MCNAIRY COUNTY AIRPORT AUTHORITY

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

MCNAIRY COUNTY AIRPORT AUTHORITY
INDEPENDENT AUDITOR'S REPORTS, FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
JUNE 30, 2015

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MCNAIRY COUNTY AIRPORT AUTHORITY
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2015

Robert Sibley – Chairman

Ted Moore

Troy Moore

David Robinson

Mike Smelser

GODWIN & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
408 Main Street, Savannah, Tennessee 38372
Phone 731.925.6547 Fax 731.925.9524

Independent Auditor's Report

To the Board of Directors
McNairy County Airport Authority
Selmer, Tennessee

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the McNairy County Airport Authority (the Authority), a component unit of McNairy County, as of and for the year ended June 30, 2015 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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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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 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2015, 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.

Godwin & Associates, PLLC

October 14, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of McNairy County Airport Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the year ended June 30, 2015.

USING THIS ANNUAL REPORT

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position include all assets and liabilities of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when the cash is received or paid. These statements provide information about whether the entity is better off or worse off as a result of the year's activities. The Statement of Cash Flows provides relevant information about the cash receipts and cash payments of the Authority during the year.

Net position is the difference between the Authority's assets and liabilities. Over time, increases or decreases in net position provide one indicator of financial health.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements. The notes to the financial statements can be found on pages 10 – 13.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information concerning the Authority. This supplementary information can be found on pages 14 and 15 of this report.

Comparative Data

Statement of Net Position

	2015	2014
Current and other assets	$ 218,309	$ 689,851
Restricted assets	31,578	64,173
Capital assets	3,944,813	3,409,887
Total Assets	4,194,700	4,163,911
Long-term liabilities	135,192	149,110
Other liabilities	62,531	577,507
Total liabilities	197,723	726,617
Net Position		
Net investment in capital assets	3,809,621	3,260,777
Restricted for construction	31,578	64,173
Unrestricted	155,778	112,344
Total Net Position	$ 3,996,977	$ 3,437,294

The changes in the Authority's net position are described below:

	2015	2014
Revenues:		
Fuel sales	$ 46,800	$ 46,140
Rent	91,348	87,170
Miscellaneous	625	250
Total Revenues	138,773	133,560
Expenses:		
Airport	319,797	309,812
Operating income (loss)	(181,024)	(176,252)
Nonoperating revenue	67,716	63,732
Increase(Decrease) in net position before capital contributions	(113,308)	(112,520)
Capital contributions	672,991	1,100,088
Change in net position	559,683	987,568
Net position at beginning of year	3,437,294	2,449,726
Net position at end of year	$ 3,996,977	$ 3,437,294

- The Airport had an increase in net position of $559,683 compared to an increase of $987,568 in the prior year. This difference is primarily due to the change in capital contributions from one year to the next.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The airport had capital asset additions of $684,860 during the year and accumulated depreciation increased by $149,934. See additional disclosures in Note 4.

At June 30, 2015, the Authority had $135,192 in outstanding long-term debt compared to $149,110 last year. See additional disclosures in Note 5.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

We do not anticipate any economic factors which would have a material effect on operations for the next fiscal year. We have disclosed significant construction commitments in Note 9.

CONTACTING THE AUTHORITY MANAGEMENT

This financial report is designed to provide citizens, taxpayers and creditors with a general overview of the Authority's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chris Tull at 2281 Airport Road, Selmer, Tennessee 38375.

Chris Tull
Airport Manager

MCNAIRY COUNTY AIRPORT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS	
Current assets	
Cash	$ 184,412
Restricted assets - cash	31,578
Miscellaneous receivables	385
Prepaid insurance	9,145
Inventory	24,367
Total current assets	249,887
Noncurrent assets	
Capital assets	
Land	91,331
Airport	4,840,872
Building	196,238
Equipment	230,984
	5,359,425
Construction in progress	607,170
Less: accumulated depreciation	(2,021,782)
Total noncurrent assets	3,944,813
Total assets	4,194,700
LIABILITIES	
Current liabilities	
Accounts payable	24,552
Accrued expenses	3,529
Unearned revenue - rent	34,450
Current portion of note payable	14,729
Total current liabilities	77,260
Noncurrent liabilities	
Notes payable after one year	120,463
Total liabilities	197,723
NET POSITION	
Net investment in capital assets	3,809,621
Restricted for construction	31,578
Unrestricted	155,778
Total net position	$ 3,996,977

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

MCNAIRY COUNTY AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES	
Fuel sales	$ 46,800
Hangar and building rent	91,348
Miscellaneous income	625
Bad debt expense	-
Total operating revenues	138,773
OPERATING EXPENSES	
Salaries	61,631
Payroll taxes	5,561
Employee insurance	5,567
Legal and accounting	5,200
Office expense	928
Credit card processing fees	1,488
Maintenance	15,708
Inspections	30
Utilities	7,744
Insurance	10,121
Depreciation	149,934
Telephone	2,762
Purchased fuel	46,689
Supplies	3,177
Dues and subscriptions	932
Meetings and conferences	907
Advertising	1,190
Security	228
Total operating expenses	319,797
OPERATING INCOME (LOSS)	(181,024)
NONOPERATING REVENUES (EXPENSES)	
Appropriations from McNairy County	64,000
State of Tennessee - Department of Transportation	10,733
Interest income	99
Interest expense	(7,116)
Total nonoperating revenue	67,716
INCOME (LOSS) BEFORE CONTRIBUTIONS	(113,308)
CAPITAL CONTRIBUTIONS	672,991
CHANGE IN NET POSITION	559,683
NET POSITION - BEGINNING OF YEAR	3,437,294
NET POSITION - END OF YEAR	$ 3,996,977

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

MCNAIRY COUNTY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 137,138
Cash payments to suppliers for goods and services	(147,169)
Cash payments to employees for services	(72,835)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(82,866)
CASH FLOWS FROM NONCAPITAL AND FINANCING ACTIVITIES:	
Intergovernmental operating grants	74,733
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(1,142,576)
Capital grants	1,152,807
Principal payments on long-term debt	(13,918)
Interest payments	(7,116)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(10,803)
CASH FLOWS FROM INVESTING ACTIVTIES:	
Interest earned	99
NET DECREASE IN CASH	(18,837)
CASH - BEGINNING OF YEAR	234,827
CASH - END OF YEAR	$ 215,990

RECONCILATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ (181,024)
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:	
Depreciation and amortization	149,934
Changes in Assets and Liabilities:	
(Increase) decrease in inventories	5,316
(Increase) decrease in other receivables	167
Increase (decrease) in accounts payable	(55,548)
Increase (decrease) in accrued expenses	(76)
Increase (decrease) in unearned revenues - rent	(1,635)
NET CASH (USED FOR) OPERATING ACTIVITIES	$ (82,866)

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

MCNAIRY COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

1. GENERAL INFORMATION

A. GASB Conformity

The Authority complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

B. Financial Reporting Entity

The McNairy County Airport Authority (the Authority) is a component unit of McNairy County, Tennessee, and is governed by a board of directors appointed by the county government. The Authority is responsible for financing, developing, and operating McNairy County's public airport. The County approves the operating budget of the Authority and has provided regular operating subsidies to the Authority in the past.

C. Fund Accounting

The accounts of the Authority are organized on the basis of funds. The operations of funds are accounted for with a separate set of self-balancing accounts that comprise their assets, liabilities, fund equity, revenues, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The accounts in the financial statements in this report fall under one broad fund category as follows:

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Revenues are recognized when earned and expenses are recognized when incurred. The Authority has defined non-operating revenues to be revenues that are not generated from the daily operations. Capital contributions are non-operating revenues.

B. Capital Assets

All capital assets of the Authority are recorded at original cost. Expenses that materially increase values or capacities, or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred. Gains and losses from the sale of capital assets are reflected in operations and the asset accounts and related allowances for depreciation are reduced. These depreciable capital assets are being depreciated over various estimated useful lives on a straight-line basis. Any interest incurred in preparing or acquiring a capital asset for use is included in its cost. The Authority has not adopted a capitalization threshold policy.

C. Cash Equivalents

Cash and cash equivalents include demand deposit accounts. Restricted cash consists of deposits held in an escrow account to fund the Authority's local matching requirement for the ongoing authority grant projects and deposits in other local bank accounts for the retainage due on several projects.

D. Inventory

Inventory consists of fuel. Cost is determined using the first-in first-out method.

3. CASH AND INVESTMENTS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Authority must have a written collateral agreement approved by the board of directors or loan committee.

The Authority's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit and savings accounts. Collateral is required for demand deposits, certificates of deposits and repurchase agreements at 105% of all amounts not covered by federal deposit insurance.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority requires any bank deposits to be insured by the Federal Deposit Insurance Corporation and any deposits in excess of FDIC coverage shall be collateralized by acceptable securities pledged for said purpose and an agreement between the Bank of Deposit and the Authority shall be executed. As of June 30, 2014, the Authority's bank balances were not exposed to custodial credit risk because they were insured and collateralized.

The Authority also has $31,578 in an escrow account with the State of Tennessee.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance 7/1/2014	Additions/ Adjustments	Retirements/ Adjustments	Balance 6/30/2015
Capital assets not being depreciated				
Land	$ 91,331	$ -	$ -	$ 91,331
Construction in progress	1,231,376	451,694	(1,075,900)	607,170
Total capital assets not being depreciated	1,322,707	451,694	-	698,501
Capital assets being depreciated				
Airport	3,531,806	1,309,066	-	4,840,872
Building	196,238	-	-	196,238
Equipment	216,104	-	-	216,104
Vehicles	14,880	-	-	14,880
Total capital assets being depreciated	3,959,028	1,309,066	-	5,268,094
Less accumulated depreciation for:				
Airport	(1,626,195)	(134,428)	-	(1,760,623)
Building	(57,237)	(4,906)	-	(62,143)
Equipment	(173,536)	(10,600)	-	(184,136)
Vehicles	(14,880)	-	-	(14,880)
Total accumulated depreciation	(1,871,848)	$ (149,934)	$ -	(2,021,782)
Total capital assets, net	$ 3,409,887			$ 3,944,813

5. LONG-TERM DEBT

a. Description of Individual Bond Issues and Loans Outstanding

Summarized below are the Authority's individual bond and loan issues which are outstanding at year end:

	Amount Outstanding	Interest Rate	Current Principal Requirement
Notes:			
Capital Outlay Note	$ 135,192	6.38%	$ 14,729

b. Summary of Principal and Interest Requirements – All Debt

Fiscal Year	Principal	Interest
2016	$ 14,729	$ 6,486
2017	15,480	5,736
2018	16,268	4,947
2019	17,097	4,118
2020	17,968	3,247
2021-2023	53,650	4,070
	$ 135,192	$ 28,604
Less:		
Payable within one year	14,729	6,486
Due after one year	$ 120,463	$ 22,118

c. Changes in Outstanding Debt

Business-Type Activities	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015
Capital Outlay Notes	$ 149,110	$ -	$ 13,918	$ 135,192
	$ 149,110	$ -	$ 13,918	$ 135,192

6. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims have not exceeded this commercial coverage in any of the past three years.

7. 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 resources are considered applied. It is the Authority's policy to considered restricted – net position to have been depleted before unrestricted – net position is applied.

Net position is displayed in three components:

a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – All other net positions that do not meet the definition of "restricted" or "net investment in capital assets."

8. UNEARNED REVENUES - RENT

The hospital prepaid hangar rent for fifteen years to aid in construction of the new hangar. The Authority has recorded the appropriate amount as deferred rent and is recognizing the rent revenue as it is earned.

9. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The Authority has significant commitments on three construction projects.

The first is a fuel farm project. This project has estimated costs of $570,000. It is to be funded with $541,500 from grant funds and $28,500 from the Authority's local share which is in an escrow account with the State as of June 30, 2015. The Authority had $516,770 recorded as construction in progress for this project at June 30, 2015.

The second is an updated ALP and Property Map project. This project has estimated costs of $98,000. It is to be funded with $93,100 from grant funds and $4,900 from the Authority's local share which is in an escrow account with the State as of June 30, 2015. The Authority had $90,400 recorded as construction in progress for this project at June 30, 2015.

The third project is an Airport Lighting Project. It is to be funded with $452,200 from grant funds and $23,800 from the Authority's local share which is in an escrow account with the State as of June 30, 2015. The Authority had not recorded any construction in progress for this project at June 30, 2015.

MCNAIRY COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Contract/Project Number	Disbursements/ Expenditures
FEDERAL AWARDS			
Department of Transportation			
Aeronautics Division - Fuel Farm	N/A	AERO-13-187-00/55-555-0137-04	$ 371,288
Department of Agriculture			
Rural Business Enterprise Grant	10.769	N/A	22,376
			393,664
STATE FINANCIAL ASSISTANCE			
Tennessee Department of Aeronautics/ Airport Maintenance FY 2013/2014	N/A	99-555-1239-04	3,356
Tennessee Department of Aeronautics/ Airport Maintenance FY 2014/2015	N/A	99-555-1228-04	7,377
Department of Transportation			
Aeronautics Division - Runway Maintenance Overlay	N/A	AERO-13-145-11/55-555-0736-04	221,506
Department of Transportation			
Aeronautics Division - Fuel Farm	N/A	AERO-13-187-00/55-555-0137-04	20,627
Department of Transportation			
Aeronautics Division - ALP Project	N/A	AERO-14-192-00/55-555-0138-04	37,194
TOTAL STATE AWARDS			290,060
LOCAL MATCH			
Department of Transportation			
Department of Transportation			
Aeronautics Division - Runway Maintenance Overlay	N/A	AERO-13-145-11/55-555-0736-04	11,658
Department of Transportation			
Aeronautics Division - Fuel Farm	N/A	AERO-13-187-00/55-555-0137-04	20,627
Department of Transportation			
Aeronautics Division - ALP Project	N/A	AERO-14-192-00/55-555-0138-04	1,958
TOTAL LOCAL MATCH			34,243
TOTAL FEDERAL AWARDS, STATE ASSISTANCE AND LOCAL MATCH			$ 695,591

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of McNairy County Airport Authority under programs of the federal and state governments for the year ended June 30, 2015. The schedule is presented using the accrual basis of accounting.

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

MCNAIRY COUNTY AIRPORT AUTHORITY
SCHEDULE OF LONG-TERM DEBT
JUNE 30, 2015

Year Ending	Note Payable	
	Principal	Interest
2016	$ 14,729	$ 6,486
2017	15,480	5,736
2018	16,268	4,947
2019	17,097	4,118
2020	17,968	3,247
2021	18,883	2,332
2022	19,845	1,370
2023	14,922	368
Total	$ 135,192	$ 28,604

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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*

McNairy County Airport Authority
Selmer, 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 business-type activities of the McNairy County Airport Authority (the Authority), a component unit of McNairy County, as of and for the year ended June 30, 2015, 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 14, 2015.

Internal Control Over Financial Reporting

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

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

99-01 SEGREGATION OF DUTIES
At present, there is a lack of segregation of duties in receiving and disbursing cash due to the limited number of personnel. This was a finding in the prior year also.

RECOMMENDATION: In order to effectively mitigate this weakness, we recommend that the board closely monitor the financial activities on a timely basis.

MANAGEMENT'S RESPONSE: We concur.

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. We consider the deficiency described above to be a material weakness.

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Compliance and Other Matters

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

Authority's Response to Findings

The Authority's response to the finding identified in our audit is described above. The Authority's 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.

PRIOR YEAR DISPOSITIONS

None

Hodum & Associates, PLLC

October 14, 2015