

**DICKSON COUNTY MUNICIPAL
AIRPORT AUTHORITY**

Financial Statements

For the Years Ended June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

DICKSON COUNTY MUNICIPAL AIRPORT AUTHORITY

Table of Contents

	<u>Page Number</u>
DIRECTORY OF BOARD MEMBERS.....	i
INDEPENDENT AUDITORS' REPORT.....	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
FINANCIAL STATEMENTS:	
Statements of Net Position	8
Statements of Revenue, Expenses and Changes in Net Position.....	9
Statements of Cash Flows.....	10
Notes to the Financial Statements	11-15
SUPPLEMENTAL SCHEDULE:	
Schedule of Federal and State Financial Assistance.....	16
OTHER REPORTS:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based upon an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
GREGORY V. HOWELL

INDEPENDENT AUDITORS' REPORT

(615) 385-1008
FAX (615) 385-1208

Board Members of the
Dickson County Municipal Airport Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Dickson County Municipal Airport Authority (the Authority), as of and for the year ended June 30, 2013 and 2012, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority, as of June 30, 2013 and 2012, and the changes in net position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States America.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, in 2013, the Authority adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position*, and early implemented GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

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 3 through 7 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 basic financial statements. The information on the accompanying schedules on page 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2013 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.



October 2, 2013

DICKSON COUNTY MUNICIPAL AIRPORT AUTHORITY
Management Discussion & Analysis

Financial Highlights

Key Highlights for the year ended June 30, 2013 are as follows,:

The authority's net assets decreased by \$237,057 as compared to an increase of \$115,990 in 2012.

At the end of the current year the authority reported total net assets of \$7,073,161 comprised of amounts invested in capital assets of \$6,715,342 and unrestricted net assets of \$357,819.

At the end of the current year , the authority reported current assets in excess of current liabilities of \$357,354 as compared to \$274,491 in 2012.

Overview of the Financial Statements

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

The financial statements can be found on pages 8-10 of this report.

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided within the financial statements. The notes to the financial statements can be found on pages 11-15 of this report.

DICKSON COUNTY MUNICIPAL AIRPORT AUTHORITY
Management Discussion & Analysis

Financial Analysis

For the year ended June 30, 2013, assets exceeded liabilities by \$7,073,161. The Airport Authority is a capital intensive enterprise, with 96% of the net assets invested in capital assets. The following is a summary of the Airport Authority's net position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets			
Current Assets	\$ 363,065	\$ 275,696	\$ 246,188
Capital Assets	6,715,342	7,035,262	6,952,955
Other Assets	<u>465</u>	<u>465</u>	<u>465</u>
Total Assets	<u><u>7,078,872</u></u>	<u><u>7,311,423</u></u>	<u><u>7,199,608</u></u>
Liabilities			
Current Liabilities	<u>5,711</u>	<u>1,205</u>	<u>5,380</u>
Net Position			
Invested In capital assets	6,715,342	7,035,262	6,952,955
Unrestricted	<u>357,819</u>	<u>274,956</u>	<u>241,273</u>
Total Net Position	<u><u>\$ 7,073,161</u></u>	<u><u>\$ 7,310,218</u></u>	<u><u>\$ 7,194,228</u></u>

The Authority's net assets decreased by \$237,057 in 2013. The following is a summary Statement of Revenues, Expenses and Changes in Net Assets.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 121,394	\$ 118,083	\$ 113,390
Operating expenses	<u>441,191</u>	<u>410,472</u>	<u>375,539</u>
Operating loss	(319,797)	(292,389)	(262,149)
Non operating revenue	70,143	59,655	62,170
Capital Contributions	<u>12,597</u>	<u>348,724</u>	<u>52,168</u>
Change in net position	<u><u>\$ (237,057)</u></u>	<u><u>\$ 115,990</u></u>	<u><u>\$ (147,811)</u></u>

DICKSON COUNTY MUNICIPAL AIRPORT AUTHORITY
Management Discussion & Analysis

Revenues

The major changes in Airport Authority continuing revenue of the year ended June 30, 2013 was a decrease in hangar rental revenue of \$5,122, or approximately 5.3%. Grant receipts from the Department of Transportation for runway repair amounted to \$12,597 which was substantially less than capital grants of \$348,724 in the prior year.

The following is a summary of operating, grant and other revenues.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Hangar rentals	\$ 91,368	\$ 96,490	\$ 92,009
Fuel flowage fees	1,549	1,787	1,731
Non hangar rentals	28,477	19,806	19,650
Intergovernmental Revenue	70,143	63,000	62,170
Capital Grants	<u>12,597</u>	<u>348,724</u>	<u>52,168</u>
 Total Revenues	 <u>\$ 204,134</u>	 <u>\$ 529,807</u>	 <u>\$ 227,728</u>

Expenses

The major changes in operating expenses for the year ended June 30, 2013 was an increase of \$16,314 or 5% in depreciation expense and an increase of \$9,576 in maintenance expense in 2013. Overall, operating expenses increased 7.4% which appears to be reasonable and relatively consistent with the prior year.

The following is a summary of operating expenses:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Advertising	\$ 3,484	\$ 3,645	\$ 3,109
Conferences	500	500	-
Insurance	5,572	4,170	3,700
Legal & Professional	13,261	13,366	13,586
Maintenance	52,559	42,983	22,221
Office	772	2,073	3,025
Telephone	1,422	1,571	1,447
Utilities	20,511	18,210	19,055
Other	8,275	5,433	5,129
Depreciation	<u>334,835</u>	<u>318,521</u>	<u>304,267</u>
 Total Expenses	 <u>\$ 441,191</u>	 <u>\$ 410,472</u>	 <u>\$ 375,539</u>

DICKSON COUNTY MUNICIPAL AIRPORT AUTHORITY
Management Discussion & Analysis

Cash Flows

Cash increased \$78,477 from that of the prior year. This increase was primarily due to a decrease in cash required by operating, capital and noncapital related financing activities.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash flows provided by (used In) Operating Activities	\$ 19,107	\$ 23,517	\$ 42,953
Cash flows provided by Used in) capital and related financing activities	(4,130)	7,899	(112,561)
Cash flows provided by Used in) noncapital and related financing activities	63,500	58,825	94,668
Change in Cash	<u>\$ 78,477</u>	<u>\$ 90,241</u>	<u>\$ 25,060</u>

Capital Assets

The Airport Authority's investment in capital assets as of June 30, 2013 amounted to \$6,715,342 net of accumulated depreciation. Capital Assets consist of land, runways and taxiways, buildings and building improvements, and airport operating equipment. Investment in capital assets decreased by \$319,920 for the year. Depreciation was recorded in the amount of \$334,835 for the year.

The following is a summary of investment in capital:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Non depreciable assets:			
Land	\$ 1,679,600	\$ 1,679,600	\$ 1,679,600
Construction in progress	13,260	-	52,151
Depreciable assets:			-
Improvements	6,059,955	6,059,955	5,961,130
Terminal	323,602	323,602	323,602
Hangars	1,412,291	1,412,291	1,065,710
Equipment and other	<u>316,561</u>	<u>314,906</u>	<u>307,333</u>
Total Property & equipment	9,805,269	9,790,354	9,389,526
Accumulated depreciation	<u>3,089,927</u>	<u>2,755,092</u>	<u>2,436,571</u>
Property and equipment -net	<u>\$ 6,715,342</u>	<u>\$ 7,035,262</u>	<u>\$ 6,952,955</u>

DICKSON COUNTY MUNICIPAL AIRPORT AUTHORITY
Management Discussion & Analysis

Economic Factors and Future Outlook

Effective October 1, 2013, the Authority hired a manager and assistant to run the airport operations. Additionally, the Authority will assume the fuel sales function. The impact of these changes is not anticipated to significantly effect the financial position of the Authority.

DICKSON COUNTY MUNICIPAL AIRPORT AUTHORITY

Statement of Net Position

June 30, 2013 and 2012

Assets

	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash-unrestricted	\$ 327,801	249,324
Accounts receivable:		
Rents receivable	3,703	4,396
Less allowance for doubtful accounts	(2,221)	(2,854)
Receivable from State Department of Transportation	26,897	16,562
Prepaid local match on grants	6,885	8,268
Total current assets	<u>363,065</u>	<u>275,696</u>
Capital Assets:		
Non depreciable assets	1,692,860	1,679,600
Depreciable plant in service	8,112,409	8,110,754
Accumulated depreciation	<u>(3,089,927)</u>	<u>(2,755,092)</u>
Total utility plant, net of depreciation	<u>6,715,342</u>	<u>7,035,262</u>
Other Assets:		
Utility deposits	465	465
Total other assets	<u>465</u>	<u>465</u>
 Total assets	 <u>\$ 7,078,872</u>	 <u>7,311,423</u>

Liabilities and Net Position

Current Liabilities:		
Accounts payable	\$ 3,385	-
Contracts and retainage payable	-	-
Deferred revenue and deposits	2,326	1,205
Total current liabilities	<u>5,711</u>	<u>1,205</u>
Net Position:		
Invested in capital assets, net of related debt	6,715,342	7,035,262
Unrestricted	357,819	274,956
Total Net Position	<u>\$ 7,073,161</u>	<u>7,310,218</u>

See accompanying notes to the financial statements.

DICKSON COUNTY MUNICIPAL AIRPORT AUTHORITY

Statements of Revenue, Expenses and Changes in Net Position

For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Charges for services:		
Hangar rentals	\$ 91,368	96,490
Fuel flowage fees	1,549	1,787
Other operating revenues	<u>28,477</u>	<u>19,806</u>
Total operating revenues	<u>121,394</u>	<u>118,083</u>
 Operating Expenses		
Advertising	3,484	3,645
Conferences	500	500
Insurance	5,572	4,170
Legal and professional	13,261	13,366
Maintenance	52,559	42,983
Office	772	2,073
Telephone	1,422	1,571
Utilities	20,511	18,210
Other	8,275	5,433
Depreciation expense	334,835	318,521
Total operating expenses	<u>441,191</u>	<u>410,472</u>
Net operating revenue (loss)	<u>(319,797)</u>	<u>(292,389)</u>
 Nonoperating Revenues (Expenses)		
Intergovernmental:		
Operation grant	14,300	13,000
Contributions - other governments	50,000	50,000
Other	5,843	(3,345)
Total nonoperating revenues (expenses)	<u>70,143</u>	<u>59,655</u>
Income before contributions	(249,654)	(232,734)
 Contributions:		
Capital grants	12,597	348,724
	<u>12,597</u>	<u>348,724</u>
Change in net position	(237,057)	115,990
Net Position, Beginning of Year	<u>7,310,218</u>	<u>7,194,228</u>
Net Position, End of Year	<u>\$ 7,073,161</u>	<u>7,310,218</u>

See accompanying notes to the financial statements.

DICKSON COUNTY MUNICIPAL AIRPORT AUTHORITY

Statements of Cash Flows

For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 122,078	116,280
Cash paid to suppliers of goods and services	<u>(102,971)</u>	<u>(92,763)</u>
Net cash provided (used) by operating activities	<u>19,107</u>	<u>23,517</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of property, plant and equipment	(14,915)	(400,828)
Proceeds from capital grants	-	372,077
Proceeds from refunds of local share	<u>10,785</u>	<u>36,650</u>
Net cash provided (used) by capital and related financing activities	<u>(4,130)</u>	<u>7,899</u>
Cash Flows from Noncapital Financing Activities:		
Contributions for other governments	50,000	50,000
Deposits	500	-
Proceeds from operating grant	<u>13,000</u>	<u>8,825</u>
Net cash provided (used) by non-capital and related financing activities	<u>63,500</u>	<u>58,825</u>
Net increase (decrease) in cash	78,477	90,241
Cash and Restricted Cash, Beginning of Year	<u>249,324</u>	<u>159,083</u>
Cash and Restricted Cash, End of Year	\$ <u><u>327,801</u></u>	\$ <u><u>249,324</u></u>
 <u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations</u>		
Net Operating Revenue (Loss)	\$ (319,797)	(292,389)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization	334,835	318,521
(Increase) decrease in current assets:		
Receivables	60	1,560
Accounts and Notes Receivable	-	
Increase (decrease) in current liabilities:		
Deferred revenue	-	(509)
Prepaid rents	624	-
Accounts payable	3,385	(3,666)
Net cash provided (used) by operating activities	\$ <u><u>19,107</u></u>	\$ <u><u>23,517</u></u>

See accompanying notes to the financial statements.

DICKSON COUNTY MUNICIPAL AIRPORT AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Dickson County Municipal Airport Authority of Dickson, Tennessee was incorporated pursuant to the provisions of Tennessee Code Annotated (TCA) 42-3-103. TCA 42-3-103 provides for the appointment of five Commissioners for a term of five years. One of the Commissioners shall be a member of the City of Dickson City Council and one member shall be a member of the Dickson County Commission with the remaining three Commissioners being residents of Dickson County, TN. Under criteria established by the Government Accounting Standards Board, the Authority is considered a component unit of Dickson County. Accordingly, the accompanying financial statements are included in the basic financial statements of the County.

Basis of Presentation

The Authority's operations are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred.

The Authority has adopted GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting. Accordingly, the Authority applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions; issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Authority, however, has elected not to apply FASB pronouncements issued subsequent to that date.

Current accounting and reporting standards for external financial reporting for all state and local governmental entities require a management's discussion and analysis section, a statement of net position, a statement of activities and changes in net position and a statement of cash flows when applicable. It further requires the classification of net position into three components - invested in capital assets, net of related debt; restricted; and unrestricted.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for hangar rentals and fuel flowage charges. Operating expenses for the Authority include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

DICKSON COUNTY MUNICIPAL AIRPORT AUTHORITY

Notes to Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, savings accounts and certificates of deposit with maturity dates of three months or less from date of purchase.

Capital Assets

Capital assets of the Authority are recorded at cost. Depreciation is computed over the estimated lives of the assets utilizing the straight-line method. The estimated lives are as follows:

<u>Category</u>	<u>Estimated Life</u>
Land	N/A
Hangars	7 - 31.5 Years
Improvements	7 - 25 Years
Fencing	10 - 15 Years
Terminal	40 Years

Equity Classification

Equity is classified as net position and displayed in three components, if applicable:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position - Consists of net assets with constraints, primarily for debt service and capital purchases.
- c. Unrestricted net position - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

DICKSON COUNTY MUNICIPAL AIRPORT AUTHORITY

Notes to Financial Statements, Continued

2. CASH AND CASH EQUIVALENTS

Deposits

The Authority is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During the years 2013 and 2012, the Authority used a demand checking account.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. The Authority's policy requires that deposits be either (i) secured and collateralized by the institutions at 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance or (ii) that deposits be placed in financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee.

3. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2013 is as follows:

	Balance <u>6-30-12</u>	<u>Additions</u>	Retirements <u>Transfers</u>	Balance <u>6-30-13</u>
Non depreciable assets:				
Land	\$ 1,679,600	-	-	1,679,600
Construction in Process	<u>-</u>	<u>13,260</u>	<u>-</u>	<u>13,260</u>
	<u>1,679,600</u>	<u>13,260</u>	<u>-</u>	<u>1,692,860</u>
Depreciable assets:				
Improvements	6,059,955	-	-	6,059,955
Terminal	323,602	-	-	323,602
Hangers	1,412,291	-	-	1,412,291
Equipment and other	<u>314,906</u>	<u>1,655</u>	<u>-</u>	<u>316,561</u>
	<u>8,110,754</u>	<u>1,655</u>	<u>-</u>	<u>8,112,409</u>
Less accumulated depreciation:				
Improvements	2,220,420	244,050	-	2,464,470
Terminal	95,732	8,090	-	103,822
Hangers	266,969	56,965	-	323,934
Equipment and other	<u>171,971</u>	<u>25,730</u>	<u>-</u>	<u>197,701</u>
	<u>2,755,092</u>	<u>334,835</u>	<u>-</u>	<u>3,089,927</u>
Depreciable capital assets net	<u>5,355,662</u>			<u>5,022,482</u>
Total capital assets, net	\$ <u>7,035,262</u>			<u>6,715,342</u>

Depreciation expense was \$334,835 and \$318,521 for the years ended June 30, 2013 and 2012, respectively.

DICKSON COUNTY MUNICIPAL AIRPORT AUTHORITY

Notes to Financial Statements, Continued

3. CAPITAL ASSETS (CONTINUED)

A summary of changes in capital assets for the year ended June 30, 2012 is as follows:

	Balance <u>6-30-11</u>	<u>Additions</u>	<u>Retirements Transfers</u>	Balance <u>6-30-12</u>
Non depreciable assets:				
Land	\$ 1,679,600	-	-	1,679,600
Construction in Process	<u>52,151</u>	-	<u>(52,151)</u>	-
	<u>1,731,751</u>	-	<u>(52,151)</u>	<u>1,679,600</u>
Depreciable assets:				
Improvements	5,961,130	98,825	-	6,059,955
Terminal	323,602	-	-	323,602
Hangers	1,065,710	346,581	-	1,412,291
Equipment and other	<u>307,333</u>	<u>7,573</u>	-	<u>314,906</u>
	<u>7,657,775</u>	<u>452,979</u>	-	<u>8,110,754</u>
Less accumulated depreciation:				
Improvements	1,977,115	243,305	-	2,220,420
Terminal	87,642	8,090	-	95,732
Hangers	225,397	41,572	-	266,969
Equipment and other	<u>146,417</u>	<u>25,554</u>	-	<u>171,971</u>
	<u>2,436,571</u>	<u>318,521</u>	-	<u>2,755,092</u>
Depreciable capital assets- net	<u>5,221,204</u>			<u>5,355,662</u>
Total capital assets, net	\$ <u>6,952,955</u>			<u>7,035,262</u>

Depreciation expense was \$318,521 and \$304,267 for the years ended June 30, 2012 and 2011,

4. COMMITMENTS AND CONTINGENCIES

Litigation

The Authority is not involved in any litigation which would have a material effect on the financial statements of the District.

5. RISK MANAGEMENT

The Authority is exposed to various risks to general liability and property and casualty losses. The Authority's policy is to carry commercial insurance for these and other risks of loss. Settled claims for losses have not exceeded commercial insurance coverage in any of the past three years.

DICKSON COUNTY MUNICIPAL AIRPORT AUTHORITY

Notes to Financial Statements, Continued

6. LEASE AGREEMENT - FIXED BASE OPERATOR

The Lease Agreement provides for lease of the Airport and all related equipment to the Fixed Base Operator (FBO) for a five year period commencing March 1, 2008, currently extended until approximately October 15, 2013. The FBO is granted the right to sell petroleum products and make reasonable charges for tie-down, and other services customarily made in the operation of an airport; however, the Authority retains the right to assess and receive rents from the hangar facilities. Further, FBO shall pay to the Authority the sum of .06 cents per gallon on all fuel sold or distributed. During the term of the extended lease, the Authority waived the obligation by the FBO to pay these fees on fuel sold. In addition, commencing in March 1, 2008, the Authority shall receive rent from the FBO of 3% of the gross revenue, excluding fuel sales, from the FBO's use and operation of the airport, to the extent such gross revenue exceeds \$100,000. The FBO is in the process of determining its liability for the rent override at this time. It is not believed to be significant.

7. CHANGE IN ACCOUNTING METHOD

For the year ended June 30, 2013, the Authority has implemented GASB Statements 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position*. This action resulted in the establishment of categories outside of assets and liabilities titled deferred outflows and deferred inflows. The Statement also retitled Net Assets to Net Position. The Authority also early implemented GASB Statement No. 65, resulting in no change to previously issued financial statements.

SUPPLEMENTAL SCHEDULE

DICKSON COUNTY MUNICIPAL AIRPORT AUTHORITY

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2013

<u>CFDA No.</u>	<u>Contract #</u>	<u>Grantor Agency</u>	(Receivable) Deferred June 30, 2012	Adjustments	Receipts	Disbursements	(Receivable) Deferred June 30, 2013	
STATE AWARDS:								
N/A	TAD #22-555-0144-04	Tennessee Department of Transportation	-	-	-	(12,597.12)	(12,597.12)	GR-1
N/A	TAD #22-555-0143-04	Tennessee Department of Transportation	(861.31)	861.31 *	-		0.00	GR-5
N/A	TAD #22-555-0742-04	Tennessee Department of Transportation	(2,700.55)	2,700.55 *	-		(0.00)	GR-5
N/A	TAD #22-555-0124-04	Tennessee Department of Transportation	-	(4,963.67) **	4,963.67		-	GR-3
N/A	TAD #22-555-0726-04	Tennessee Department of Transportation	-	(3,680.71) **	3,680.71		-	GR-4
N/A	Proj. #99-555-1199-04	Tennessee Department of Transportation	(13,000.00)		13,000.00		-	GR-2
N/A	Proj. #99-555-1228-04	Tennessee Department of Transportation	-		-	(14,300.00)	(14,300.00)	GR-2
			<u>\$ (16,561.86)</u>	<u>(5,082.52)</u>	<u>21,644.38</u>	<u>(26,897.12)</u>	<u>(26,897.12)</u>	

* To adjust to actual amount received on maintenance grant.

** Refund related to prior year local share.

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
GREGORY V. HOWELL

(615) 385-1008
FAX (615) 385-1208

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

Board of Commissioners
Dickson County Municipal Airport Authority

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 Dickson County Municipal Airport Authority (the Authority), which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 2, 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 opinions 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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.

October 2, 2013

