

*Audited Financial Statements  
and Supplementary Information*

**Sumner County Regional Airport Authority**

June 30, 2014

Sumner County Regional Airport Authority  
 Audited Financial Statements and Supplementary Information  
 June 30, 2014

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SUMNER COUNTY REGIONAL AIRPORT AUTHORITY  
1475 AIRPORT ROAD  
GALLATIN, TENNESSEE 37066  
LETTER OF TRANSMITTAL  
June 30, 2014

**To the Members of the Authority**

The financial statements of the Sumner County Regional Airport Authority (the "Authority") for the fiscal year ended June 30, 2014 are hereby submitted to the Authority Board and all others interested in the financial condition of the Authority. This report is published in accordance with generally accepted accounting principles "GAAP" and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

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

Don Drayton  
Chairman

Shawn Fennell  
Treasurer

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY  
ROSTER OF BOARD MEMBERS AND OFFICIALS  
June 30, 2014

**Officers**

Don Drayton	Chairman
Don Dickerson	Vice-Chairman
Dr. Steven Nelson	Secretary
Shawn Fennell	Treasurer

**Board of Commissioners**

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

**Other Officials**

GTO Aviation, LLC	Fixed – Base Operator
Van Leeuwen, JR	Airport Manager

**Independent Auditors**

Crisler CPA, PLLC  
Hendersonville, TN

See Note 7 regarding the Roster of Officials.



## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Sumner County Regional Airport Authority ("the Authority"), a component unit of Sumner County, Tennessee, as of and for the year ended June 30, 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.

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sumner County Regional Airport Authority as of June 30, 2014, and the changes in its financial position and its cash flows 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 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 an opinion on the financial statements of 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. The accompanying supplementary schedule of expenditures of federal and state awards is presented for the purposes of additional analysis as required by the State of Tennessee Comptroller of the Treasury Audit Manual for Local Governmental Units and Recipients of Grant Funds, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information provided in the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2015, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of our testing, and not to provide an opinion on the 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.

*Custer CPA, PLLC*

Certified Public Accountants  
Hendersonville, Tennessee  
January 28, 2015

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This Management Discussion and Analysis (the "MD&A") of the Sumner County Regional Airport Authority (the "Authority") provides an introduction to the major activities affecting the operations of the airport and an introduction and overview to the financial performance and statements of the Authority as of and for the fiscal year ending June 30, 2014. This section should be read in conjunction with the financial statements and notes to the financial statements, which follow this section.

**Financial Statements**

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

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

**Airport Activities and Highlights**

The Authority completed several actions which continue the redirection of the Airport's priorities to better serve its users and communities to both in the present and in the future. These actions include the continued effort to complete a review of the existing planning efforts and develop a full Master Plan for the airport and associated Airport Layout Plan to reflect the results of this Master Plan effort. The previous plan developed and approved was the result of studies dating back several years and did not reflect the economic changes in the communities and forecast for the future demands on the airport accurately resulting from these changes.

The Airport continued its planning to correct several safety issues associated with its current in-place surfaces including the correction of the runway gradient and taxiway placement issues. This project cost is estimated to be \$6.1 million composed of a 5% local share with the balance provided through Federal Aviation and State Aviation Funding. Other projects that continued were the purchase of several parcels of land and the clearing of several obstructions. These were necessary to enable the airport to have the required safety zones and obstruction clearances to allow instrument approaches in both directions and to use the full length of the runway in both directions for landing and takeoff.

Unfortunately, the expected bid out to accomplish the relocation of Airport Road was not accomplished in 2014 and is now not expected until late in 2015. This relocation is still critical to the future development of the airport to its fullest potential and is strongly supported by Sumner County and the City of Gallatin. Included in this project but yet to be funded is the need for sewer and water extension along the full length of the airport frontage on Airport Road. These services are critical to the ability of the airport to develop the space made available by this road relocation.

The bottom-line is that the airport is a critical asset to the communities it serves and can and should plan to fill this role in the most effective manner possible. This has to be done through efficient use of all resources, physical and fiscal.

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014

**Summary of Operations and Changes in Net Position**

**Operations**

Net operating income remains relatively consistent with prior years as the Authority's available hangars remain fully leased. The Authority received grant funds of \$272,152 from the State of Tennessee which was used to continue construction discussed above. This construction is overseen by the State and all expenditures are reviewed for propriety by the State. Construction in progress is \$3,238,713 as of June 30, 2014.

Below is a summary of the Authority's results of operations and changes in its net position for the years ended June 30, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Operating revenues	\$ 221,190	\$ 204,221
Operating expenses	<u>184,888</u>	<u>174,423</u>
Profit (loss) before depreciation and non-operating revenue	36,302	29,798
Depreciation	<u>737,145</u>	<u>510,173</u>
Loss before non-operating revenue	(700,843)	(480,375)
Non-operating revenue, net	<u>261,416</u>	<u>5,635,096</u>
Increase (decrease) in net position	<u>\$ (439,427)</u>	<u>\$ 5,154,721</u>

**Net Position**

The largest portion of the Authority's net position (96% for the year ended June 30, 2014) represents its investment in capital assets (e.g., buildings, improvements, and equipment). The Authority uses these capital assets to provide services to the general public; consequently, these assets are not available for future spending. The remaining unrestricted net position may be used to meet any of the Authority's ongoing obligations.

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014

The following is a summary of the Authority's assets, liabilities, and net position at June 30, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current and other assets	\$ 478,332	\$ 342,810
Capital assets	<u>12,432,129</u>	<u>12,851,758</u>
Total assets	<u><u>12,910,461</u></u>	<u><u>13,194,568</u></u>
<b>Liabilities</b>		
Current liabilities	115,071	164,580
Long-term liabilities	<u>800,000</u>	<u>595,171</u>
Total liabilities	<u><u>915,071</u></u>	<u><u>759,751</u></u>
<b>Net Position</b>		
Invested in capital assets	11,520,985	12,092,007
Restricted	32,266	122,552
Unrestricted	<u>442,139</u>	<u>220,258</u>
Total net position	<u><u>11,995,390</u></u>	<u><u>12,434,817</u></u>
<b>Total liabilities and net position</b>	<u><u>\$ 12,910,461</u></u>	<u><u>\$ 13,194,568</u></u>

**Request for Information**

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

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY  
STATEMENT OF NET POSITION  
June 30, 2014

**Assets**

Current Assets

Cash	\$ 263,499
Cash - restricted for retainage payments	32,266
Deposits with state	101,347
Grant receivable	79,577
Prepaid expenses	<u>2,474</u>
Total Current Assets	479,163

Non-current Assets

Capital assets, net of accumulated depreciation	<u>12,431,298</u>
Total Non-current Assets	<u>12,431,298</u>

Total Assets	<u><u>\$ 12,910,461</u></u>
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**Liabilities and Net Position**

Current Liabilities

Retainage payable	\$ 31,567
Accrued expenditures	80,764
Deferred inflows	<u>2,740</u>
Total Current Liabilities	115,071

Long-term debt	<u>800,000</u>
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Total Liabilities	915,071
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Invested in capital assets, net of debt	11,520,985
Restricted net position	32,266
Unrestricted net position	<u>442,139</u>
Total Net Position	<u>11,995,390</u>

Total Liabilities and Net Position	<u><u>\$ 12,910,461</u></u>
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SUMNER COUNTY REGIONAL AIRPORT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
June 30, 2014

Hangar lease revenue	\$ 202,876
Other operating revenues	<u>18,314</u>
Total Operating Revenues	221,190
Maintenance expense	43,895
Insurance expense	17,223
Utilities expense	26,397
Administrative expense	25,347
Legal and professional expense	72,026
Depreciation expense	<u>737,145</u>
Total Operating Expense	922,033
Net Loss from Operating Activities	(700,843)
Non-Operating Revenue (Expense)	
Grants	14,300
Interest income	505
Interest expense	<u>(25,541)</u>
Total Non-Operating Revenue	(10,736)
Capital Grants	272,152
Decrease in Net Position	(439,427)
Total Net Position at June 30, 2013	<u>12,434,817</u>
Total Net Position at June 30, 2014	<u><u>\$ 11,995,390</u></u>

See independent auditors' report and notes to the financial statements

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY  
STATEMENT OF CASH FLOWS  
June 30, 2014

Cash Flows from Operating Activities	
Cash received from customers	\$ 223,930
Cash paid to suppliers	<u>(170,857)</u>
Net Cash Provided by Operating Activities	53,073
Cash Flows from Investing Activities	
Interest income received	<u>504</u>
Net Cash Provided by Investing Activities	504
Cash Flow from Non-Capital Financing Activities	
Proceeds from non capital grants	<u>14,300</u>
Net Cash Provided by Non-Capital Financing Activities	14,300
Cash Flows from Capital and Related Financing Activities	
Proceeds from state grant grants	195,830
Proceeds from Sumner County, Tennessee note payable	800,000
Repayments of bank financing	(432,601)
Repayments on notes payable from Sumner County, Tennessee	(205,000)
Interest paid on financing	(25,541)
Cash payments for the purchase of capital assets	<u>(202,768)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>129,920</u>
Net Increase in Cash and Cash Equivalents	197,797
Cash and Cash Equivalents at June 30, 2013	<u>65,702</u>
Cash and Cash Equivalents at June 30, 2014	<u><u>\$ 263,499</u></u>

See independent auditors' report and notes to the financial statements

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY  
STATEMENT OF CASH FLOWS  
JUNE 30, 2014

Reconciliation of Net Loss from Net Cash Provided by Operating Activities

Net Loss from Operating Activities	\$ (700,843)
Adjustments to Reconcile Net Loss from Net Cash	
Provided by Operating Activities:	
Depreciation and amortization	737,145
Increase in grant receivables	(79,577)
Decrease in prepaid expenses	12,844
Increase in accrued expenses	80,764
Increase in deferred inflows	<u>2,740</u>
Total Adjustments	<u>753,916</u>
Net Cash Provided by Operating Activities	<u>\$ 53,073</u>

See independent auditors' report and notes to the financial statements

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

**Note 1. Summary of Significant Accounting Policies**

**a. Organization**

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

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

**b. Basis of Accounting**

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

**c. Cash, Cash Equivalents, and Investments**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Per Tennessee statutes, bank accounts may only be established and maintained in financial institutions whose deposits are federally insured. Bank account balances (including checking and investment accounts combined) must not exceed the amount federally insured by the FDIC unless the financial institution participates in the State Collateral Pool or pledges collateral for deposits in excess of the insured limits and the collateral is maintained in accordance with state statutes. As of June 30, 2014, the Authority's combined bank account balances exceeded FDIC insured limits by \$51,960. Subsequent to the year ended June 30, 2014, the Authority approved a plan to move bank accounts to a financial institution that participates in the State Collateral Pool. No credit loss occurred during the year end to the date of this report.

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

**d. Receivables**

Receivables are reported at their gross value when earned and reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts is based on collection history, aviation industry trends and current information regarding the credit worthiness of the tenants and others doing business with the Authority. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected. The Authority determined an allowance for uncollectible amounts was not needed as of June 30, 2014.

**e. Capital Assets**

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

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

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

	<u>Years</u>
Buildings	30
Buildings and land improvements	10 and 15
Large equipment and vehicles	10
Small equipment and vehicles	5

**f. Capital Contributions**

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

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

**g. Revenue**

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

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

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

**h. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net 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 net 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 records hangar rent collected in advance of the months in which it is earned as deferred inflows or resources. Deferred inflows of resources was \$2,740 at June 30, 2014.

**i. Net Position**

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

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

*Restricted net position* – consists of assets with constraints

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first.

**j. Estimates**

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

**k. Impact of Recently Issued Accounting Pronouncements**

In March of 2012, 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.

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014

In June 2012, 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, accumulation 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 (payable) 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. As of June 30, 2014, GASB Statement 67 and 68 will not have an impact on the financial position of the Authority, since it does not have a pension plan.

**Note 2. Litigation**

The Authority is subject to litigation from time to time. Currently, the Authority is involved in one eminent domain litigation case. The appraisal obtained by the Authority is \$192,600 while the defendant’s appraisal is \$485,000. This condemnation lawsuit is for land taken to expand the airport. The case is set for jury trial in June 2015 in the Circuit Court of Sumner County. The outcome of the trial cannot be reasonably estimated. The maximum exposure is limited to 10% matching on new grants and this would be limited to \$29,240.

**Note 3. Long-Term Debt**

Long-term debt at June 30, 2014 consisted of the following:

The Authority has an interest-only note payable with Sumner County, Tennessee in the amount of \$800,000. The note matures on January 2, 2023 and carries an interest rate of 3%.

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ -	\$ 24,000
2016	-	24,000
2017	-	24,000
2018	-	24,000
2019	-	24,000
Thereafter	800,000	84,000

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

Balance, June 30, 2013	\$ 637,601
Additions	800,000
Retirements	<u>(637,601)</u>
Balance, June 30, 2014	<u>\$ 800,000</u>

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

**Note 4. State Grants**

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

**Note 5. Airport Management**

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

The Board terminated the services of C. Steven Sudbury of J & S Properties at the board meeting on November 25, 2013. The Authority paid J & S Properties a three-month severance of \$11,250. During the year ended June 30 2014, the Authority expensed \$30,000. The board oversaw the day-to-day operations of the Authority until a new airport manager was hired and began work in July 2014.

**Note 6. Budget**

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

**Note 7. Roster of Officials**

The Board of Commissioners as listed on the Roster of Officials on page 2 was seated and held their first formal meeting on July 28, 2014. The Treasurer listed on the Roster of Officials was added to the Board in August 2014. The Chairman listed was elected on September 22, 2014 on an interim basis and as chairman in a subsequent board meeting. The previous Treasurer and Chairman were officially still board members at June 30, 2014, but the Treasurer's term expired and the Chairman resigned subsequent to year end. The airport manager began work in July 2014.

**Note 8. Risk Financing Activities**

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

**Note 9. Capital Assets**

Non-depreciable assets owned by the Authority consist solely of land recorded at cost. Eleven privately built hangars were removed from the airport's capital assets in previous years. These hangars are leased by private parties on thirty-year terms. Depreciation expense for the year ending June 30, 2014 totaled \$737,145.

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

The following is a summary of the Authority's depreciable and non-depreciable assets as of June 30, 2014:

<u>Cost</u>	<u>Capital Assets not being depreciated</u>		<u>Capital Assets being depreciated</u>			<u>Totals</u>
	<u>Land</u>	<u>Construction in Process</u>	<u>Buildings and Improvements</u>	<u>Taxiways, Runways, and Ramps</u>	<u>Furniture and Equipment</u>	
Balance, June 30, 2013	\$ 2,139,676	\$ 3,251,246	\$ 5,354,320	\$ 6,897,486	\$ 377,061	\$ 18,019,789
Additions	9,297	79,576		236,337		325,210
Retirements	-	-	-	-	-	-
Transfers	-	(92,109)	-	92,109	-	-
Balance, June 30, 2014	2,148,973	3,238,713	5,354,320	7,225,932	377,061	18,344,999
 <b><u>Accumulated Depreciation</u></b>						
Balance, June 30, 2013			4,003,427	1,001,442	163,162	5,168,031
Additions	-	-	173,496	537,104	35,070	745,670
Retirements	-	-	-	-	-	-
Balance, June 30, 2014			4,176,923	1,538,546	198,232	5,913,701
<b>Net Assets</b>	<b>\$ 2,148,973</b>	<b>\$ 3,238,713</b>	<b>\$ 1,177,397</b>	<b>\$ 5,687,386</b>	<b>\$ 178,829</b>	<b>\$ 12,431,298</b>

**Note 10. Related Party Transactions**

The Chairman of the Board also rents a hanger from the Authority. The terms of the lease are the same as other customers that rent a similar hanger. For the year ended June 30, 2014, he paid \$2,040 in hanger rent to the Authority.

**Note 11. Subsequent Events**

Authority management has evaluated subsequent events through January 28, 2015, which is the date of the Auditors' Report and the date the financial statements were available to be issued.

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 AND STATE FINANCIAL ASSISTANCE  
 June 30, 2014

Federal Grantor/Pass Through Grantor	CFDA Number	Contract Number	Expenditures
US Dept. of Transportation/TN Dept. of Transportation -	20.106	83-555-0153-04	\$ 17,987
Aeronautics Division all programs	20.106	83-555-0787-04	95,440
	20.106	83-555-0792-04	177,159
	20.106	99-555-1239-04	14,300
			<u>\$ 290,586</u>

**Basis of Presentation**

This schedule summarizes the expenditures of the Sumner County Regional Airport Authority under programs of the federal government for the year ended June 30, 2014. This schedule is presented on the accrual basis of accounting.



Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sumner County Regional Airport Authority (the "Authority"), as of and for the year ended June 30, 2014, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 28, 2015. 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.

Internal Control Over Financial Reporting

Management of Sumner County Regional Airport Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of the 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.

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 the 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. We have identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2014-001, which we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatements, 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 disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, we noted other matters involving internal control and its operation that we reported to the board of the Authority in a separate letter dated January 28, 2015.

Sumner County Regional Airport Authority  
Gallatin, Tennessee

Authority Response to Findings

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

Purpose of this Report

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

Custer CPA, PLLC

Certified Public Accountants  
Hendersonville, Tennessee  
January 28, 2015

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2014

**Current year findings:**

**2014-001**

Condition:

The Authority has funds that were uncollateralized during the year and at year end June 30, 2014.

Criteria:

Tennessee Code Annotated Section 9-5-504 requires collateral for public deposits.

Effect:

Noncompliance with Tennessee State law for public funds deposits and the possible credit loss of the public's deposit.

Recommendation:

Deposit funds in financial institution that will fully collateralize its deposits.

Management's response:

On December 22, 2014, the board approved to move their banking funds to a bank that participates in the State of Tennessee's collateralization pool.

**Prior year findings:**

**2013-001**

Condition:

The Authority has an inadequate segregation of duties.

Recommendation:

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

Current Status:

The board implementation of a corrective action plan to address the inadequate segregation of duties was completed during the year.