

Smyrna/Rutherford County Airport Authority

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

June 30, 2015

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Smyrna/Rutherford County Airport Authority

ROSTER OF OFFICIALS

Board of Commissioners

J. Michael Woods
Helene Colvin
Steve Harrison
Graeme Coates
Paul Lamb

Chairman
Vice Chairperson
Commissioner
Commissioner
Commissioner

Executive Staff

John R. Black
Lois Vallance

Executive Director
Airport Manager

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners and Management
Smyrna/Rutherford County Airport Authority
Smyrna, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Smyrna/Rutherford County Airport Authority, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Smyrna/Rutherford County Airport Authority, as of June 30, 2015, and the respective changes in financial position and 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 6-10 and the Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios presented on page 26 and the Schedule of Contributions presented on page 27 to 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015 on our consideration of the Smyrna Rutherford County Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Smyrna Rutherford County Airport Authority's internal control over financial reporting and compliance.

Dempsey Vantrease + Folli PLLC

Murfreesboro, Tennessee
November 10, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD & A) of the Smyrna/ Rutherford County Airport Authority's (Authority) activities and financial performance provides the reader with an introduction and overview to the financial statements of the Authority for the year ended June 30, 2015. This information should be considered within the context of the accompanying financial statements and note disclosures.

PROFILE OF THE AUTHORITY

The Smyrna Airport, located in Smyrna, Tennessee, is the third-largest airport (by acreage) in Tennessee (behind the Memphis and Nashville airports). Located near three interstate systems (I-40, I-65, and I-24) and within 600 miles of 80 percent of the U.S. population, it is the busiest general aviation airport in the state of Tennessee. The Smyrna Airport promotes economic prosperity in Rutherford County and the surrounding region, serving as an economic engine and attracting new businesses to the area. The airport offers two runways with the longest being 8,048 feet, air traffic control, and ARFF capabilities, along with numerous aircraft hangars, and professional office space. It is centrally located to a large population of potential travelers, customers, and workers. Smyrna Airport has won numerous awards from the State of Tennessee and from the FAA Southern Region. Those awards recognize outstanding customer service, safe operations, and a progressive business model.

The airport and its related business entities directly account for \$44.0 million in output and \$34.6 million in payroll expenditures and employ 3,275 workers (full-time, part-time, or in a contracted capacity). Economic activity at the Smyrna Airport induces another \$18.7 million in business output and 1,660 jobs in the local economy. The Smyrna Airport also generates over \$1.1 million in economic activity from hosting the Great Tennessee Air Show, and it facilitates flight training for new aviators. Smyrna Airport houses a one-megawatt solar farm with 3,400 solar panels generating clean energy which goes directly onto the grid for Middle TN Electric Membership Corporation.

Our mission is to be a world-class air facility serving our community, region, aviation, business and industrial base, and be recognized by these groups as a valuable asset.

FINANCIAL OPERATIONS HIGHLIGHTS

Net position increased \$1,977,856 in 2015 as compared to an increase \$1,508,533 in 2014. The increase in 2015 is primarily due to grants related to expansion of the airport facilities. Depreciation increased in 2015 due to the expansion projects assets. Depreciation was \$840,087 in 2015 and \$774,758 in 2014.

Authority revenue for the year ended June 30, 2015 totaled \$1,558,929 as compared to \$1,652,632 in 2014. This decrease from 2015 to 2014 is attributable to the lower fuel sales and the timing of the Airshow. Aircraft traffic is up 4% over the last year.

Fuel flowage gallons totaled 1,402,531 in 2015 compared to 1,698,396 in 2014. Smyrna Airport's operations and fuel flowage reflect the nationwide general aviation trend although somewhat better than the national average. The majority of the Authority's revenue continues to be from facility and land leases.

Operating expenses increased modestly over the last two years to \$1,176,748 in 2015 from \$1,164,342 in 2014 and \$1,160,882 in 2013. Operating expenses were very consistent when

MANAGEMENT'S DISCUSSION AND ANALYSIS

comparing the current year to the prior year. Non-operating income includes federal and state grant funding through the Tennessee Aeronautics Division. In 2014 the Authority obtained a large grant to overlay some taxiways. This grant continued into 2015 along with new grants for hangars and building as part of the West Side Airport Development project. Interest expense was \$129,808 in 2015 and \$24,768 in 2014 and \$49,875 in 2013. The decrease in 2014 was due to restructure of existing loans with the Town of Smyrna and Rutherford County to lower interest rate. The increase in 2015 was due to new bonds from the Town of Smyrna and Rutherford County of approximately \$4.2 million to fund the West Side Development project and other grant projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

MD&A introduces the Authority's basic financial statements. The basic financial statements include the balance sheet, statement of revenues, expenses, and changes in net assets, the statement of cash flows and the notes to the financial statements.

The statement of net position reports all the Authority's assets and liabilities, with the difference being reported as net position. Over time increases or decreases typically give some indication of whether the financial position of the Authority is improving or deteriorating. However, overall evaluation of the financial health of the Authority should include non-financial factors such as the physical condition of the airport. The majority of the Authority's net position is invested in capital assets (e.g., land, buildings, improvements and equipment). These assets are used to provide airport services to the general public and commercial users and are not available for future spending. The unrestricted net position gives a good indication of the earnings, exclusive of depreciation, that have been accumulated since inception. These assets are available for airport operations, future capital additions, and current debt obligations.

The statement of revenues, expenses, and changes in net position reports all revenues and expenses for the year, regardless of whether cash has been received or paid. An important purpose of the statement is to show whether the Authority's revenues and operations are sufficient to support continued operations. The Authority showed positive earnings from operations before depreciation and positive cash flow for each year.

The statement of cash flows converts the operations of the Authority to a cash basis and shows how those cash flows were spent during the year, for example, purchases of fixed assets, debt reduction, etc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED FINANCIAL INFORMATION

A condensed summary of the Authority's operations follows:

	Year Ended June 30,	
	2015	2014
Operating revenues	\$ 1,558,929	\$ 1,652,632
Operating expenses	<u>1,176,748</u>	<u>1,164,342</u>
Operating income	382,181	488,290
Depreciation	<u>840,087</u>	<u>774,758</u>
Loss before non operating income(expense)	(457,906)	(286,468)
Non operating income	2,627,100	1,889,769
Non operating expense	<u>(191,338)</u>	<u>(94,768)</u>
Increase in net position	<u>\$ 1,977,856</u>	<u>\$ 1,508,533</u>

A condensed summary of the Authority's financial position follows:

	June 30,	
	2015	2014
ASSETS		
Current assets	\$ 2,280,066	\$ 1,387,565
Property and equipment	32,007,973	28,865,181
Other assets	<u>3,696,090</u>	<u>2,818,191</u>
Total Assets	37,984,129	33,070,937
Deferred outflows of resources	<u>78,378</u>	<u>-</u>
Total assets and deferred resources	<u>\$ 38,062,507</u>	<u>\$ 33,070,937</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED FINANCIAL INFORMATION (CONTINUED)

LIABILITIES		
Current and other liabilities	\$ 1,800,352	\$ 521,936
Long term debt	<u>4,871,015</u>	<u>3,207,271</u>
Total liabilities	6,671,367	3,729,207
Deferred inflows of resources	85,983	-
NET POSITION		
Net investment in capital assets	29,739,649	28,087,421
Restricted	-	165,000
Unrestricted	<u>1,565,508</u>	<u>1,089,309</u>
Total net assets	<u>31,305,157</u>	<u>29,341,730</u>
Total liabilities, deferred resources and net position	<u>\$ 38,062,507</u>	<u>\$ 33,070,937</u>

CAPITAL IMPROVEMENTS

The majority of the Authority's construction activities are financed with federal and state grants. The Authority normally must match a portion of those grants with funds from operations. The Airport's Capital Improvement Plan, approved by the State of Tennessee Aeronautics Division, includes further development of landside and airside property in the Airport Business Park, upkeep of the airfield to standards and repairs or improvements to existing hangars and buildings. The Authority's major capital asset events for 2015 were:

- Rehabilitation of Taxiway B,C,D,J- \$590,359
- West Side Development project \$414,666
- Hangar(west side) \$2,561,726
- Paving and marking project \$290,537

The total cost of the Rehabilitation of Taxiway B,C,D,J was \$2,330,443 and was completed in September 2014.

The Authority in 2015 continues working on its major capital project to further development and expand the west side of the Airport. This project involves a new hangar, office building, road, utilities, ramp, and taxiway. This project is expected to cost approximately \$10 million. During the year ended June 30, 2015 the Authority spent approximately \$1,300,000 on these projects. The Authority's share of this cost is approximately \$4.2 million. The project is expected to be complete in the by the end of 2015. At June 30, 2015 the Authority had funds in reserve from the bond issues remaining of approximately \$3.3 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DEBT ADMINISTRATION

During the year ended 2014 the Authority restructured its debt with the City of Smyrna and Rutherford County. The total monthly payment was reduced from \$11,000 to \$7,000 due to lowering the interest rate from 6% to 2%. The Authority in connection with the west side airport development project issued revenue bonds to the City of Smyrna and Rutherford County. The proceeds of these bonds will be used by the Authority to fund its share of the west side airport project, new hangar and other airport improvement projects. The City bond proceeds of \$1,765,000 were received during the year ended June 30, 2015. The proceeds of the County bonds of \$2,500,000 were received during the year ended 2014. The bonds are payable interest only through March 2016 at which time monthly payments of principle and interest will be made.

CURRENT AIRPORT ACTIVITIES

Staffing levels are not expected to change over the next year, however, benefits costs are expected to increase, particularly the health insurance coverage. The Authority currently has 100% of all office space leased, while 100% of hangar space is occupied by tenants under lease. The Authority lease prices are competitive in order to attract viable lease customers.

Smyrna Airport has expansive ramp space which provides a safe refuge for aircraft normally stationed along US coastlines that are susceptible to hurricanes. This service generally provides increased aircraft operations and fuel sales. We also partner with other government agencies for emergency response/mutual aid exercises and training. With the Authority's ARFF capabilities, various charter companies choose Smyrna for their operations, particularly when providing service for college teams. Heavy cargo aircraft operate into Smyrna to deliver their goods to local manufacturers and businesses.

The Authority continues to market the Airport Business Park for further development which is critical to self-sustainment. Working closely with the Chamber of Commerce and Tennessee's Department of Economic and Community Development, the outreach is nationwide. Both the Town of Smyrna and Rutherford County will benefit from maximizing the Park's availability for new business.

Smyrna/Rutherford County Airport Authority

STATEMENT OF NET POSITION

June 30, 2015

ASSETS

Current assets

Cash and cash equivalents	\$ 1,342,213
Certificate of deposit	101,314
Accounts receivable (no allowance for doubtful accounts considered necessary)	56,057
Grants receivable	<u>780,482</u>
Total current assets	2,280,066

Capital assets

Land	18,149,969
Other capital assets, net of depreciation	10,473,112
Construction in progress	<u>3,384,892</u>
	32,007,973

Other assets

Deposits on grants	299,336
Net pension asset	47,670
Restricted cash held for capital project	<u>3,349,084</u>
Total other assets	<u>3,696,090</u>

Total assets 37,984,129

Deferred outflows of resources- pensions

78,378

Total assets and deferred outflows of resources \$ 38,062,507

LIABILITIES

Current liabilities

Current portion of long-term debt	\$ 100,662
Accounts payable and amounts due contractors	1,430,921
Accrued payroll and related liabilities	<u>80,138</u>
Total current liabilities	1,611,721

Long-term debt, less current portion

4,871,015

Other liabilities

Prepaid rent and tenants' deposits	<u>188,631</u>
Total liabilities	6,671,367

Deferred inflows of resources- pensions

85,983

Total liabilities and deferred inflows of resources 6,757,350

Net position

Net investment in capital assets	29,739,649
Unrestricted	<u>1,565,508</u>
	31,305,157

Total liabilities, deferred inflows of resources and net position \$ 38,062,507

See notes to financial statements

Smyrna/Rutherford County Airport Authority

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

For the year ended June 30, 2015

Revenue	
Lease income	\$ 1,523,710
Other income	35,219
	<u>1,558,929</u>
Operating expenses	
Administrative salaries	167,783
Office supplies and expense	9,052
Maintenance, building and grounds	64,916
Environmental assessment expense	25,500
Accounting and legal fees	34,900
Telephone	12,326
Marketing	17,104
Utilities	146,258
Insurance	108,894
Payroll taxes	44,203
Employee benefits	114,738
Retirement benefit plan	20,417
Maintenance salaries	162,213
Airfield maintenance expenses	57,088
Commissioner fees	17,462
Safety services salaries	161,956
Safety expenses	7,041
Miscellaneous expenses	4,897
	<u>1,176,748</u>
Operating income before depreciation	382,181
Provision for depreciation	<u>840,087</u>
Operating loss	(457,906)
Other non operating revenue and (expenses)	
Operating grants	49,965
Gain on sale of equipment	8,682
Interest income	7,119
Bond issue costs	(61,530)
Interest expense	(129,808)
	<u>(125,572)</u>
Loss before capital contributions	(583,478)
Capital grants	<u>2,561,334</u>
Change in net position	1,977,856
Net position, beginning of year	<u>29,341,728</u>
Restatement of net pension liability	(14,427)
Net position, beginning of year as revised	<u>29,327,301</u>
Net position, end of year	<u>\$ 31,305,157</u>

See notes to financial statements

Smyrna/Rutherford County Airport Authority

STATEMENT OF CASH FLOWS

For the year ended June 30, 2015

Cash flows from operating activities	
Cash received from tenants	\$ 1,581,314
Cash paid to vendors and suppliers	(646,366)
Cash paid to employees	<u>(507,597)</u>
Net cash provided by operating activities	427,351
Cash flows from non-capital financing activities	
Proceeds from operating grants	<u>49,965</u>
Net cash provided by non-capital financing activities	49,965
Cash flows from capital and related financing activities	
Additions to property and equipment	(2,714,846)
Proceeds from sale of vehicles	8,682
Deposits on capital grants	(146,145)
Proceeds from capital grants	1,792,203
Proceeds from long-term debt	1,703,470
Payments on long-term debt	(71,083)
Interest paid	<u>(129,808)</u>
Net cash provided by capital and related financing activities	442,473
Cash flows from investing activities	
Purchase of investments	(100,000)
Maturities of investments	100,000
Interest received	<u>7,119</u>
Net cash provided by investing activities	<u>7,119</u>
Net increase in cash and cash equivalents	926,908
Cash and cash equivalents, beginning of year	<u>3,764,389</u>
Cash and cash equivalents, end of year	<u>\$ 4,691,297</u>
Non cash activities:	
Bond issuance costs paid for with Bond issuance	<u>\$ 61,530</u>
Accounts payable related to fixed asset additions	<u>\$ 1,426,213</u>
 Cash and cash equivalents is reported on Statements of Net Position as:	
Cash and cash equivalents	\$ 1,342,213
Restricted cash held for capital project	3,349,084
	<u>\$ 4,691,297</u>

See notes to financial statements

Smyrna/Rutherford County Airport Authority

STATEMENT OF CASH FLOWS (Continued)

For the year ended June 30, 2015

Reconciliation of operating loss to net cash provided by operating activities

Operating loss	\$ (457,906)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	840,087
Pension expense adjustment	(54,492)
Decrease in accounts receivable	47,218
Decrease in prepaid expenses	72,236
Increase in accounts payable	3,224
Increase in accrued payroll and related liabilities	1,817
Decrease in deferred income/tenants deposit	<u>(24,833)</u>
Total adjustments	<u>885,257</u>
Net cash provided by operating activities	<u><u>\$ 427,351</u></u>

See notes to financial statements

Smyrna/Rutherford County Airport Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

The creation of the Smyrna/Rutherford County Airport Authority (the "Authority") was authorized by the Rutherford County Board of Commissioners pursuant to the provision of T.C.A. 42-3-103. The airport is operated through a joint operations agreement between Rutherford County, Tennessee and the City of Smyrna, Tennessee. The agreement created a joint board of directors to manage the airport who are appointed by the City of Smyrna and Rutherford County. The airport serves as a general aviation airport. The airport generates substantially all its revenue through leases of its facilities.

The Smyrna airport was transferred to the Authority by the Metropolitan Nashville Airport Authority on May 15, 1991.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period they are earned and expenses in the period they are incurred. Operating revenues and expenses reflect the charges to tenants for airport use and the related costs of those services, excluding interest. All other revenues and expenses are non operating.

3. Cash and cash equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, and all highly liquid debt instruments purchased with an original maturity of three months or less.

As of June 30, 2015, all cash deposits were fully insured by the financial institution through participation in the State Bank Collateral Pool. State and local statutes limit the Authority's authorized deposits and investments to time deposits, demand deposits, and money market accounts in addition to the state investment pool.

4. Capital contributions

Capital contributions received under the terms of grants or contracts are accrued and recorded as revenue as the related costs are incurred.

5. Property and equipment

Property and equipment is stated at cost, except for contributions of property received from governmental agencies which are recorded at fair market value.

Smyrna/Rutherford County Airport Authority
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Property and equipment (continued)

Repairs and maintenance are charged to expense as incurred. Capital assets purchased in the amount of \$500 or more are capitalized. Provision for depreciation of property and equipment is made on a basis considered adequate to amortize the cost of depreciable assets over their estimated useful lives and is computed on the straight-line method. Asset lives used in the calculation of depreciation are generally as follows:

Runways, taxiways, and ramps	10 - 15 years
Buildings and building improvements	20 - 50 years
Equipment and furniture	5 - 10 years
Vehicles	5 years

7. Use of estimates.

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

8. Net Fund Position

The Authority's net investment in capital assets consists of the historical cost or value of donated assets, less accumulated depreciation, less debt related to acquiring assets. The Authority's remaining net fund position is unrestricted.

9. Pensions.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Smyrna-Rutherford County Airport Authority's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Smyrna-Rutherford County Airport Authority's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Smyrna/Rutherford County Airport Authority
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE C - ACQUISITION OF AIRPORT

The Authority acquired the airport from the Metropolitan Nashville Airport Authority ("Nashville") on May 15, 1991 under an Airport Purchase Agreement ("Agreement"). All assets including cash, accounts receivable, and property and equipment were transferred under the agreement. The airport was acquired subject to existing leases, contracts and tenants' deposits. The assets and their related estimated fair market values transferred were as follows:

Real and tangible personal property	\$	49,407,346
Cash and accounts receivable		530,229
		530,229
	\$	49,937,575

In consideration of the transfer, the Authority agreed to undertake steps to environmentally clean-up the airport at its sole expense and agreed to indemnify Nashville from any costs related to the clean-up. The clean-up relates primarily to the removal and disposal of underground fuel storage tanks. The clean-up was completed and the Authority received a complete release in 2002.

NOTE D - CAPITAL ASSETS

Changes in capital assets are as follows:

	Capital assets, not depreciated		Capital assets, depreciated			
	Land	Construction in process	Buildings and improvements	Taxiways, runways, ramps	Furniture, Equipment, and vehicles	Totals
Balance, June 30, 2014	\$ 18,149,969	\$ 1,836,324	\$ 22,833,370	\$ 27,800,176	\$ 1,751,511	\$ 72,371,350
Additions	-	3,288,840	20,252	2,334,643	79,416	5,723,151
Retires	-	(1,740,272)	-	-	(29,738)	(1,770,010)
Balance, June 30, 2015	18,149,969	3,384,892	22,853,622	30,134,819	1,801,189	76,324,491
Accumulated depreciation						
Balance, June 30, 2014	-	-	17,579,624	24,657,535	1,269,010	43,506,169
Additions	-	-	296,068	418,657	125,362	840,087
Retires	-	-	-	-	(29,738)	(29,738)
Balance, June 30, 2015	-	-	17,875,692	25,076,192	1,364,634	44,316,518
Net assets, June 30, 2015	\$ 18,149,969	\$ 3,384,892	\$ 4,977,930	\$ 5,058,627	\$ 436,555	\$ 32,007,973

NOTE E - LONG-TERM DEBT/BONDS PAYABLE

During 1999 and 1998, the Authority incurred capital outlay notes payable with the City of Smyrna and Rutherford County. The notes are related to the west side development of the airport. The original draws on the Smyrna note and the Rutherford County note were \$497,784 and \$652,209, respectively. These notes were initially refinanced in August of 2006 and additional proceeds of \$268,138 were received from the City of Smyrna and \$402,207 was received from Rutherford County; the monthly payments remained unchanged.

Smyrna/Rutherford County Airport Authority
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE E - LONG-TERM DEBT/BONDS PAYABLE (CONTINUED)

During the year ended June 30, 2014 the Authority and the City of Smyrna and Rutherford County adjusted the terms of the capital outlay notes. The monthly payments of \$6,600 to the County and \$4,400 to the City were reduced to \$3,650 and \$3,350, respectively. The interest rates on the notes were reduced from 6% to 2%. Maturity dates for the notes are September, 2023.

In connection with the West Side Development project, the Authority issued Revenue Bonds of up to \$4,400,000 to Rutherford County and the City of Smyrna. During December 2014 the Authority drew down \$1,703,470 the bonds from the City of Smyrna. Loan costs of \$61,530 were added to the bonds for a total loan of \$1,765,000. The Authority drew down \$2,500,000 on the bonds from Rutherford County in June 2014. Loan costs of \$70,000 were added to the bonds for a total loan of \$2,570,000. Each bond is payable from the net revenue of the Authority. The bonds bear interest rates ranging from 1.1% to 4.125% and are payable interest only monthly through March 2016. Monthly payments of interest and principle will start in April 2016 at varying amounts through 2034.

Maturities of long term debt are as follows:

Year ended June 30,		<u>Principal</u>	<u>Interest</u>
	2016	\$ 100,662	\$ 93,863
	2017	263,336	121,216
	2018	271,094	117,942
	2019	276,355	114,397
	2020	279,146	110,245
	2021-2025	1,351,637	466,585
	2026-2030	1,271,250	317,133
	2031-2034	1,158,197	92,723
		<u>\$ 4,971,677</u>	<u>\$ 1,434,104</u>

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

	<u>Balance</u>			<u>Balance</u>
	June 30, 2014	Additions	Retires	June 30, 2015
Capital outlay notes	\$ 707,760	-	(71,083)	\$ 636,677
Revenue bonds payable	2,570,000	1,765,000	-	4,335,000
	<u>\$ 3,277,760</u>	<u>\$ 1,765,000</u>	<u>\$ (71,083)</u>	<u>\$ 4,971,677</u>

Smyrna/Rutherford County Airport Authority
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE F - LEASE AGREEMENTS

The Authority's primary source of revenue is from leasing buildings and hangars. With the exception of the Authority's administrative offices, substantially all buildings and hangars are available for or subject to leases. Lease terms generally provide the tenant bear costs of utilities, insurance, maintenance, and taxes. Future minimum rentals under non-cancelable operating leases are estimated as follows:

Year ended June 30,	2016	\$	1,078,676
	2017		923,358
	2018		767,888
	2019		713,846
	2020		559,563
	Thereafter		10,718,778
			\$ 14,762,109

Not included in the above lease totals are certain fuel flowage fees received from two tenants in 2015; these fees amounted to approximately \$84,146 in 2015.

NOTE G - MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

Three tenants account for approximately 63% of lease revenue and other income for the year ended June 30, 2015. Substantially all major tenants are in the aviation industry. At June 30, 2015 and 2014 outstanding accounts receivable from these customers was \$47,346.

NOTE H - PENSION PLAN

Plan Description- Employees of Smyrna-Rutherford County Airport Authority are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided- Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent

Smyrna/Rutherford County Airport Authority
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE H- PENSION PLAN(CONTINUED)

and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered- At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	7
Active employees	10
	24
	24

Contributions-Smyrna-Rutherford County Airport Authority's makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Smyrna-Rutherford County Airport Authority were \$74,909 based on a rate of 16.57% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Smyrna-Rutherford County Airport Authority's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability(Asset)

Smyrna-Rutherford County Airport Authority's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions- The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Smyrna/Rutherford County Airport Authority
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE H- PENSION PLAN(CONTINUED)

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent (use only if COLA is provided)

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33.00%
Developed market intl equity	6.26%	17.00%
Emerging market intl equity	6.40%	5.00%
Private equity and strategic lending	4.61%	8.00%
U.S. fixed income	0.98%	29.00%
Real estate	4.73%	7.00%
Short-term securities	0.00%	1.00%
		100.00%

Smyrna/Rutherford County Airport Authority
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE H- PENSION PLAN(CONTINUED)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate- The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from Smyrna-Rutherford County Airport Authority's will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2013	\$ 1,243,307	\$ 1,154,646	\$ 88,661
Changes for the year:			
Service cost	34,183	-	34,183
Interest	95,244	-	95,244
Differences between expected and actual experience	4,336	-	4,336
Contributions-employer	-	74,234	(74,234)
Contributions-employees	-	-	-
Net investment income	-	196,278	(196,278)
Benefit payments, including refunds of employee contributions	(15,148)	(15,148)	-
Administrative expense	-	(418)	418
Net changes	<u>118,615</u>	<u>254,946</u>	<u>(136,331)</u>
Balance at June 30, 2014	<u>\$ 1,361,922</u>	<u>\$ 1,409,592</u>	<u>\$ (47,670)</u>

Smyrna/Rutherford County Airport Authority
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE H – PENSION PLAN(CONTINUED)

Sensitivity of the net pension liability (asset) to changes in the discount rate-The following presents the net pension liability (asset) of Smyrna-Rutherford County Airport Authority's calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current rate 7.50%	1% Increase 8.50%
Smyrna Rutherford County Airport Authority's net pension liability(asset)	\$ 129,575	\$ (47,670)	\$ (198,088)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense- For the year ended June 30, 2015, Smyrna-Rutherford County Airport Authority's recognized pension expense of \$20,417.

Deferred outflows of resources and deferred inflows of resources- For the year ended June 30, 2015, Smyrna-Rutherford County Airport Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between expected and actual experience	\$ 3,469	\$ -
Net difference between projected and actual earnings on pension plan investments	-	85,983
Contributions subsequent to the measurement date of June 30, 2014	74,909	-
Total	\$ 78,378	\$ 85,983

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense(benefit) as follows:

Year Ended June 30,		
2016	\$	(20,269)
2017		(20,269)
2018		(20,269)
2019		(20,269)

Smyrna/Rutherford County Airport Authority
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE H- PENSION PLAN(CONTINUED)

Payable to the Pension Plan

At June 30, 2015, Smyrna-Rutherford County Airport Authority's had no payables for outstanding contributions to the pension plan required at the year ended June 30, 2015.

NOTE I - FEDERAL AND STATE GRANTS

The Authority periodically has various 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 Tennessee Office of Aeronautics (TOA). The grant agreements generally require various levels of matching contributions by the Authority.

NOTE J - FINANCIAL INSTRUMENTS

The carrying values of the Authority's financial instruments (cash and cash equivalents, receivables, notes, accounts payable, and accrued expenses) approximate fair value due to their current availability, relatively short maturities and/or current market interest rates.

NOTE K – CAPITAL CONTRIBUTIONS

As disclosed in Note I, the Authority receives federal and state funds to help finance its airport improvement activities. The Authority also has received financial assistance from Rutherford County and the City of Smyrna. Capital contributions are as follows:

	Year Ended	
	June 30, 2015	From Inception
Federal grants	\$ 440,166	\$ 11,763,932
State grants	2,121,168	10,278,105
City of Smyrna	-	160,000
Rutherford County	-	437,215
Rutherford County IDB	-	165,000
	<u>\$ 2,561,334</u>	<u>\$ 22,804,252</u>

NOTE L - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, natural disasters, injuries to employees, etc. The Authority carries commercial insurance to cover significant losses. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the last three fiscal years.

Smyrna/Rutherford County Airport Authority
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE M – INVESTMENTS

The Authority has a certificate of deposit for \$100,000 at a local bank that bears interest at 0.15%. The certificate renewed in March 2015 and matured in September 2015. The certificate of deposit was renewed upon maturity. The bank is a participant in the Tennessee State Collateral Pool.

NOTE N – NEW GASB PRONOUNCEMENTS

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from the comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. During the year ended June 30, 2015 the Authority implemented this standard. The standard calls for retrospective accounting for the pension costs and resulted in an adjustment to the net position at June 30, 2014 of \$14,427.

Required Supplementary Information

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

For the year ended June 30, 2015

(year shown is measurement date)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability										
Service cost	\$ 34,183	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	95,244	-	-	-	-	-	-	-	-	-
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	4,336	-	-	-	-	-	-	-	-	-
Changes of assumptions	-	-	-	-	-	-	-	-	-	-
Benefit Payments, including refunds of employee contributions	(15,148)	-	-	-	-	-	-	-	-	-
Net Change in Total Pension Liability (Asset)	118,615									
Total Pension Liability (Asset) - beginning of year	1,243,307									
Total Pension Liability (Asset) - ending of year (a)	\$ 1,361,922									
Plan Fiduciary Net Position										
Contributions - employer	\$ 74,234	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	-	-	-	-	-	-	-	-	-	-
Net investment income	196,278	-	-	-	-	-	-	-	-	-
Benefit Payments, including refunds of employee contributions	(15,148)	-	-	-	-	-	-	-	-	-
Administrative expenses	(418)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	254,946									
Plan Fiduciary Net Position - beginning of year	1,154,646									
Plan Fiduciary Net Position - ending (b)	1,409,592									
Net Pension Liability (Asset) - ending (a) - (b)	\$ (47,670)	\$ -								
Plan Fiduciary Net Position as a % of the Total Pension Liability	103.5%									
Covered-employee payroll	\$ 448,000									
Net Pension Liability (Asset) as a % of covered-employee payroll	-10.64%									

Smyrna/Rutherford County Airport Authority

Required Supplementary Information

SCHEDULE OF PENSION CONTRIBUTIONS
For the year ended June 30, 2015

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 74,234	\$ 74,909	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	74,234	74,909	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered - employee payroll	448,000	458,000								
Contributions as a percentage of covered - employee payroll	16.57%	16.36%								

Notes to the Schedule Relating to the Actuarially Determined Contribution

Employer contributions for the year ended June 30, 2015 are based on the results of the July 1, 2013 actuarial valuation.

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	2 years
Asset valuation method	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97% to 3.71% based upon age and inflation at 4.25%
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

SUPPLEMENTAL INFORMATION

Independent Auditors' Report on Supplemental Information

To the Board of Directors
Smyrna/Rutherford County Airport Authority

We have audited the financial statements of the Smyrna/Rutherford County Airport Authority as of June 30, 2015 and for the year then ended, and our report thereon dated November 10, 2015 which expressed an unmodified opinion on those financial statements, appears on page 4 & 5. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 is fairly stated in all material respects in relation to the financial statements as a whole.

Dempsey Vantrease & Follis PLLC

Murfreesboro, Tennessee
November 10, 2015

Smyrna/Rutherford County Airport Authority
Schedule of State and Federal Financial Assistance
Year Ended June 30, 2015

Grantor	CFDA#	Contract #	Grant		Expenditures	Local Match	Grant	
			Receivable June 30, 2014	Receipts			Receivable June 30, 2015	
TN Dept of Transportation	N/A	75-555-0711-04	\$ 155	\$ 590,514	\$ 590,359	\$ -	\$ -	
TN Dept of Transportation	N/A	Maintainence Grant	-	25,740	51,480	25,740	-	
U.S. Dept of Transportation- Airport Improvement Program	20.106	3-47-SBGP-42 75-555-0109-04 *	-	326,232	414,666	-	A	88,434
TN Dept of Transportation	N/A	75-555-0418-04	7,142	1,996,594	2,561,726	-	A	572,274
TN Dept of Transportation	N/A	75-555-0719-04	4,055	196,480	290,537	-	A	98,112
U.S. Dept of Transportation- Airport Improvement Program	20.106	3-47-SBGP-46 75-555-0122-04 *	-	25,500	25,500	-		-
TN Dept of Transportation	N/A	75-555-0726-04	-	10,567	10,567	-		-
TN Dept of Transportation	N/A	75-555-0325-04	-	67,683	67,683	-		-
TN Dept of Transportation	N/A	75-555-0424-04	-	-	21,662	-	A	21,662
Total federal and state awards			\$ 11,351	\$ 3,239,309	\$ 4,034,180	\$ 25,740		\$ 780,482

Basis of Presentation:

This schedule is prepared on the accrual basis of accounting.

A local match is included in grant receivable since SRCAA advances match to TOA prior to grant start

* State contract number- SRCAA is grant subrecipient
State share of grant is 5%

**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 Commissioners
Smyrna Rutherford County Airport Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Smyrna Rutherford County Airport Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Smyrna Rutherford County Airport Authority basic financial statements and have issued our report thereon dated November 10, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies. 2015-1.

Compliance and Other Matters

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

Smyrna Rutherford County Airport Authority's Response to Findings

Smyrna Rutherford County Airport Authority's response to the findings identified in our audit is described in the accompanying schedule of findings. Smyrna Rutherford County Airport 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.

Dempsey, Vantrease & Follis PLLC

Murfreesboro, Tennessee
November 10, 2015

Smyrna/Rutherford County Airport Authority
SCHEDULE OF FINDINGS AND RESPONSES
For the Year ended June 30, 2015

Section I – Summary of Auditor Results

Type of report issued: unqualified

Internal control over financial reporting:

- Material weakness identified? **No**
- Significant deficiencies identified that are not considered material weaknesses **Yes**

Noncompliance material to financial statements noted: **No**

Section II – Financial Statement Finding

Finding #2015-1

<u>Criteria-</u>	Management of the Airport should consistently prepare financial statements in accordance with U. S. GAAP.
<u>Condition-</u>	Management lacks the expertise required to prepare complete financial statements.
<u>Cause-</u>	Management lacks resources and necessary educational background.
<u>Effect-</u>	Auditor recommended and posted several adjustments to the general ledger and had to assist in preparation of draft financial statements.
<u>Recommendation-</u>	Management should consider implementing policies to allow the Airport to prepare and review statements for consistent application of U.S. GAAP in financial reporting.
<u>Managements Response-</u>	We have a very small staff and do not believe the cost of preparing GAAP financial statements will be beneficial to management or the board of directors. Our operations are fairly simple and we believe our monthly financial statements meet our needs.

Smyrna/Rutherford County Airport Authority
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
For the Year ended June 30, 2015

Comments of Prior Audit Findings and Related Resolution

Finding #2014-1

<u>Condition-</u>	Management lacks the expertise required to prepare complete financial statements.
<u>Recommendation-</u>	Management should consider implementing policies to allow the Airport to prepare and review statements for consistent application of U.S. GAAP in financial reporting.
<u>Current year update-</u>	No changes were noted during the current year audit.