

**JACKSON-MADISON COUNTY
AIRPORT AUTHORITY**

JACKSON, TENNESSEE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
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INTRODUCTORY SECTION

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY
DIRECTORY
June 30, 2014**

BOARD MEMBERS

Bill Sipes, Chairman
James Ross
Ryan Porter
Tim Wilson
Bob Maniss

MANAGEMENT TEAM

Steve Smith, Executive Director
Cindy Melton, Deputy Director

FINANCIAL SECTION

Members of:

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



Certified Public Accountants
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Jackson-Madison County Airport Authority, Jackson, Tennessee (the Authority) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Authority as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Alexander Thompson Arnold, PLLC". The signature is written in a cursive style with a large, stylized initial 'A'.

Jackson, Tennessee
October 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Jackson-Madison County Airport Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2014. All amounts, unless otherwise indicated, are expressed in actual dollars. A comparative analysis of key elements of total governmental funds and total enterprise funds has been provided. A prior year comparative analysis of government-wide data has been provided.

FINANCIAL HIGHLIGHTS

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

- Total assets at year-end was \$8.83 million and exceeded liabilities in the amount of \$8.63 million (i.e. net position).
- Net position increased \$1.90 million during the current year.
- Operating revenues were \$4.68 million, while operating expenses were \$2.78 million which resulted in an increase in net position of \$1.90 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The *Statement of Net Position* includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Authority. As of June 30, 2014, the Authority did not have any deferred outflows/inflows of its resources to report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Statement of Activities* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Authority's operations and can be used to determine whether the Authority has successfully recovered all of its costs. This statement also measures the Authority's profitability and credit worthiness. The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements

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

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the FBO, which is considered a major fund of the Authority. The basic proprietary fund financial statements can be found on pages 16 through 17 of this report.

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

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present

MANAGEMENT'S DISCUSSION AND ANALYSIS

information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$8.63 million at the close of the most recent fiscal year. A portion of the Authority's net position, 92.39% reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment).

Table 1A
CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	June 30,		June 30,		June 30,	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 622,883	\$ 875,339	\$ 232,180	\$ 241,770	\$ 855,063	\$ 1,117,109
Capital assets	<u>7,947,782</u>	<u>6,220,505</u>	<u>26,659</u>	<u>15,485</u>	<u>7,974,441</u>	<u>6,235,990</u>
Total assets	<u>8,570,665</u>	<u>7,095,844</u>	<u>258,839</u>	<u>257,255</u>	<u>8,829,504</u>	<u>7,353,099</u>
Long-term liabilities	28,261	24,486	-	-	28,261	24,486
Other liabilities	<u>89,961</u>	<u>435,672</u>	<u>80,374</u>	<u>161,252</u>	<u>170,335</u>	<u>596,924</u>
Total liabilities	<u>118,222</u>	<u>460,158</u>	<u>80,374</u>	<u>161,252</u>	<u>198,596</u>	<u>621,410</u>
Invested in capital assets	7,947,782	6,220,505	26,659	15,485	7,974,441	6,235,990
Restricted	210,307	119,733	-	-	210,307	119,733
Unrestricted	<u>294,354</u>	<u>295,448</u>	<u>151,806</u>	<u>80,518</u>	<u>446,160</u>	<u>375,966</u>
Total net assets	<u>\$ 8,452,443</u>	<u>\$ 6,635,686</u>	<u>\$ 178,465</u>	<u>\$ 96,003</u>	<u>\$ 8,630,908</u>	<u>\$ 6,731,689</u>

An additional portion of the Authority's net position (2.43%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$446,160 may be used to meet the Authority's ongoing obligations.

The increase in restricted net position of \$90,574 represented an increase in net assets restricted by grant contracts.

Statement of Activities – Revenues in the governmental activities column exceeded expenses by \$1.82 million. Revenues significantly increased and expenses slightly increased during the year due to the fact that the Authority received more grant money from state and federal governments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2A
CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS

	Governmental		Business-type		Total	
	Activities		Activities			
	Year Ended June 30,		Year Ended June 30,		Year Ended June 30,	
	2014	2013	2014	2013	2014	2013
Operating revenues	\$ 3,013,336	\$ 892,790	\$ 1,666,382	\$ 1,675,069	\$ 4,679,718	\$ 2,567,859
Non-operating revenues	165	226	-	-	165	226
Total revenues	3,013,501	893,016	1,666,382	1,675,069	4,679,883	2,568,085
Operating expenses	1,196,744	1,058,710	1,583,920	1,583,414	2,780,664	2,642,124
Total expenses	1,196,744	1,058,710	1,583,920	1,583,414	2,780,664	2,642,124
Change in net assets	1,816,757	(165,694)	82,462	91,655	1,899,219	(74,039)
Beginning net assets	6,635,686	6,824,781	96,003	4,348	6,731,689	6,829,129
Prior period adjustment	-	(23,401)	-	-	-	(23,401)
Beginning net assets restated	6,635,686	6,801,380	96,003	4,348	6,731,689	6,805,728
Ending net assets	\$ 8,452,443	\$ 6,635,686	\$ 178,465	\$ 96,003	\$ 8,630,908	\$ 6,731,689

COMMENTS ON FUND FINANCIAL STATEMENTS

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

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

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

Revenues in the general fund decreased from last year by approximately \$5 thousand. The most significant change in revenues in the general fund was:

- A \$3 thousand decrease in space rentals.

Expenditures in the general fund decreased from last year by approximately \$2 thousand. The most significant changes in expenditures and other financing uses in the general fund were:

- A \$4 thousand decrease in maintenance and utilities expenses.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of the fiscal year, the Authority had invested \$8.017 million in a variety of capital assets. See Note 6 to the financial statements for details.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt – At year ended June 30, 2014 the authority had no outstanding long-term.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

REQUESTS FOR INFORMATION

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash	\$ 365,667	\$ 177,415	\$ 543,082
Receivables			
Accounts	53,971	58,818	112,789
Intergovernmental	-	6,337	6,337
Grants	40,662	-	40,662
Internal balances	50,572	(50,572)	-
Inventories	1,709	40,182	41,891
Deposits on contracts	87,227	-	87,227
Unamortized portion of master plan study	23,075	-	23,075
Capital assets not being depreciated			
Construction in progress	403,913	-	403,913
Capital assets being depreciated (net of accumulated depreciation)			
Land improvements	63,936	-	63,936
Buildings	3,477,617	-	3,477,617
Infrastructure	3,699,249	-	3,699,249
Furniture and fixtures	641	1,556	2,197
Machinery and equipment	166,283	20,103	186,386
Vehicles	136,143	5,000	141,143
Total assets	<u>8,570,665</u>	<u>258,839</u>	<u>8,829,504</u>
Liabilities			
Accounts payable	66,433	73,640	140,073
Compensated absences payable	28,261	4,334	32,595
Refundable deposits	6,112	2,400	8,512
Unearned revenues	17,416	-	17,416
Total liabilities	<u>118,222</u>	<u>80,374</u>	<u>198,596</u>
Net position			
Investment in capital assets	7,947,782	26,659	7,974,441
Restricted for capital projects	210,307	-	210,307
Unrestricted	294,354	151,806	446,160
Total net position	<u>\$ 8,452,443</u>	<u>\$ 178,465</u>	<u>\$ 8,630,908</u>

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2014

	General Fund	Capital Projects Fund	Total
Assets			
Cash	\$ 248,996	\$ 116,671	\$ 365,667
Receivables			
Accounts	53,971	-	53,971
Grants	-	40,662	40,662
Due from other funds	50,572	-	50,572
Inventories	1,709	-	1,709
Deposits on contracts	-	87,227	87,227
	\$ 355,248	\$ 244,560	\$ 599,808
Liabilities			
Accounts payable	\$ 32,181	\$ 34,252	\$ 66,433
Refundable deposits	6,112	-	6,112
Unearned revenues	17,416	-	17,416
Total liabilities	55,709	34,252	89,961
Deferred Inflows of Resources			
Unavailable revenue	-	6,037	6,037
Fund Balances			
Non-spendable	1,709	-	1,709
Restricted for grant projects	-	204,271	204,271
Unassigned	297,830	-	297,830
Total fund balances	299,539	204,271	503,810
Total liabilities, deferred inflows of resources and fund balances	\$ 355,248	\$ 244,560	\$ 599,808

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

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY
RECONCILIATION OF STATEMENT OF NET POSITION
TO GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2014**

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

Fund balance - total governmental funds (Page 12)	\$ 503,810
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	7,947,782
Unamortized portion of long-term asset (master plan study) used in governmental activities is no a financial resource and, therefore is not reported in governmental funds	23,075
Other long-term assets not available to pay for current-period expenditures and therefore are deferred in the governmental funds.	
Revenues receivable but unavailable	6,037
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated absences payable	<u>(28,261)</u>
Net position of governmental activities (Page 10)	<u>\$ 8,452,443</u>

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues			
Intergovernmental			
Grants			
Local	\$ -	\$ 68,071	\$ 68,071
State	25,740	1,913,329	1,939,069
Federal	-	473,787	473,787
Operating subsidies	204,620	-	204,620
Service and property use			
Space rentals	221,331	-	221,331
Concessions	15,240	-	15,240
Fuel flowage	38,096	-	38,096
Landing fees	7,301	-	7,301
Land rentals	30,800	-	30,800
Other			
PFC revenue	-	9,294	9,294
Vending and miscellaneous	-	125	125
Interest income	40	-	40
Bad debt	(2,754)	-	(2,754)
Total revenues	<u>540,414</u>	<u>2,464,606</u>	<u>3,005,020</u>
Expenditures			
Current			
Fire protection	5,570	-	5,570
Maintenance and utilities	144,464	-	144,464
Administration	350,885	-	350,885
Control tower	18,531	-	18,531
Capital projects	-	2,375,276	2,375,276
Total expenditures	<u>519,450</u>	<u>2,375,276</u>	<u>2,894,726</u>
Net change in fund balance	<u>20,964</u>	<u>89,330</u>	<u>110,294</u>
Fund balance, beginning of year	297,184	119,733	416,917
Prior period adjustments	(18,609)	(4,792)	(23,401)
Fund balance, beginning of year - restated	<u>278,575</u>	<u>114,941</u>	<u>393,516</u>
Fund balance, end of year	<u>\$ 299,539</u>	<u>\$ 204,271</u>	<u>\$ 503,810</u>

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

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY
RECONCILIATION OF STATEMENT OF GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

Amounts reported for the governmental activities in the statement of activities
(Page 11) are different because

Net change in fund balances - total governmental funds (Page 14)	\$ 110,294
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>	
Capital assets purchased in the current period	2,305,176
Current year depreciation expense	(577,899)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Change in deferred inflows of resources - unavailable revenues	6,037
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>	
Amortization of long-term asset not reported in the funds	(23,076)
Change in compensated absences payable	<u>(3,775)</u>
Change in net position of governmental activities (Page 11)	<u>\$ 1,816,757</u>

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014

	FBO
Assets	
Current assets	
Cash	\$ 177,415
Receivables	
Accounts	45,631
Credit cards	13,187
Inventory	
ACGAS	23,427
Jet fuel	13,013
Oil and additives	3,742
Due from United States Government	6,337
Total current assets	282,752
Noncurrent assets	
Capital assets	
Furniture and fixtures	14,583
Equipment	40,361
Vehicles	29,000
Accumulated depreciation	(57,285)
Total capital assets (net of accumulated depreciation)	26,659
Total assets	309,411
Liabilities	
Current liabilities	
Accounts payable	68,779
Sales tax payable	4,861
Refundable deposits	2,400
Accrued leave	4,334
Due to other funds	50,572
Total current liabilities	130,946
Net position	
Investment in capital assets	26,659
Unrestricted	151,806
Total net position	\$ 178,465

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2014

	FBO
Operating revenues	
Sales - fuel, oil and additives	\$ 1,499,698
Sales - other	2,005
Rentals	111,464
Other operating revenues	53,215
Bad debts	(2,075)
Total operating revenues	1,664,307
 Operating expenses	
Cost of goods sold	1,171,206
Credit card fees	35,106
Uniforms	6,844
Catering	749
Advertising	553
Salaries and wages	209,680
Depreciation	9,102
Dues and subscriptions	2,293
Equipment maintenance	3,946
FBO supplies	2,680
Truck lease	26,220
Professional fees	2,500
Lease expense	61,918
Flowage fee	27,669
Miscellaneous	6,516
Office supplies	1,849
Postage	25
Repairs and maintenance	12,191
Travel	798
Total operating expenses	1,581,845
 Change in net position	82,462
 Total net position, beginning	96,003
 Total net position, ending	\$ 178,465

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2014

	FBO
Cash flows from operating activities	
Cash received from customers	\$ 1,711,627
Other operating receipts	3,336
Cash paid to suppliers	1,651
Cash paid to employees for services	(208,116)
Payments to other funds	(109,949)
Other operating payments	(1,299,348)
Net cash provided by operating activities	99,201
 Cash flows from capital and related financing activities	
Acquisition of capital assets	(20,278)
 Net increase in cash and cash equivalents	78,923
 Cash and cash equivalents - beginning of year	98,492
 Cash and cash equivalents - end of year	\$ 177,415
 Reconciliation of operating income to net cash provided	
(used) by operating activities	
Operating income	\$ 82,462
Adjustments to reconcile operating income to net	
cash provided (used) by operating activities	
Depreciation	9,102
Amortization	61,918
(Increase) decrease in receivables	47,322
(Increase) decrease in due from other governments	3,336
(Increase) decrease in inventories	12,063
Increase (decrease) in payables	(10,150)
Increase (decrease) in accruals	3,097
Increase (decrease) in due to other funds	(109,949)
 Net cash provided by operating activities	\$ 99,201

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – ORGANIZATION

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities column incorporates data from the Authority’s enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

C. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Authority’s funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds that exist are aggregated and reported as nonmajor funds. The Authority does not have any nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Authority reports the following major governmental funds:

The general fund is the Authority’s primary operating fund. It accounts for all financial resources of the Authority, except those accounted for in another fund.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

The capital projects fund accounts for the acquisition and construction of the Authority's major capital assets, other than those acquired by proprietary funds.

The Authority reports the following major enterprise fund:

The fixed base operations (FBO) fund accounts for the activities of the Authority related to the operation of a fixed base operation on the premises of McKellar-Sipes Regional Airport.

During the course of operations, the Authority may have activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in the governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, if any activity occurs during the year involving transfers of resources between funds, these amounts in the fund financial statements are report at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds included in the governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. The Authority had no transfers between funds for the year ended June 30, 2014

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

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

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

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

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

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

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

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

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

D. Impact of Recently Issued Accounting Pronouncements

In March of 2012, the GASB issued statement no. 65 – Items previously reported as assets and liabilities. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for financial periods beginning after December 15, 2012. As of June 30, 2014, the Authority does report certain deferred inflows of resources.

In June 2012, the GASB issued Statement 67, Financial Reporting for Pension Plans – an amendment of GASB Statement 25, and Statement 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal year beginning after June 30, 2014. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations. Management is currently evaluating the impact the adoption of Statement 68 will have on the Authority's financial statements.

F. Assets, Liabilities, and Net Position or Equity

Deposits and Investments

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Inventories

Inventories are stated at lower of cost or market using the first-in, first-out cost flow assumption.

Capital Assets

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

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

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

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

Compensated Absences

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any items that qualify for reporting in this category as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has deferred outflows of resources related to revenues in the governmental fund that are

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

unavailable. They are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

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

Fund Balance Policies and Flow Assumptions

In accordance with GASB No. 54, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the Authority Charter, Authority Code, state or federal laws or externally imposed conditions by grantors or creditors.

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

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Board of Directors or the finance committee has provided otherwise in its commitment or assignment actions.

Interfund Balances

Interfund balances at June 30, 2014 consisted of lease payments due from the FBO fund to the general fund. These balances were settled on a current basis shortly after the year end.

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

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

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

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

Explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position are presented on page 13.

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

Explanations of the nature of individual elements of items required to reconcile the net changes in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities are presented on page 15.

NOTE 5 – CASH AND INVESTMENTS

Custodial Credit Risk

The Authority's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Authority's agent in the Authority's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Authority to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2014, all bank deposits are fully collateralized or insured.

NOTE 6 - CAPITAL ASSETS

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

Governmental activities:	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Capital assets, not being depreciated				
Construction in process	\$ 437,561	\$ 2,305,176	\$ 2,338,824	\$ 403,913
Total capital assets not being depreciated	<u>437,561</u>	<u>2,305,176</u>	<u>2,338,824</u>	<u>403,913</u>
Capital assets, being depreciated				
Land improvements	166,664	-	-	166,664
Buildings	6,146,696	531,023	-	6,677,719
Infrastructure	3,062,927	1,705,917	-	4,768,844
Furniture and fixtures	8,692	-	-	8,692
Machinery and equipment	782,206	101,884	-	884,090
Vehicles	618,480	-	-	618,480
Total capital assets, being depreciated	<u>10,785,665</u>	<u>2,338,824</u>	<u>-</u>	<u>13,124,489</u>
Total capital assets	11,223,226	4,644,000	2,338,824	13,528,402
Less: accumulated depreciation for:				
Land improvements	91,892	10,837	-	102,729
Buildings	2,957,441	242,661	-	3,200,102
Infrastructure	851,554	218,041	-	1,069,595
Furniture and fixtures	7,234	817	-	8,051
Machinery and equipment	660,065	57,741	-	717,806
Vehicles	434,535	47,802	-	482,337
Total depreciation	<u>5,002,721</u>	<u>577,899</u>	<u>-</u>	<u>5,580,620</u>
Governmental activities capital assets, net	<u>\$ 6,220,505</u>	<u>\$ 4,066,101</u>	<u>\$ 2,338,824</u>	<u>\$ 7,947,782</u>

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Business-type activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, being depreciated				
Furniture and fixtures	\$ 14,263	\$ 320	\$ -	\$ 14,583
Machinery and equipment	26,405	13,958	-	40,363
Vehicles	<u>23,000</u>	<u>6,000</u>	-	<u>29,000</u>
Total capital assets	<u>63,668</u>	<u>20,278</u>	-	<u>83,946</u>
Less: accumulated depreciation for:				
Furniture and fixtures	11,656	1,371		13,027
Machinery and equipment	14,805	5,453		20,258
Vehicles	<u>21,722</u>	<u>2,278</u>	-	<u>24,000</u>
Total depreciation	<u>48,183</u>	<u>9,102</u>	-	<u>57,285</u>
Business-type activities capital assets, net	<u>\$ 15,485</u>	<u>\$ 11,176</u>	<u>\$ -</u>	<u>\$ 26,661</u>

Depreciation expense for the year ended June 30, 2014 was \$587,001.

NOTE 7 – UNAMORTIZED LEASE COST

On August 31, 2010, the Authority acquired the operations of the vendor operating the McKellar-Sipes Regional Airport fixed based operations for \$325,000. The acquisition cost included the purchase of capital assets totaling \$52,559 and a lease buyout totaling \$272,441. Beginning in September 2010, the cost of the lease buyout is being amortized over 44 months. Amortization expense pertaining to the lease buyout totaled \$61,918 for the year ended June 30, 2014. The lease cost is completely amortized and will not be reflected in future financial statements.

NOTE 8 – UNAMORTIZED MASTER PLAN

The deferred asset totals \$23,076 as of June 30, 2014. This amount represents work that was done on the Master Plan Update. This deferred asset is being amortized over a useful life of 10 years in the amount of \$23,075 per year beginning in the fiscal year 2009.

NOTE 9 – PENSION PLANS

During the fiscal year ended June 30, 2014, certain employees of the Authority were members of the Tennessee Consolidated Retirement System. The Tennessee Consolidated Retirement System is a defined benefit retirement plan covering general employees and teachers of the state as well as employees of political subdivisions that have elected coverage. Benefits are determined by a formula using the high five-year average salary and years of service of each employee. Employees of the Authority are covered in the plan under Madison County, Tennessee's account where a copy of the plan may be obtained.

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 – REVENUE FROM OPERATING LEASES AND CONTRACTS

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

<u>Year Ending</u> <u>June 30,</u>	<u>Minimum</u> <u>Lease Revenues</u>
2015	45,009
2016	15,902
2017	6,000
2018	6,000
2019	6,000
2020-2024	30,000
2025-2029	30,000
2030-2034	30,000
2035-2039	30,000
2040-2042	14,000

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

The Authority also receives the following revenues from concession contracts:

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

NOTE 12 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2014, the Authority or Madison County purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to remove an interfund account between the general fund and the capital projects fund in the amount of \$4,792. The transfer had never been approved in a prior year.

A prior period adjustment was made in the amount of \$23,401 to remove an asset representing a receivable from the State of Tennessee which should have been removed in the year ended June 30, 2012.

OTHER SUPPLEMENTARY INFORMATION SECTION

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

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

For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u> <u>(Under)</u>
Revenues				
Intergovernmental				
State maintenance grant	\$ 25,740	\$ 25,740	\$ 25,740	\$ -
Operating subsidies - local	187,620	187,620	187,620	-
Operatng subsidies for control tower - local	17,000	17,000	17,000	-
	<u>230,360</u>	<u>230,360</u>	<u>230,360</u>	<u>-</u>
Services and Property Use				
Space Rentals:				
Airline	5,400	5,400	5,400	-
Tee hangars	27,420	27,420	27,420	-
Hangar #3	10,050	10,050	10,050	-
Hangar #4 - Suite B	9,000	9,000	9,000	-
Hangars #8 and #10	34,721	34,721	34,721	-
Hangar #6	23,772	23,772	23,772	-
Hangar #10 - Suite B	5,400	5,400	5,400	-
Hangar # 6 office	8,415	8,415	8,415	-
Hangar #8 offices	1,980	1,980	5,850	3,870
Hanger 1 - TN Aircraft	15,000	15,000	15,000	-
AFSS/AFSFO	38,808	38,808	38,809	1
Car rental service area - building #15	1,620	1,620	1,620	-
Rental offices - terminal building #9	20,538	20,538	20,538	-
Fuel farm	2,550	2,550	2,550	-
Joint use - Army National Guard	10,000	10,000	10,000	-
Miscellaneous	500	500	2,786	2,286
	<u>215,174</u>	<u>215,174</u>	<u>221,331</u>	<u>6,157</u>
Concessions:				
Hertz	12,275	12,275	14,558	2,283
Enterprise	166	166	682	516
	<u>12,441</u>	<u>12,441</u>	<u>15,240</u>	<u>2,799</u>
Fuel Flowage:				
FBO	26,775	26,775	27,669	894
United Foods	11,800	11,800	10,427	(1,373)
	<u>38,575</u>	<u>38,575</u>	<u>38,096</u>	<u>(479)</u>
Landing Fees:				
Corporate Airlines	5,750	5,750	7,301	1,551

See the independent auditor's report.

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

For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Land Rentals				
Agriculture	\$ 21,000	\$ 21,000	\$ 21,000	\$ -
Golf course	3,600	3,600	3,600	-
BellSouth	200	200	200	-
Hanger land lease	6,000	6,000	6,000	-
	<u>30,800</u>	<u>30,800</u>	<u>30,800</u>	<u>-</u>
Total Services and Property Use	<u>302,740</u>	<u>302,740</u>	<u>312,768</u>	<u>10,028</u>
Other				
Interest	100	100	40	(60)
Bad debt	(500)	(500)	(2,754)	(2,254)
	<u>(400)</u>	<u>(400)</u>	<u>(2,714)</u>	<u>(2,314)</u>
Total Revenues	<u>532,700</u>	<u>532,700</u>	<u>540,414</u>	<u>7,714</u>
Expenditures				
Current				
Fire Protection				
ARFF training and supplies	2,500	2,500	1,792	(708)
Fuel, oil and grease	2,000	2,000	2,574	574
Maintenance- fire equipment	-	-	1,204	1,204
	<u>4,500</u>	<u>4,500</u>	<u>5,570</u>	<u>1,070</u>
Maintenance and Utilities				
Janitorial supplies	4,000	4,000	3,979	(21)
Fuel, oil and grease	10,000	10,000	15,197	5,197
Maintenance - ARFF	1,500	1,500	1,399	(101)
Maintenance - other	60,000	60,000	47,864	(12,136)
Outside lighting	7,500	7,500	8,684	1,184
Utilities	70,000	70,000	64,683	(5,317)
Maintenance equipment	1,000	1,000	2,658	1,658
	<u>154,000</u>	<u>154,000</u>	<u>144,464</u>	<u>(9,536)</u>

See the independent auditor's report.

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

For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Current:				
Administration				
Personnel cost	315,000	315,000	311,306	(3,694)
Dues and publications	3,000	3,000	4,186	1,186
Automobile expense	2,000	2,000	1,996	(4)
Office equipment	3,000	3,000	3,028	28
Administration	8,000	8,000	6,813	(1,187)
Legal and accounting	10,000	10,000	6,453	(3,547)
Office supplies and postage	4,500	4,500	4,646	146
Communications	10,000	10,000	10,424	424
Repairs and maintenance	200	200	136	(64)
Promotion	5,000	5,000	1,897	(3,103)
	<u>360,700</u>	<u>360,700</u>	<u>350,885</u>	<u>(9,815)</u>
Control Tower				
Utilities	7,500	7,500	10,392	2,892
Maintenance and janitorial	5,000	5,000	6,040	1,040
Equipment purchases and repairs	1,000	1,000	1,734	734
Miscellaneous	-	-	365	365
	<u>13,500</u>	<u>13,500</u>	<u>18,531</u>	<u>5,031</u>
Total expenditures	<u>532,700</u>	<u>532,700</u>	<u>519,450</u>	<u>(13,250)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,964</u>	<u>\$ 20,964</u>
Fund balance, beginning of year			297,184	
Prior period adjustments			<u>(18,609)</u>	
Fund balance, beginning of year - restated			<u>278,575</u>	
Fund balance, end of year			<u>\$ 299,539</u>	

See the independent auditor's report.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2014**

Revenues

Intergovernmental

Grants - local governments	\$ 68,071
Grants - TDOT Aeronautics Division	1,913,329
Grants - Federal Aviation Administration	473,787
	<u>2,455,187</u>

Other

PFC revenue	9,294
Interest and miscellaneous	125
	<u>9,419</u>

Total revenues	<u>2,464,606</u>
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Expenditures

Capital Projects

State and local projects	1,836,068
FAA capital projects	518,201
Other capital projects	11,164
Miscellaneous local projects	343
Other capital improvements	9,500
Total expenditures	<u>2,375,276</u>

Net change in fund balance	<u>89,330</u>
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Fund balance, beginning of year	119,733
Prior period adjustments	(4,792)
Fund balance, beginning of year - restated	<u>114,941</u>
Fund balance, end of year	<u>\$ 204,271</u>

See the independent auditor's report.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS
June 30, 2014

<u>Name</u>	<u>Position</u>	<u>Annual Salary</u>	<u>Amount of Bond</u>
Tim Wilson	Commissioner	None	\$ 500,000
James Ross	Commissioner	None	500,000
Bill Sipes	Commissioner	None	500,000
Ryan Porter	Commissioner	None	500,000
Bob Maniss	Commissioner	None	500,000

See the independent auditor's report.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

For the Year Ended June 30, 2014

<u>Federal Grantor / Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Grant Number</u>	<u>Expenditures</u>
Federal Awards			
United States Department of Transportation / Tennessee Department of Transportation - Aeronautics Division	20.106	AERO-13-215-00	\$ 469,371
United States Department of Transportation / Tennessee Department of Transportation Aeronautics Division	20.106	AERO-14-157-00	<u>16,187</u>
Total federal awards			<u>485,558</u>
State Financial Assistance			
Tennessee Department of Transportation - Aeronautics Division	N/A	AERO-14-157-00	\$ 1,799
Aeronautics Division	N/A	AERO-14-191-00	1,197
Aeronautics Division	N/A	AERO-13-163-00	92,484
Aeronautics Division	N/A	AERO-13-216-00	74,472
Aeronautics Division	N/A	AERO-14-129-00	15,000
Aeronautics Division	N/A	AERO-13-107-00	3,600
Aeronautics Division	N/A	AERO-13-121-00	51,140
Aeronautics Division	N/A	AERO-12-223-00	1,569,947
Aeronautics Division	N/A	AERO-12-139-00	15,727
Aeronautics Division	N/A	AERO-13-106-00	5,600
Aeronautics Division	N/A	AERO-13-215-00	52,152
Aeronautics Division	N/A	AERM-14-363-00	<u>25,740</u>
Total state financial assistance			<u>1,908,858</u>
Total federal awards and state financial assistance			<u>\$ 2,394,416</u>

Basis of Presentation:

The accompanying Schedule of State Financial Assistance summarizes the expenditures of the Jackson-Madison County Airport Authority under programs of the state government for the year ended June 30, 2014. The expenditures are presented using the modified accrual basis of accounting.

See the independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited, 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 governmental activities, the business-type activities and each major fund of the Jackson-Madison County Airport Authority, Jackson, Tennessee (the Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 31, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

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

In addition, we noted other matters involving the internal control and its operation that we reported to management of the Authority in a separate letter dated October 31, 2014.

Purpose of this Report

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



Jackson, Tennessee
October 31, 2014

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS
June 30, 2013

FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Current year findings:

None reported.

Prior year findings:

None reported.