851,758	7,447,040
Total assets	**13,194,568**	**8,329,761**
LIABILITIES:		
Accounts Payable / Current Liabilities	164,580	494,314
Long Term Liabilities	595,171	555,350
Total liabilities	759,751	1,049,664
NET ASSETS:		
Invested in capital assets	12,092,007	6,665,190
Restricted	122,552	56,892
Unrestricted	220,258	558,015
Total Net Assets	12,434,817	7,280,097
TOTAL LIABILITIES & NET ASSETS	**$ 13,194,568**	**$ 8,329,761**

Request for Information

These financial statements are designed to provide detail information on the Authority's operations and to all those with an interest in the Authority's financial affairs. Questions concerning any of the information provided in this report or any request for additional information should be addressed to Dianne Denson, Treasurer, or Jim Egan, Chairman.

Sumner County Regional Airport Authority
Statement of Net Assets
June 30, 2013

Assets	
Current Assets	
Cash	$ 65,702
Cash - Restricted for Retainage Payments	122,552
Deposits with State	133,788
Prepaid expenses	15,318
Total Current Assets	337,360
Non-current Assets	
Capital assets, net of accumulated depreciation	12,851,758
Other non-current assets	5,451
Total Non-current Assets	12,857,209
Total Assets	$ 13,194,568
Liabilities and Net Assets	
Current Liabilities	
Retainage Payable	122,150
Current maturities of long term debt	42,901
Total Current Liabilities	165,051
Long term debt, net of current portion	594,700
Total Liabilities	759,751
Invested in capital assets, net of debt	12,092,007
Restricted net assets	122,552
Unrestricted net assets	220,258
Total Net Assets	12,434,817
Total Liabilities and Net Assets	$ 13,194,568

See independent auditor's report and notes to financial statements

Sumner County Regional Airport Authority
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2013

Hangar Lease Revenue	$ 196,967
Other Operating Revenues	7,254
Total Operating Revenue	204,221
Maintenance Expense	56,463
Insurance Expense	16,913
Utilities Expense	17,583
Administrative	44,716
Legal & Professional Expense	38,748
Depreciation Expense	510,173
Total Operating Expenses	684,595
Net Income (Loss) From Operating Activities	(480,374)
Non-Operating Revenue (Expense)	
Interest Income	4,296
Interest Expense	(29,922)
Total Non-Operating Revenue	(25,626)
Capital Grants	5,660,722
Increase (Decrease) in Net Assets	5,154,721
Total Net Assets at June 30, 2012	7,280,097
Total Net Assets at June 30, 2013	$ 12,434,817

See independent auditor's report and notes to financial statements

Sumner County Regional Airport Authority
Statement of Cash Flows
For the Year Ended June 30, 2013

Cash Flows from Operating Activities	
Cash received from customers	$ 204,221
Cash paid to suppliers and employees	(174,624)
Net Cash Provided By (Used in) Operating Activities	29,597
Cash Flows from Investing Activities	
Redemption of certificate of deposit	320,912
Interest income received	4,296
Net Cash Provided By (Used In) Investing Activities	325,208
Cash Flows from Non-Capital Financing Activities	
Net Cash Provided By (Used In) Financing Activities	0
Cash Flows from Capital and Related Financing Activities	
State grant payments received	5,660,722
Proceeds from bank financing	440,000
Repayments of bank financing	(357,749)
Repayments on loan from Sumner County	(30,000)
Interest paid on financing	(29,922)
Repayment of line of credit	(196,500)
Grant matching funds submitted to state	(638,072)
Grant matching funds reimbursed from state	648,389
Cash payments for the purchase of capital assets	(5,900,640)
Net Cash Flows from Capital and Related Financing Activities	(403,772)
Net Increase (Decrease) in Cash and Cash Equivalents	(48,967)
Cash and Cash Equivalents at June 30, 2012	114,670
Cash and Cash Equivalents at June 30, 2013	**$ 65,702**

See independent auditor's report and notes to financial statements

Sumner County Regional Airport Authority
Statement of Cash Flows
For the Year Ended June 30, 2013

Reconciliation of Net Gain to Net Cash Provided by Operating Activities

Net Loss from Operating Activities	$ (480,374)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation and amortization	510,173
(Increase) decrease in Grant Funds Receivable	210,948
(Increase) decrease in prepaid expenses	(202)
Increase (decrease) in Accounts Payable	(210,948)
Total Adjustments	509,971
Net Cash Provided by Operating Activities	**$ 29,597**

See independent auditor's report and notes to financial statements

Note 1 – Organization and Reporting Entity

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

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

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

Cash, Cash Equivalents and Investments

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. No cash equivalents were held by the Authority as of June 30, 2013.

Per Tennessee statutes, bank accounts may only be established and maintained in

financial institutions whose deposits are federally insured. Bank account balances (including checking and investment accounts combined) must not exceed the amount federally insured by the FDIC unless the financial institution participates in the State Collateral Pool or pledges collateral for deposits in excess of the insured limits and the collateral is maintained in accordance with state statutes. As of June 30, 2013, the Authority's combined bank account balances did not exceed FDIC insured limits.

Receivables

Receivables are reported at their gross value when earned and reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts is based on collection history, aviation industry trends and current information regarding the credit worthiness of the tenants and others doing business with the Authority. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected. The Authority determined an allowance for uncollectible amounts was not needed as of June 30, 2013.

Capital Assets

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

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

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

	Years
Buildings	30
Building and land improvements	10-15
Large equipment and vehicles	10
Small equipment and vehicles	5

Capital Contributions

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

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

Revenue

The Authority considers operating revenues to be those revenues derived from the leasing of airplane storage and from its share of profits from fuel sales. All other revenues not directly associated with airplane operations are considered to be non-operating.

The Authority provides hangars for pilots who use the Airport facilities and one hangar for the Fixed Base Operator (FBO). The majority of the hangars were built and are owned by the Authority, however, eleven of the hangars were built and are owned by private individuals. The Authority leases to the owners the underlying land related to the hangars privately built. The ownership of the eleven hangars built by private individuals will transfer to the Authority at the end of their respective thirty year lease terms. Underlying land leases range from $40 to $323 month. Leases on hangars built and owned by the Authority have rents which range from $145 to $175 per month for individual hangars and $500 and $4,000 per month for the two corporate hangars.

Deferred Revenue

The Authority records hangar rent collected in advance of the months in which it is earned as deferred revenue. Deferred revenue was $0 at June 30, 2013.

Net Assets

The Authority classifies Net Assets, if applicable, in three components:

Invested in capital assets, net of related debt – consists of capital assets net of accumulated depreciation

Restricted net assets – consists of net assets with constraints

Unrestricted net assets – all other assets that do not meet the above criteria

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.

Estimates

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

Note 3 - Litigation

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

As of June 30, 2013, the Authority has deposited $230,100 toward the purchase of this land with the Chancery Court of Sumner County, Tennessee.

Note 4 – Long Term Debt

Long term debt at June 30, 2013 consisted of the following:

Note payable to Volunteer State Bank. Note matures on November 1, 2013 with maximum indebtedness set at $750,000. The note is collateralized by a deed of trust on real property at 1475 Airport Road and 1071 Cairo Road. As of June 30, 2013 principal outstanding was	$ 432,601
Non-interest bearing loan from Sumner County, Tennessee requiring $2,500 monthly installment payments beginning June 1, 2010 and ending June 1, 2020	205,000
Total long term debt	637,601
Less: amounts due in 12 months or less	(42,901)
Net long term debt	$ 594,700

Maturities of long term debt and associated interest are as follows:

Year Ended June 30	Principal	Interest
2014	42,901	23,148
2015	43,845	22,739
2016	44,598	21,958
2017	45,421	21,136
2018	405,836	8,019
Thereafter	55,000	-

Changes in long term debt for the year are as follows:

Balance, June 30, 2012	781,850
Additions	440,000
Retirements	(584,249)
Balance, June 30, 2013	637,601

See Note 13 regarding subsequent events pertaining to debt.

Note 5 - State Grants

The Authority periodically has construction projects in progress involving improvements to the airport that are funded primarily through federal and state grants. Receipts and disbursements of project funds are monitored by the Tennessee office Aeronautics. The grant agreements generally require various levels of matching contributions by the Authority, which are reflected on the Statement of Net Assets as Deposits with State.

Note 6 - Airport Management

The Authority has entered into an agreement with Gallatin Terminal Operations Aviation, LLC (GTO) to act as Fixed Base Operator for the airport. As FBO, GTO engages in flight instruction, aircraft rental, aircraft maintenance, aircraft charter and the sale of fuel and lubricants.

Effective July 2005 J & S Properties has been engaged to perform daily management duties. From inception through December 31, 2012 J&S was paid $2,500 per month under a verbal agreement. The Board executed a five year agreement effective February, 2013 at a monthly rate of $3,750. The new agreement was made with C. Steven Sudbury, who is the owner of J & S Properties. During the year ended June 30, 2013, management expense totaled $37,500.

See Note 8 regarding the change in the Board and Note 13 regarding subsequent events pertaining to J&S Properties.

Note 7 - Budget

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

Note 8 – Roster of Officials

The Board of Commissioners as listed on the Roster of Officials on page 4 was seated and held their first formal meeting on June 24, 2013. The board was seated after extended litigation between the Authority and its previous board versus Sumner County. The Treasurer listed on the Roster of Officials was added to the Board in July 2013. The previous Treasurer, though officially still a board member at June 30, 2013, resigned subsequent to year end.

Note 9 - Risk Financing Activities

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

Note 10 – Fixed Assets

Non-depreciable assets owned by the Authority consist solely of land recorded at cost. Eleven privately built hangers were removed from the airport's fixed assets in previous years. These hangars are leased by private parties on thirty year terms and ownership of the hangars will revert to the Authority at the conclusion of the respective leases. Depreciation expense for the year ending June 30, 2013 totaled $510,173.

The following is a summary of the Authority's depreciable and non-depreciable assets as of June 30, 2013:

	Capital Assets, not depreciated		Capital Assets, depreciated			
Cost	Land	Construction in Process	Buildings and Improvements	Taxiways, runways, and ramps	Furniture and Equipment	Totals
Balance, June 30, 2012	1,893,040	2,177,970	5,349,945	2,306,884	377,061	12,104,900
Additions	246,636	1,073,276	4,375	4,590,602		5,914,889
Retirements						-
Balance, June 30, 2013	2,139,676	3,251,246	5,354,320	6,897,486	377,061	18,019,789
Accumulated Depreciation						
Balance, June 30, 2012			3,829,932	689,168	138,758	4,657,858
Additions			173,495	312,274	24,404	510,173
Retirements						-
Balance, June 30, 2013			4,003,427	1,001,442	163,162	5,168,031
Net Assets	**2,139,676**	**3,251,246**	**1,350,893**	**5,896,044**	**213,899**	**12,851,758**

Note 11 - Leases

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

Note 12 – Other Noncurrent Assets

Other assets listed on the balance sheet of $5,451 include assets not placed in service at June 30, 2013.

Note 13 –Subsequent Events

Authority management has evaluated subsequent events through December 10, 2013, which is the date of the Accountant's Report and the date the financial statements were available to be issued and find the following items relevant for disclosure:

The note payable to Volunteer State Bank listed in Note 4 matured on November 1, 2013. The Authority advised the bank that no further draws would be made on that note. Two draws made prior to June 30, 2013, one for $340,000 and one for $100,000, were termed out for periods of five years with scheduled monthly payments of $2,354.11 and $692.31, respectively. These term outs were made prior to June 30, 2013. The notes mature on October 10, 2017 and January 8, 2018. While the original $750,000 credit line expired at maturity, the deed of trust associated with that note remains in effect until the two term loans are paid in full.

In relation to Note 6 regarding airport management, and Note 8 regarding the Roster of Officials, the new board voted to void the agreement signed with Mr. Sudbury in February 2013 by the previous board. The agreement was voided in the October 28, 2013 board meeting and Mr. Sudbury was advised he would be retained at the same rate of pay on a month to month basis. In the subsequent board meeting on November 25, 2013 the board voted to terminate the services of Mr. Sudbury effective immediately, with three months of severance compensation. With the tenure served and compensated under the new agreement, plus severance compensation offered, 14 months will have been compensated since the new agreement was executed, leaving 46 months with a total value of $172,500 voided. At the date the audit report was issued, no litigation had been filed by Mr. Sudbury regarding this matter.

Under an agreement reached by the Sumner County Commission and the Authority subsequent to year end, the County plans to issue an $800,000 loan to the Authority January 2, 2014 to pay off all existing debt and provide additional funds for local matches on certain grants that have not been funded at this time. The new loan will be interest only at a rate of 3% and the principal will be due on January 2, 2023. As of the financial statement date, the debt had been approved by the County and by the State of Tennessee.

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

Other Reports

Sumner County Regional Airport Authority
Schedule of Expenditures of Federal Awards
For the Year Ending June 30, 2013

Pass Through Grantor	CFDA #	Sub-recipient Number	Grants Receivable June 30,2012	Funds Received	Expenditures	Return of Local Matching Funds (A)		Grants Receivable June 30,2013
Tennessee Department of Transportation - Aeronautics Division	20.106	(all programs)						
		83-555-0140-04	-	18,718	20,798	2,080		-
		83-555-0180-04	(19,360)	528,594	587,327	58,733		-
		83-555-0181-04	-	319,197	354,663	35,466		-
		83-555-0184-04	(20,674)	36,362	40,402	4,040		-
		83-555-0752-04		6,300	7,000	700		-
		83-555-0754-04		73,328	81,476	8,148		-
		83-555-0762-04	-	1,326	1,473	147		-
		83-555-0763-04	(113,652)	161,191	179,101	17,910		-
		83-555-0766-04		14,242	15,825	1,583		-
		83-555-0774-04	-	-		72	B	-
		83-555-0785-04	-	29,587	31,927	2,340		-
		83-555-0786-04		2,070,000	2,300,000	230,000		-
		83-555-0787-04	(57,262)	2,583,621	2,813,428	287,069		-
		83-555-0791-04		2,003	2,103	100		-
		99-555-1217-04		13,000	13,000			-
		99-555-1228-04		14,300	14,300			-
			$ (210,948)	$ 5,871,769	$ 6,462,823	$ 648,388		$ -

Basis of Presentation

This schedule summarizes the expenditures of the Sumner County Regional Airport Authority under programs of the federal government for the year ended June 30, 2013. This schedule is presented on the accrual basis of accounting.

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

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

See independent auditor's report and notes to financial statements

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*

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

We have audited, in accordance with the 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, the financial statements of the Sumner County Regional Airport 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 financial statements and have issued our report thereon dated December 10, 2013.

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 purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sumner County Regional Airport Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider deficiency 2013-01 described in the accompanying schedule of findings and questioned costs to be a material weakness.

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. We did not identify any deficiencies that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

Authority Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Their response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carl A. Davis & Company, CPA's
Hendersonville, Tennessee
December 10, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Sumner County Regional Airport Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the Sumner County Regional Airport Authority's major federal programs for the year ended June 30, 2013. The Sumner County Regional Airport Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Sumner County Regional Airport Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sumner County Regional Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Sumner County Regional Airport Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sumner County Regional Airport Authority's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Sumner County Regional Airport Authority's, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Sumner County Regional Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing

procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sumner County Regional Airport Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-1 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any matters that we consider to be significant deficiencies.

The Sumner County Regional Airport Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Their response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Carl A. Davis & Company, CPAs
Hendersonville, TN
December 10, 2013

Sumner County Regional Airport Authority
Schedule of Audit Findings and Responses
For the Year Ended June 30, 2013

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the Sumner County Regional Airport Authority.

2. There is one significant deficiency considered to be a material weakness.

3. No significant deficiencies not considered to be material weaknesses were identified.

4. No instances of noncompliance material to the financial statements of the Authority were disclosed during the audit.

5. The auditor's report on compliance with major federal awards programs for the Authority expresses an unqualified opinion.

6. Audit findings relative to the major federal awards for the Authority, when applicable, appear in Part B of this schedule.

7. The programs tested as major federal awards programs include those of the Tennessee Department of Transportation – Aeronautics Division.

8. The threshold for determining Type A and B programs was $300,000.

9. The Authority was determined to be a high risk auditee.

B. Findings – Financial Statements Audit

Finding 2013-1 (repeat finding)

Statement of Condition
The Authority has an inadequate segregation of duties.

Criteria
Internal controls should include adequate segregation of duties.

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

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

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

Management Response
As described in Note 13 to the financial statements, the services of the airport manager were terminated subsequent to year end. In conjunction with this termination, the Board is currently exploring various options for future financial management which we believe will greatly reduce, if not eliminate, the segregation issue. In addition, upon the seating of the new board, a dual signature requirement was implemented for all checks issued by the Authority.

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

December 10, 2013

Tennessee Department of Transportation –
Aeronautics Division

The Sumner County Regional Airport Authority respectively submits the following corrective action plan for the year ended June 30, 2013.

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

Audit period: Year ended June 30, 2013

The findings from the 2013 Schedule of Findings and Responses are discussed below:

Findings – Financial Statement Audit

2013-1 Segregation of Duties

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

Action Taken
As described in Note 13 to the financial statements, the services of the airport manager was terminated subsequent to year end. In conjunction with this termination, the Board is currently exploring various options for future financial management which we believe will greatly reduce, if not eliminate, the segregation issue. In addition, upon the seating of the new board, a dual signature requirement was implemented for all checks issued by the Authority.