

CLARKSVILLE-MONTGOMERY COUNTY
REGIONAL AIRPORT AUTHORITY
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
JUNE 30, 2013

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THURMAN CAMPBELL GROUP, PLC
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Clarksville-Montgomery County Regional Airport Authority
Clarksville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Clarksville-Montgomery County Regional Airport Authority (Airport Authority) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Airport 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 and the requirements proscribed by the Comptroller of the Treasury, State of Tennessee as detailed in the Audit Manual. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority, as of June 30, 2013, and the 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 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 Airport Authority's basic financial statements. The directory of officials is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the 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 also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The directory of officials 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2013, on our consideration of the 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 Airport Authority's internal control over financial reporting and compliance.

Thurman Campbell Group, PLC

Clarksville, TN

December 15, 2013

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The following Management's Discussion and Analysis (MD&A) of the Clarksville-Montgomery County Regional Airport Authority's (Authority) financial performance provides an introduction to the financial statements for the year ended June 30, 2013. The information contained in this MD&A should be used in conjunction with the information contained in the Authority's financial statements for the period.

Background

In 1997 the Clarksville Airport Joint Committee (CAJC) approached the mayors of the City of Clarksville and Montgomery County with the idea of creating a regional airport authority. Subsequently, both municipalities passed resolutions authorizing the Clarksville-Montgomery County Regional Airport Authority (CMCRAA) and provided it with all the rights, privileges, and authority of the CAJC. The CMCRAA then petitioned the State of Tennessee and received its state charter.

In 1998, the Authority purchased a mobile home park adjacent to the airport; however, they decided to cease operations and decommission the park in the first quarter of the fiscal year ending June 30, 2010.

In 2012, the Authority completed construction on a new Terminal and Business Center.

Financial Highlights

The assets of the Authority exceeded its liabilities at June 30, 2013 by \$10,646,835 (net position).

The net position of the Authority decreased by \$235,032 for the year ended June 30, 2013. This is mostly due to the reduction in capital grant money in the current fiscal year.

Overview of the Financial Statements

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The fiscal year accounting period runs from July 1 to June 30.

Following this MD&A are the basic financial statements of the Authority together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The Statement of Net Position shows all assets of the Authority less liabilities. Buildings and properties are recorded at cost. Over time, increases or decreases in net position will serve as a useful indicator of the Authority's financial position.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Airport Authority's *Statements of Net Position* are presented in Table 1. The Airport Authority's current assets decreased from \$453,528 to \$336,148 and total liabilities decreased from \$634,403 to \$572,322 in 2013.

Table 1				
Clarksville-Montgomery County Regional Airport Authority				
Condensed Statement of Net Position				
June 30, 2013 and 2012				
ASSETS	<u>2013</u>	<u>2012</u>	Dollar Change	Total Percent Change
Current Assets	\$ 336,148	\$ 453,528	\$ (117,380)	-25.9%
Capital Assets, net	<u>10,883,009</u>	<u>11,062,742</u>	<u>(179,733)</u>	<u>-1.6%</u>
Total Assets	<u>\$ 11,219,157</u>	<u>\$ 11,516,270</u>	<u>\$ (297,113)</u>	<u>-2.6%</u>
LIABILITIES AND NET POSITION				
Current Liabilities	\$ 74,126	\$ 111,365	\$ (37,239)	-33.4%
Long-term Liabilities	<u>498,196</u>	<u>523,038</u>	<u>(24,842)</u>	<u>-4.7%</u>
Total Liabilities	<u>572,322</u>	<u>634,403</u>	<u>(62,081)</u>	<u>-9.8%</u>
Net Investment in Capital Assets	10,798,926	10,959,793	(160,867)	-1.5%
Unrestricted (Deficit)	<u>(152,091)</u>	<u>(77,926)</u>	<u>(74,165)</u>	<u>95.2%</u>
Total Net Position	<u>10,646,835</u>	<u>10,881,867</u>	<u>(235,032)</u>	<u>-2.2%</u>
Total Liabilities and Net Position	<u>\$ 11,219,157</u>	<u>\$ 11,516,270</u>	<u>\$ (297,113)</u>	<u>-2.6%</u>

**CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the fiscal year.

Summaries of the Statements of Revenue, Expenses, and Changes in Net Position for the Airport Authority are detailed below in Table 2. Revenue for the Airport Authority is generated from monthly building rental and monthly allocations from both the City of Clarksville and Montgomery County. As shown in Table 2, the Airport Authority had operating revenues in the amount of \$620,836 and operating expenses of \$1,126,610 in 2013.

Table 2				
Clarksville-Montgomery County Regional Airport Authority				
Condensed Statement of Revenues, Expenses				
And Changes in Net Position				
For The Years Ended June 30, 2013 and 2012				
	<u>2013</u>	<u>2012</u>	Dollar Change	Total Percent Change
Operating Revenue	\$ 620,836	\$ 608,920	\$ 11,916	2.0%
Operating Expense	<u>1,126,610</u>	<u>891,244</u>	<u>235,366</u>	<u>26.4%</u>
Operating Income (Loss)	(505,774)	(282,324)	(223,450)	79.1%
Nonoperating Income (Expense)	<u>(878)</u>	<u>(1,517)</u>	<u>639</u>	<u>-42.1%</u>
Income (Loss) Before Contributions	(506,652)	(283,841)	(222,811)	78.5%
Contributions	<u>271,620</u>	<u>2,853,302</u>	<u>(2,581,682)</u>	<u>-90.5%</u>
Change in Net Position	(235,032)	2,569,461	(2,804,493)	-109.1%
Net Position - Beginning (as restated)	<u>10,881,867</u>	<u>8,312,406</u>	<u>2,569,461</u>	<u>30.9%</u>
Net Position - Ending	<u>\$ 10,646,835</u>	<u>\$ 10,881,867</u>	<u>\$ (235,032)</u>	<u>-2.2%</u>

**CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

The Statement of Cash Flows relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. The reconciliation on page 11 is provided to assist in the understanding of the difference between cash flows from operating activities and operating income.

Table 3			
Clarksville-Montgomery County Regional Airport Authority Condensed Statement of Cash Flows For the Years Ended June 30, 2013 and 2012			
	<u>2013</u>		<u>2012</u>
Cash Flows from Operating Activities	\$ 42,299	\$	49,142
Cash Flows from Capital and Related Financing Activities	<u>29,407</u>	<u></u>	(510,958)
Net Increase (Decrease) in Cash and Cash Equivalents	71,706		(461,816)
Cash and Cash Equivalents - Beginning	<u>21,931</u>	<u></u>	483,747
Cash and Cash Equivalents - Ending	<u>\$ 93,637</u>	<u>\$</u>	<u>21,931</u>

Capital Assets

At June 30, 2013, the Authority had \$10,883,009 net of related depreciation invested in capital assets. An Airport Improvement Project primarily funded by government grants has caused significant increases in the Authority's Buildings and Airport Facilities over the past three years.

Table 4				
Clarksville-Montgomery County Regional Airport Authority Capital Assets June 30, 2013 and 2012				
	<u>2013</u>	<u>2012</u>	Dollar Change	Total Percent Change
Buildings and Airport Facilities	\$ 14,660,861	\$ 14,375,151	\$ 285,710	2.0%
Vehicles and Equipment	517,566	433,112	84,454	19.5%
Land and Land Improvements	1,669,669	1,739,326	(69,657)	-4.0%
Construction in Progress	31,799	2,500	29,299	100.0%
Less: Accumulated Depreciation	<u>(5,996,886)</u>	<u>(5,487,347)</u>	<u>(509,539)</u>	<u>9.3%</u>
Net Capital Assets	<u>\$ 10,883,009</u>	<u>\$ 11,062,742</u>	<u>\$ (179,733)</u>	<u>-1.6%</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Long-Term Debt

At June 30, 2013, the Authority had a note payable outstanding to the City with a balance of \$79,110 and a note payable outstanding to Legends Bank with a balance of \$4,973. The City of Clarksville and the Airport are in deferment on the note payable outstanding to the City and the Authority pays \$1,645 a month to Legends Bank.

Other Information

The Notes to Financial Statements represent explanatory information to the various reports and specific details regarding additions and deletions from operations during the year. In addition, summary explanations are provided regarding various leases and notes payable of the Authority.

The Directory of Officials represents the members of the Clarksville-Montgomery County Regional Airport Authority as it existed as of June 30, 2013.

The Schedule of Expenditures of Federal and State Awards disclose various state and federal grants obtained during the year and their resulting account balances.

Contacting the Authority's Financial Management

This financial report is designed to provide our customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report, or need additional information, contact the Authority's office at 200 Airport Road, Clarksville, Tennessee 37042.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents	\$ 93,637
Accounts Receivable, Net of Allowance	14,902
Matching Funds on Deposit	189,284
Fuel Inventory	38,325
Total Current Assets	<u>336,148</u>

CAPITAL ASSETS

Assets not Depreciated	1,701,468
Assets Net of Accumulated Depreciation	9,181,541
Total Capital Assets	<u>10,883,009</u>

TOTAL ASSETS	<u><u>\$ 11,219,157</u></u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$ 41,453
Accrued Payroll	8,495
Current Portion of Notes Payable	4,973
Current Portion of Unearned Lease Revenue (Related Party)	19,205
Total Current Liabilities	<u>74,126</u>

LONG-TERM LIABILITIES

Notes Payable - less Current Portion	79,110
Unearned Lease Revenue - less Current Portion (Related Party)	419,086
Total Long-Term Liabilities	<u>498,196</u>
TOTAL LIABILITIES	<u>572,322</u>

NET POSITION

Net Investment in Capital Assets	10,798,926
Unrestricted (Deficit)	(152,091)
TOTAL NET POSITION	<u>10,646,835</u>

TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 11,219,157</u></u>
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CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES

City and County Funding	\$ 401,838
Lease Income:	
Terminal Facilities	39,188
Hangar Facilities, Net of Bad Debts	88,770
Farm Land	11,250
Other Airport Revenues	6,669
Fuel Sales - net (Jet Center)	73,121
Total Operating Revenues	620,836

OPERATING EXPENSES

Cleaning and Pest Control	9,433
Depreciation	509,539
Dues and Fees	2,328
Employee Benefits	1,821
Facilities Maintenance	39,337
Insurance	62,554
Miscellaneous	8,732
Office Supplies and Postage	18,980
Other Airport Services	45,861
Payroll Taxes	19,635
Professional Fees	78,248
Salaries and Personnel Services	271,109
Utilities	59,033
Total Operating Expenses	1,126,610

OPERATING INCOME (LOSS) (505,774)

NON-OPERATING REVENUES (EXPENSES)

Interest Expenses	(878)
Total Non-Operating Revenues (Expenses)	(878)

INCOME (LOSS) BEFORE CONTRIBUTIONS (506,652)

Contributions:	
State Grants	11,622
Local Grants	259,998
Total Contributions	271,620

CHANGE IN NET POSITION (235,032)

NET POSITION - BEGINNING OF YEAR (as restated) 10,881,867

NET POSITION - END OF YEAR \$ 10,646,835

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers and Governments	\$ 672,050
Cash Paid to Employees	(269,372)
Cash Paid to Suppliers	(360,379)
Net Cash Provided by (Used In) Operating Activities	42,299

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Grants	152,513
Local Capital Grants	226,445
Payments on Long-Term Debt	(18,866)
Payments for Improvements	(329,807)
Interest on Capital Related Debt	(878)
Net Cash Provided by (Used In) Capital and Related Financing Activities	29,407

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	71,706
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CASH AND CASH EQUIVALENTS - BEGINNING	21,931
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CASH AND CASH EQUIVALENTS - ENDING	\$ 93,637
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CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED BY (USED IN) OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (505,774)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	509,539
Changes in Current and Deferred Items:	
(Increase) Decrease in Accounts Receivables	76,787
(Increase) Decrease in Inventory	4,962
Increase (Decrease) in Accounts Payable	(19,379)
Increase (Decrease) in Accrued Expenses	1,737
Increase (Decrease) in Unearned Lease Revenue	(25,573)
Net Cash Provided By (Used In) Operating Activities	\$ 42,299

SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Lease Transactions	
Hanger Lease Revenue from constructed buildings (Note 7)	\$ 25,573

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting and reporting policies of the Clarksville-Montgomery County Regional Airport Authority (Airport Authority) relating to the accounts in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments in the United States of America.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

A. Reporting Entity

The Airport Authority, a joint venture of Montgomery County, TN and the City of Clarksville, TN, provides airport facilities to the Clarksville-Montgomery County area. The Clarksville City Council and the Montgomery County Commission each appoint two of the five members of the Airport Authority's governing board. All real properties of the Airport Authority are deeded to the Clarksville-Montgomery County Regional Airport Authority. These financial statements include only the assets, liabilities, operations and cash flows of the Airport Authority, and do not include any other fund, organization, agency or department of Montgomery County or the City of Clarksville.

B. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. Airport Authority operations are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

C. Funding

The major sources of revenue are lease of facilities, operation subsidies, and grants as listed below:

(1) Lease of Facilities

The Airport Authority leases the airport facilities primarily to two other corporations. These leases are discussed further in Note 6.

(2) Operations Subsidies

The Airport Authority receives monthly funding for operating expenses from the City of Clarksville and Montgomery County, Tennessee.

(3) Grants

The Airport Authority receives federal, state, and local grants for maintenance of the airport, improvements and expansion projects. The future operations of the Airport Authority may be significantly impacted if a major reduction of funds by these supporting organizations should occur.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

D. Capital Assets and Depreciation

Capital expenditures for airport equipment, vehicles, buildings and facilities are recorded at cost of acquisition. Some airport buildings have been constructed by the lessees in exchange for renewable leases of the buildings. These buildings have been recorded at the estimated construction cost of the lessee. Depreciation of buildings is recorded on a straight-line basis over an estimated life of 30-40 years. Airport runways, taxiways and aprons are depreciated on a straight-line basis over an estimated life of 12 or 20 years. A fire truck, airport lighting and fencing are depreciated on a straight-line basis over 15 or 20 years. Many renovation projects to the airport facilities have occurred over the past 40 years. At the time of the renovations, any remaining undepreciated cost of the facility was added to the renovation cost and a new estimated life assigned for future depreciation calculations. All assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years are capitalized. Minor repairs and maintenance costs are charged to expense.

E. Cash and Cash Equivalents

Cash and cash equivalents include all cash in bank accounts and on hand. The Airport Authority considers all highly-liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents.

F. Restricted and Unrestricted Resources

When an expense is incurred for which both restricted and unrestricted resources are available, the Airport Authority first applies restricted resources to these expenses.

G. Use of 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 estimates.

H. Operating Revenues and Expenses

Operating revenues and expenses of the Airport Authority are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

I. Compensated Absences

All vacation and sick time must be taken by December 31 in the year it accrues or it will be lost. Therefore no liability for accrued compensated absences existed as of June 30, 2013.

J. Concentrations of Credit Risk

Financial instruments that potentially subject the Airport Authority to significant concentrations of credit risk consist principally of cash and accounts receivable. The Airport Authority is exposed to concentration of credit risk by placing its deposits in financial institutions. The Airport Authority has mitigated this risk because the bank balance in excess of the FDIC limit is collateralized by the State of Tennessee bank collateral pool. With respect to accounts receivable, credit risk is dispersed across a small number of businesses and individuals which are geographically concentrated in Montgomery County and no collateral is required.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

2. Cash and Cash Equivalents

The Airport Authority maintains checking and liquid investment accounts. The Authority does not have an official deposit and investment policy. Although there is no official deposit and investment policy for the Authority, in order to provide a safe temporary medium for idle funds, Custodial Credit risk is managed by restricting cash and cash equivalents to deposits with federally insured institutions which must be approved by the board of commissioners. Investments and other deposits are restricted by state law to deposits with financial institutions and certain obligations guaranteed by the United States government.

At June 30, 2013, cash and cash equivalents included bank balances of \$102,554, which does not include any deposits in transit or outstanding checks. All of the Authority's cash and cash equivalents were insured by the FDIC or the State of Tennessee Collateral Pool. Both cash and cash equivalents are carried at cost which approximated fair value at June 30, 2013.

3. Receivables

As of June 30, 2013 receivables for the Airport Authority consisted primarily of amounts due from court ordered restitution and hanger rent. Receivables are presented net of any allowance for uncollectable accounts. The Authority maintains a high collectability rate for all rental and grant receivables.

The State of Tennessee authorized an investigation into alleged theft that occurred during the fiscal year ending June 30, 2010 and prior years. On September 16, 2011, the defendant of the investigated theft pled guilty and restitution of \$85,123 was ordered. As of June 30, 2013, \$249 has been received on the restitution with a remaining balance of \$84,874 classified as an account receivable. Due to the uncertainty of collection, an allowance of \$84,874 has been established.

Following is a schedule of receivables at June 30, 2013:

<u>Accounts Receivable</u>	
Rental	\$ 14,902
Restitution	84,874
Less: Allowance	<u>(84,874)</u>
Accounts Receivable, Net	<u>\$ 14,902</u>

4. Inventory

The inventory consists of jet fuel. The jet fuel inventory is accounted for at the lower or cost or market using the moving average cost method.

5. Capital Assets

Depreciation expense for the year totaled \$509,539. Fuel farm equipment with a carrying value of \$122,512 was pledged as collateral for debt at June 30, 2013. Land and land improvements and construction in progress are not depreciated or amortized. No capital assets were idle or considered to be impaired.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

5. Capital Assets (Cont'd)

A summary of changes in capital assets and accumulated depreciation follows:

	<u>Balance 6/30/2012</u>	<u>Additions</u>	<u>Disposals / Transfers</u>	<u>Balance 6/30/2013</u>
Capital Assets Not Depreciated:				
Airport Land	\$ 1,739,326	\$ -	\$ (69,657)	\$ 1,669,669
Construction in Progress	<u>2,500</u>	<u>29,299</u>	<u>-</u>	<u>31,799</u>
Total Capital Assets Not Depreciated	<u>1,741,826</u>	<u>29,299</u>	<u>(69,657)</u>	<u>1,701,468</u>
Capital Assets Depreciated:				
Buildings and Airport Facilities	14,375,151	216,053	69,657	14,660,861
Vehicles and Equipment	<u>433,112</u>	<u>84,454</u>	<u>-</u>	<u>517,566</u>
Total Capital Assets Depreciated	<u>14,808,263</u>	<u>300,507</u>	<u>69,657</u>	<u>15,178,427</u>
Total Capital Assets	<u>16,550,089</u>	<u>329,806</u>	<u>-</u>	<u>16,879,895</u>
Accumulated Depreciation:				
Buildings and Airport Facilities	5,328,246	452,745	-	5,780,991
Vehicles and Equipment	<u>159,101</u>	<u>56,794</u>	<u>-</u>	<u>215,895</u>
Total Accumulated Depreciation	<u>5,487,347</u>	<u>\$ 509,539</u>	<u>\$ -</u>	<u>5,996,886</u>
Total Airport Assets, Net of Depreciation	<u>\$ 11,062,742</u>			<u>\$ 10,883,009</u>

6. Lease Contracts

The Clarksville-Montgomery County Regional Airport Authority has entered into various lease contracts for the operation and maintenance of the airport facility as follows:

- A. On February 11, 2011, the Airport Authority entered a fixed base operator lease contract with Aircraft Maintenance Inc. for use of the hangar facilities, office space, and unimproved land of the airport. The Lessee has constructed two buildings on the land, one with an estimated cost of \$60,000 and the other \$40,000. The annual rent at June 30, 2013, was \$38,367. This lease expires on February 10, 2016, with one option to extend the lease for five years. Land with improvements will be surrendered to the Airport Authority at termination of the contract.
- B. Effective January 1, 2012 the Airport Authority entered into a lease contract with Gilliam Farms to grow corn, farm, tend and care for 90 acres of real estate adjoining the Airport. The rent for tract #1 is \$9,375 per year and for tract #2 is \$1,875 per year. The term of this lease expires December 31, 2017.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

6. Lease Contracts (Cont'd)

- C. Effective February 1, 2012, the Airport Authority entered into a lease contract with John E. Piper for certain unimproved land on the airport. The Lessee pays an annual rent of \$1,050 and has constructed a building on the land with an estimated cost of \$140,000. The lease will terminate on October 31, 2026, and the contract is subject to renewal for two additional periods of five years and seven years. Land with improvements will be surrendered to the Airport Authority at termination of the contract.
- D. Effective May 28, 2008, the Airport Authority entered into a lease contract with CAMB, LLC, for certain unimproved land on the airport. The Lessee pays an annual rent of \$2,280, subject to changes in inflation every five years, and has constructed a building on the land with an estimated cost of \$400,000. The term of the contract is for 35 years after the occupancy date, ending on March 31, 2044, and the contract is subject to renewal for an additional period of five years. Land with improvements will be surrendered to the Airport Authority at termination of the contract.
- E. Effective September 1, 2008, the Airport Authority began leasing individual hangars in a newly-constructed 10-unit T hangar building with an estimated cost of \$651,937. All lease contracts are on a month-to-month basis for \$235 per month. As of June 30, 2013, there were nine current tenants.
- F. Effective March 1, 2011, the Airport Authority began leasing the hangars transferred from Robert O. Wyatt with an estimated cost of \$347,248. All lease contracts are on a month-to-month basis for \$165 per month. As of June 30, 2013, there were ten tenants.

The future cash flows from all lease contracts are expected to be as follows:

Year Ending June 30,	
2014	\$ 52,947
2015	52,947
2016	17,777
2017	14,580
2018	3,330
2019 and Beyond	<u>65,580</u>
Total	<u>\$ 207,161</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

7. Unearned Revenue

Unearned revenues represent future lease payments whereby the lessee has constructed a building for the Airport Authority in exchange for future use as explained under Lease Contracts in Note 6. Changes in unearned revenue for the current year were as follows:

Leases described in Note 6:	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Ending Balance</u>
Robert O. Wyatt	\$ 743	\$ 743	\$ -
Gillian Farms	5,625	5,625	-
John E. Piper	94,640	7,776	86,864
CAMB, LLC	362,856	11,429	351,427
Total unearned lease revenue	<u>\$ 463,864</u>	<u>\$ 25,573</u>	\$ 438,291
Less: portion to be recognized as lease income next year			<u>19,205</u>
Long-term unearned lease revenue			<u>\$ 419,086</u>

8. Notes Payable

On September 22, 1998, the Airport Authority borrowed a total of \$800,000 from the City of Clarksville for the purchase of the mobile home park. One note for \$80,000 bears an interest rate equal to the rate paid by the Tennessee Local Government Investment Pool and matured on September 22, 1999. The other note for \$720,000 bears no interest and was due December 22, 1998. This note anticipated 90% state funding for purchase of the mobile home park. However, the grant from the State of Tennessee totaled only \$522,218 and when paid to the City of Clarksville on June 29, 1999, left a note balance of \$197,782. The two notes were a combined liability of \$277,782. During 2003, the City retained appropriations in the amount of \$33,333 as payment of principal and interest due on the combined notes. In a resolution dated July 20, 2005, the Airport Authority resolved to repay this debt to the City in increments of \$20,000 - \$24,000 per year. The balance remaining on the note at June 30, 2013 was \$79,110. The note is currently in deferment while terms are being negotiated between the City and the Airport. Terms are expected to be establish, but the note is not scheduled to be paid in the next fiscal year.

On September 5, 2003, a note with Legends Bank in the amount of \$150,000 secured by fuel farm equipment with a carrying value of \$122,512 was executed for a term of 60 months with an interest rate of 5.25% and payments of \$1,617 per month. On September 15, 2008, this note was refinanced for a term of 60 months with an interest rate of 5.25% and payments of \$1,645. The balance at June 30, 2013 was \$4,973.

The following is a condensed schedule of debt:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Estimated Amount Due June 30, 2013</u>
Notes Payable	\$ 102,949	-	18,866	\$ 84,083	\$ 4,973

Cash payments for interest totaled \$878 during the year ended June 30, 2013.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

8. Notes Payable (Cont'd)

Following is the debt maturity schedule:

Fiscal Year June 30	Principal Due	Interest Due
2014	\$ 4,973	\$ 43
Beyond	79,110	-
Total Long-Term Debt	\$ 84,083	\$ 43

9. Contributed Capital

Many of the capital construction or acquisition projects of the Airport Authority were funded substantially by government grants. Contributed capital has been estimated for some of these prior-year amounts.

10. Related Party Transactions

Dr. Ronald Whitford was appointed to the Airport Authority's board of commissioners in July 2007, and was subsequently elected its chairman. He also leased land from the Airport Authority pursuant to an agreement dated September 20, 2006. Dr. Ronald Whitford sold hanger and land lease to John E. Piper on February 1, 2012 (see Note 6).

Mr. Charles Hand and Mr. Gary Mathews were appointed to the Airport Authority's board of commissioners in July 2007. Those individuals are members of CAMB, LLC, which leases land from the Airport Authority pursuant to an agreement dated May 28, 2008 (see Note 6).

11. Contingencies

The Airport Authority's exposure to property loss and general liability is handled through the purchase of commercial insurance. Insurance coverage was adequate to cover settlements for the past three fiscal years.

A portion of the real estate occupied by the former mobile home park was purchased using government funding. If sold, reimbursement to certain grantor agencies will be required unless the income is reinvested in the Airport Authority.

12. Subsequent Events

Subsequent events have been evaluated through December 15, 2013, which is the date the financial statements were available to be issued.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

13. Prior Period Adjustment

The Airport had one prior period adjustment for the year ended June 30, 2013.

Accounting staff for the Airport uncovered the following after review Airport's account receivables for the year ended June 30, 2013; a duplicated entry was recorded in the prior year. Multiple invoices for local funding were misapplied in the records and thus lead to the creation of duplicate bills. This caused the revenues and assets in the prior year to be overstated and assets in the current year to be overstated by \$33,487. This amount was the effect on change in net position for 2012.

The beginning balance of the Airport's net position, as originally reported, has been decreased to \$10,881,867.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
DIRECTORY OF OFFICIALS (UNAUDITED)
JUNE 30, 2013

Board of Commissioners

Mr. Sammy Stuard	Chairman
Mr. Edward Rufo	Vice-Chairman
Mr. James Halford	Secretary/Treasurer
Mr. Gary Mathews	Authority Member
Mr. Charles Hand	Authority Member

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Program Title	Tennessee Aeronautics Division Project Number	Grant Number Or Pass Through Grantor's Contract Number	Federal CFDA Number	Accrued Receivable July 1, 2012	Receipts	Expenditures	Accrued Receivable June 30, 2013	Contribution
<u>Tennessee Department of Transportation</u>								
Passed Through State of Tennessee Department of Transportation								
Airfield Crack Repair	63-555-0731-04	Z-08-20-0676-00	20.106	\$ 34,700	\$ 38,775	\$ 4,075	\$ -	90/10
Security Extension	63-555-0730-04	AERO-10-162-00	20.106	31,641	31,641	-	-	90/10
Drainage Extension	63-555-0732-04	Z-08-20-0677-00	20.106	22,865	22,865	-	-	90/10
Vision Grant	63-555-0436-04	AERO-10-137-00	20.106	137,969	164,985	27,016	-	90/10
Total				<u>\$ 227,175</u>	<u>\$ 258,266</u>	<u>\$ 31,091</u>	<u>\$ -</u>	

The notes to the schedule of expenditures of federal and state awards are an integral part of this statement

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance summarizes the expenditures under the programs of the federal and state governments for the year ended June 30, 2013. The schedule is presented using the accrual basis of accounting.

2. Differences

Differences may occur due to the reporting of only the amounts from the federal agency/TDOT. Most projects require the Airport to send TDOT the 10%, 20%, or 50% matching portion prior to the beginning of the project and TDOT remit the full amounts of the invoices back to the Airport. Therefore, most reimbursements comprise a portion of the funds from TDOT and the remainder simply being a return of Airport funds previously sent to TDOT prior to the beginning of the project.



THURMAN CAMPBELL GROUP, PLC

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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*

Board of Commissioners
Clarksville-Montgomery County Regional Airport Authority
Clarksville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States, and requirements prescribed by the Comptroller of the Treasury, State of Tennessee, the financial statements of the Clarksville-Montgomery County Regional Airport Authority (Airport Authority), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements, and have issued our report thereon dated December 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport 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 Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport 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 Airport 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.

Thurman Campbell Group, PLC

Clarksville, TN
December 15, 2013