

**JACKSON-MADISON COUNTY
AIRPORT AUTHORITY**

JACKSON, TENNESSEE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
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INTRODUCTORY SECTION

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
DIRECTORY
June 30, 2015

BOARD MEMBERS

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

MANAGEMENT TEAM

Steve Smith, Executive Director
Cindy Melton, Deputy Director

FINANCIAL SECTION

Members of:

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



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Jackson-Madison County Airport Authority, Jackson, Tennessee (the Authority) as of and for the year ended June 30, 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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 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.

A handwritten signature in cursive script that reads "Alexander Thompson Arnold, PLLC".

Jackson, Tennessee
November 7, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Jackson-Madison County Airport Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2015. All amounts, unless otherwise indicated, are expressed in actual dollars. A comparative analysis of key elements of total governmental funds and total enterprise funds has been provided. A prior year comparative analysis of government-wide data has been provided.

FINANCIAL HIGHLIGHTS

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

- Total assets at year-end were \$9.38 million and exceeded liabilities in the amount of \$9.21 million (i.e. net position).
- Net position increased \$592 thousand during the current year.
- Operating revenues were \$3.32 million, while operating expenses were \$2.73 million which resulted in an increase in net position of \$592 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The *Statement of Net Position* includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Authority. As of June 30, 2015, the Authority did not have any deferred outflows and inflows related its pension plan.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Fund Financial Statements

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

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$9.21 million at the close of the most recent fiscal year. A portion of the Authority's net position, 90.41% reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment).

Table 1A

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	June 30,		June 30,		June 30,	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 616,210	\$ 622,883	\$ 437,920	\$ 232,180	\$ 1,054,130	\$ 855,063
Capital assets	8,268,351	7,947,782	59,266	26,659	8,327,617	7,974,441
Total assets	<u>8,884,561</u>	<u>8,570,665</u>	<u>497,186</u>	<u>258,839</u>	<u>9,381,747</u>	<u>8,829,504</u>
Deferred outflows of resources	32,026	-	-	-	32,026	-
Long-term liabilities	53,472	28,261	-	-	53,472	28,261
Other liabilities	55,490	89,961	64,623	80,374	120,113	170,335
Total liabilities	<u>108,962</u>	<u>118,222</u>	<u>64,623</u>	<u>80,374</u>	<u>173,585</u>	<u>198,596</u>
Deferred inflows of resources	29,188	-	-	-	29,188	-
Invested in capital assets	8,268,351	7,947,782	59,266	26,659	8,327,617	7,974,441
Restricted	225,078	210,307	-	-	225,078	210,307
Unrestricted	285,008	294,354	373,297	151,806	658,305	446,160
Total net position	<u>\$ 8,778,437</u>	<u>\$ 8,452,443</u>	<u>\$ 432,563</u>	<u>\$ 178,465</u>	<u>\$ 9,211,000</u>	<u>\$ 8,630,908</u>

An additional portion of the Authority's net position (2.44%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$658,305 may be used to meet the Authority's ongoing obligations.

The increase in restricted net position of represented an increase in net assets restricted by grant contracts of \$5,731 and an increase in net pension assets of \$9,040

Statement of Activities – Revenues in the governmental activities column exceeded expenses by \$338 thousand. Revenues significantly decreased and expenses slightly increased during the year due to the fact that the Authority received more grant money from state and federal governments in the prior fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2A

CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

	Governmental		Business-type		Total	
	Activities		Activities			
	Year Ended June 30,		Year Ended June 30,		Year Ended June 30,	
	2015	2014	2015	2014	2015	2014
Operating revenues	\$ 1,591,461	\$ 3,013,336	\$ 1,719,333	\$ 1,666,382	\$ 3,310,794	\$ 4,679,718
Non-operating revenues	5,207	165	-	-	5,207	165
Total revenues	1,596,668	3,013,501	1,719,333	1,666,382	3,316,001	4,679,883
Operating expenses	1,258,795	1,196,744	1,465,235	1,583,920	2,724,030	2,780,664
Total expenses	1,258,795	1,196,744	1,465,235	1,583,920	2,724,030	2,780,664
Change in net assets	337,873	1,816,757	254,098	82,462	591,971	1,899,219
Beginning net position	8,452,443	6,635,686	178,465	96,003	8,630,908	6,731,689
Restatement - pension	(11,879)	-	-	-	(11,879)	-
Beginning net position restated	8,440,564	6,635,686	178,465	96,003	8,619,029	6,731,689
Ending net position	\$ 8,778,437	\$ 8,452,443	\$ 432,563	\$ 178,465	\$ 9,211,000	\$ 8,630,908

COMMENTS ON FUND FINANCIAL STATEMENTS

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

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

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

Revenues in the general fund increased from last year by approximately \$71 thousand. The most significant change in revenues in the general fund was:

- A \$35 thousand increase in space rentals.
- A \$30 thousand increase in operating subsidies

Expenditures in the general fund increased from last year by approximately \$74 thousand. The most significant changes in expenditures and other financing uses in the general fund were:

- A \$68 thousand increase in administration expenses.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of the fiscal year, the Authority had invested \$8.33 million in a variety of capital assets. See Note 6 to the financial statements for details.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt – At year ended June 30, 2015 the authority had no outstanding long-term.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

REQUESTS FOR INFORMATION

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 501,781	\$ 361,951	\$ 863,732
Receivables			
Accounts	6,306	30,420	36,726
Intergovernmental	-	6,259	6,259
Grants	360	-	360
Inventories	1,709	39,290	40,999
Deposits on contracts	97,014	-	97,014
Net pension asset	9,040	-	9,040
Capital assets not being depreciated			
Construction in progress	116,347	-	116,347
Capital assets being depreciated (net of accumulated depreciation)			
Land improvements	108,376	-	108,376
Buildings	3,254,333	-	3,254,333
Infrastructure	4,580,096	-	4,580,096
Furniture and fixtures	-	14,111	14,111
Machinery and equipment	120,857	35,031	155,888
Vehicles	88,342	10,124	98,466
Total assets	8,884,561	497,186	9,381,747
Deferred Outflows of Resources			
Pension changes in experience	2,912	-	2,912
Pension contributions after measurement date	29,114	-	29,114
Total Deferred Outflows of Resources	32,026	-	32,026
Liabilities			
Accounts payable	53,472	57,047	110,519
Compensated absences payable	34,962	4,576	39,538
Refundable deposits	6,112	3,000	9,112
Unearned revenues	14,416	-	14,416
Total liabilities	108,962	64,623	173,585
Deferred Inflows of Resources			
Pension changes in investment earnings	29,188	-	29,188
Net position			
Investment in capital assets	8,268,351	59,266	8,327,617
Restricted for pension benefits	9,040	-	9,040
Restricted for capital projects	216,038	-	216,038
Unrestricted	285,008	373,297	658,305
Total net position	\$ 8,778,437	\$ 432,563	\$ 9,211,000

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Airport operation	\$ 1,258,795	\$ 348,727	\$ 257,249	\$ 985,485	\$ 332,666	\$ -	\$ 332,666
Business-type activities							
FBO	<u>1,466,958</u>	<u>1,721,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>254,098</u>	<u>254,098</u>
Total	<u>\$ 2,725,753</u>	<u>\$ 2,069,783</u>	<u>\$ 257,249</u>	<u>\$ 985,485</u>	<u>332,666</u>	<u>254,098</u>	<u>586,764</u>
		General revenues					
					3	-	3
					<u>5,204</u>	<u>-</u>	<u>5,204</u>
					<u>5,207</u>	<u>-</u>	<u>5,207</u>
					337,873	254,098	591,971
					8,452,443	178,465	8,630,908
					<u>(11,879)</u>	<u>-</u>	<u>(11,879)</u>
					<u>8,440,564</u>	<u>178,465</u>	<u>8,619,029</u>
					<u>\$ 8,778,437</u>	<u>\$ 432,563</u>	<u>\$ 9,211,000</u>

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

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY
GOVERNMENTAL FUNDS BALANCE SHEET**

June 30, 2015

	General Fund	Capital Projects Fund	Total
Assets			
Cash	\$ 369,585	\$ 132,196	\$ 501,781
Receivables			
Accounts	6,306	-	6,306
Grants	-	360	360
Inventories	1,709	-	1,709
Deposits on contracts	-	97,014	97,014
	\$ 377,600	\$ 229,570	\$ 607,170
Liabilities			
Accounts payable	\$ 39,938	\$ 13,532	\$ 53,470
Refundable deposits	6,112	-	6,112
Unearned revenues	14,416	-	14,416
Total liabilities	60,466	13,532	73,998
Deferred Inflows of Resources			
Unavailable revenue	-	-	-
Fund Balances			
Non-spendable	1,709	-	1,709
Restricted for grant projects	-	216,038	216,038
Unassigned	315,425	-	315,425
Total fund balances	317,134	216,038	533,172
Total liabilities, deferred inflows of resources and fund balances	\$ 377,600	\$ 229,570	\$ 607,170

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

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

June 30, 2015

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

Fund balance - total governmental funds (Page 12)	\$	533,172
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		8,268,349
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences payable		(34,962)
Net pension assets of the pension plan are not current financial resources and therefore are not reported in the governmental funds		9,040
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years		
Add: deferred outflows of resources related to pensions		32,026
Less: deferred inflows of resources related to pensions		<u>(29,188)</u>
Net position of governmental activities (Page 10)	\$	<u>8,778,437</u>

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
For the Year Ended June 30, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues			
Intergovernmental			
Grants			
Local	\$ -	\$ 119,253	\$ 119,253
State	23,163	848,942	872,105
Federal	-	21,408	21,408
Operating subsidies	234,147	-	234,147
Service and property use			
Space rentals	256,876	-	256,876
Concessions	14,721	-	14,721
Fuel flowage	40,512	-	40,512
Landing fees	6,965	-	6,965
Land rentals	30,300	-	30,300
Other			
PFC revenue	-	1,918	1,918
Vending and miscellaneous	5,204	3	5,207
Bad debt	(708)	-	(708)
Total revenues	<u>611,180</u>	<u>991,524</u>	<u>1,602,704</u>
Expenditures			
Current			
Fire protection	7,746	-	7,746
Maintenance and utilities	151,202	-	151,202
Administration	418,370	-	418,370
Control tower	16,267	-	16,267
Capital projects	-	979,757	979,757
Total expenditures	<u>593,585</u>	<u>979,757</u>	<u>1,573,342</u>
Net change in fund balance	17,595	11,767	29,362
Fund balance, beginning of year	<u>299,539</u>	<u>204,271</u>	<u>503,810</u>
Fund balance, end of year	<u>\$ 317,134</u>	<u>\$ 216,038</u>	<u>\$ 533,172</u>

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

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY
RECONCILIATION OF STATEMENT OF GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO
STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2015

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

Net change in fund balances - total governmental funds (Page 14)	\$	29,362
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:

Capital assets purchased in the current period		960,013
Current year depreciation expense		(639,444)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred inflows of resources - unavailable revenues		(6,037)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Amortization of long-term asset not reported in the funds		(23,075)
Change in compensated absences payable		(6,701)
Change in net pension asset		20,917
Change in deferred outflows related to pensions		32,026
Change in deferred inflows related to pensions		(29,188)

Change in net position of governmental activities (Page 11)	\$	<u>337,873</u>
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JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015

	FBO
Assets	
Current assets	
Cash	\$ 361,951
Receivables	
Accounts	23,547
Credit cards	6,873
Inventory	
Aviation gasoline	20,148
Jet fuel	13,230
Oil and additives	5,912
Due from United States Government	6,259
Total current assets	437,920
Noncurrent assets	
Capital assets	
Furniture and fixtures	28,529
Equipment	65,191
Vehicles	38,500
Accumulated depreciation	(72,954)
Total capital assets (net of accumulated depreciation)	59,266
Total assets	497,186
Liabilities	
Current liabilities	
Accounts payable	53,248
Sales tax payable	3,799
Refundable deposits	3,000
Accrued leave	4,576
Total current liabilities	64,623
Net position	
Investment in capital assets	59,266
Unrestricted	373,297
Total net position	\$ 432,563

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

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND**

For the Year Ended June 30, 2015

	FBO
Operating revenues	
Sales - fuel, oil and additives	\$ 1,494,292
Sales - other	3,866
Rentals	156,793
Other operating revenues	66,105
Total operating revenues	1,721,056
 Operating expenses	
Cost of goods sold	1,105,271
Credit card fees	31,992
Uniforms	10,109
Catering	2,307
Advertising	1,702
Personnel cost	210,171
Depreciation	15,669
Dues and subscriptions	1,493
Equipment maintenance	747
FBO supplies	5,915
Truck lease	25,295
Professional fees	3,245
Flowage fee	30,282
Miscellaneous	2,647
Office supplies	4,007
Postage	98
Repairs and maintenance	10,908
Telephone	3,414
Travel	1,086
Total operating expenses	1,466,958
 Change in net position	254,098
Total net position, beginning	178,465
Total net position, ending	\$ 432,563

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2015

	FBO
Cash flows from operating activities	
Cash received from customers	\$ 1,522,690
Other operating receipts	226,764
Cash paid to suppliers	(1,121,264)
Cash paid to employees for services	(209,929)
Payments to other funds	(50,572)
Other operating payments	(134,877)
Net cash provided by operating activities	232,812
 Cash flows from capital and related financing activities	
Acquisition of capital assets	(48,276)
 Net increase in cash and cash equivalents	184,536
 Cash and cash equivalents - beginning of year	177,415
 Cash and cash equivalents - end of year	\$ 361,951
 Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income	\$ 254,098
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	15,669
(Increase) decrease in receivables	28,398
(Increase) decrease in due from other governments	78
(Increase) decrease in inventories	892
Increase (decrease) in payables	(15,993)
Increase (decrease) in accruals	242
Increase (decrease) in due to other funds	(50,572)
Net cash provided by operating activities	\$ 232,812

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – ORGANIZATION

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation - Government-wide Financial Statements

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

C. Basis of Presentation – Fund Financial Statements

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

The Authority reports the following major governmental funds:

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

The Authority reports the following major enterprise fund:

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

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

Further, if any activity occurs during the year involving transfers of resources between funds, these amounts in the fund financial statements are report at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds included in the governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. The Authority had no transfers between funds for the year ended June 30, 2015

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

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

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

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

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

D. Impact of Recently Issued Accounting Pronouncements

In June 2012, Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and in November, 2013 issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. Statement No. 68 affects the governments that participate as employers in these plans and is effective for fiscal year beginning after June 30, 2014. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations. The Authority has implemented GASB Statement Nos. 68 and 71 for the year ended June 30, 2015. This implementation resulted in the reporting of deferred outflows and inflows of resources and a pension asset on the statement of net position. It also resulted in the restatement of the beginning net position related to the net pension liability (asset) and deferred outflows related to contributions.

F. Assets, Liabilities, and Net Position or Equity

Deposits and Investments

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

Inventories

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

Capital Assets

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

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

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

Compensated Absences

The Authority records as expenditures the vacation accrued during the year that would normally be liquidated with expendable available financial resources. The employees accumulate vacation days and in the event of termination employees are reimbursed for accumulated vacation up to a maximum of 30 days. The current portion of the accrued vacation at June 30, 2015 recorded in the General Fund is the amount that would normally be liquidated with expendable available financial resources. Accumulated annual leave at June 30, 2015 totaled \$39,538.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has two items that qualify for this form of reporting – deferred outflows caused by pension contributions subsequent to the measurement date and difference between expected and actual experience related to pension.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for this for of reporting – deferred inflows resulting from the net difference between projected and actual earnings in the pension plan investments as of June 30, 2015.

Net Position Flow Assumption

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

Fund Balance Policies and Flow Assumptions

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

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

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

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

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

Interfund Balances

Interfund balances at June 30, 2015 consisted of lease payments due from the FBO fund to the general fund. These balances were settled on a current basis shortly after the year end.

Program Revenues

Program revenues in the governmental funds consist primarily of space and real estate rentals and various concession-type fees.

Pensions

For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additional to/deductions from the 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 (including refunds of employee contributions) 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.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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

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

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

NOTE 5 – CASH AND INVESTMENTS

Custodial Credit Risk

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

funds invested in the repurchase transaction. As of June 30, 2015, all bank deposits are fully collateralized or insured.

NOTE 6 - CAPITAL ASSETS

Capital assets acquired in the General Fund are expensed when purchased. The assets on the government-wide financial statements include only those that have met the Authority's capitalization policy. The City of Jackson and Madison County budget for Capital Outlay by the Authority, and pays directly for the items so budgeted. These items are also included in the Capital Asset account, if they meet the criteria. The land occupied by the Authority is owned by the City of Jackson and Madison County and is therefore not reflected in these financial statements. Capital asset activity for the year ended June 30, 2015 was as follows:

Governmental activities:	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated				
Construction in process	\$ 403,913	\$ 978,128	\$ 1,265,694	\$ 116,347
Total capital assets not being depreciated	<u>403,913</u>	<u>978,128</u>	<u>1,265,694</u>	<u>116,347</u>
Capital assets, being depreciated				
Land improvements	166,664	58,186	-	224,850
Buildings	6,677,719	31,669	-	6,709,388
Infrastructre	4,768,844	1,149,884	-	5,918,728
Furniture and fixtures	8,692	-	-	8,692
Machinery and equipment	884,090	7,840	-	891,930
Vehicles	618,480	-	-	618,480
Total capital assets, being depreciated	<u>13,124,489</u>	<u>1,247,579</u>	<u>-</u>	<u>14,372,068</u>
Total capital assets	13,528,402	2,225,707	1,265,694	14,488,415
Less: accumulated depreciation for:				
Land improvements	102,729	13,746	-	116,475
Buildings	3,200,102	254,953	-	3,455,055
Infrastructre	1,069,595	269,036	-	1,338,631
Furniture and fixtures	8,051	642	-	8,693
Machinery and equipment	717,806	53,266	-	771,072
Vehicles	482,337	47,801	-	530,138
Total depreciation	<u>5,580,620</u>	<u>639,444</u>	<u>-</u>	<u>6,220,064</u>
Governmental activities capital assets, net	<u>\$ 7,947,782</u>	<u>\$ 1,586,263</u>	<u>\$ 1,265,694</u>	<u>\$ 8,268,351</u>

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Business-type activities:	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, being depreciated				
Furniture and fixtures	\$ 14,583	\$ 13,946	\$ -	\$ 28,529
Machinery and equipment	40,363	24,829	-	65,192
Vehicles	<u>29,000</u>	<u>9,500</u>	-	<u>38,500</u>
Total capital assets	<u>83,946</u>	<u>48,275</u>	-	<u>132,221</u>
Less: accumulated depreciation for:				
Furniture and fixtures	13,027	1,392		14,419
Machinery and equipment	20,258	9,902		30,160
Vehicles	<u>24,000</u>	<u>4,375</u>	-	<u>28,375</u>
Total depreciation	<u>57,285</u>	<u>15,669</u>	-	<u>72,954</u>
Business-type activities capital assets, net	<u>\$ 26,661</u>	<u>\$ 32,606</u>	<u>\$ -</u>	<u>\$ 59,267</u>

Depreciation expense for the year ended June 30, 2015 was \$655,113.

NOTE 7 – UNAMORTIZED MASTER PLAN

The deferred asset totals \$0 as of June 30, 2015. In prior years, the unamortized balance represented work that was done on the Master Plan Update. This deferred asset was being amortized over a useful life of 10 years in the amount of \$23,075 per year beginning in the fiscal year 2009. As of June 30, 2015, the master plan is fully amortized and will not be reflected in future financial statements.

NOTE 8 – PENSION PLANS

A. Tennessee Consolidated Retirement System

General Information About the Pension Plan

Plan Description. Certain employees of Authority are provided a an agent multi-employer defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The Authority participates in TCRS through Madison County, a separate legal entity. Consequently the Authority's participation is accounted for as a multi-employer cost-sharing plan for purposes of the Authority's financial reporting. Certain employees of the Authority employed prior to July 1, 2012 are provided with membership in the Tennessee Consolidated Retirement System (TCRS). Participation in the plan was frozen after that plan was closed after June 30, 2012. The Teacher Legacy Pension Plan is closed to new membership. 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 all employer pension plans in 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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five 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 ten percent 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 second 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 three percent, and applied to the current benefit. No COLA is granted if the change in the CPA 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 by Benefit Terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	
Receiving Benefits	-
Inactive Employees Entitled to But Not Yet Receiving	
Benefits	-
Active Employees	4
Total	4

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are non-contributory. Madison County 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 the Authority were 13.86% based on a rate of 100 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Madison County'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)

The Authority's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) 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 the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

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 rate 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 rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Percentage Long-term Expected Real Rate of Return</u>	<u>Percentage Target Allocations</u>
U.S. Equity	6.46	33
Developed Market International Equity	6.26	17
Emerging Market International Equity	6.40	5
Private Equity and Strategic Lending	4.61	8
U.S. Fixed Income	0.98	29
Real Estate	4.73	7
Short-term Securities	-	1
Total		<u>100</u>

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
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June 30, 2015

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 employee contributions will be made at the current rate and that contributions from Madison County 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, July 1, 2013	\$ 431,035	\$ 401,966	\$ 29,069
Changes for the year:			
Service Cost	9,515	-	9,515
Interest	32,408	-	32,408
Differences Between Expected and Actual Experience	3,640	-	3,640
Contributions-Employer	-	17,189	(17,189)
Contributions- Employees	-	8	(8)
Net Investment Income	-	66,638	(66,638)
Benefit Payments, Including Refunds of Employee Contributions	(16,885)	(16,885)	-
Administrative Expense	-	(166)	166
Other Changes	-	-	-
Net Changes	<u>28,677</u>	<u>66,784</u>	<u>(38,106)</u>
Balance, June 30, 2014	<u>\$ 459,712</u>	<u>\$ 468,749</u>	<u>\$ (9,038)</u>

Sensitivity of the Net Position Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of the Authority 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 one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
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	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Jackson-Madison County Airport Authority proportionate share of net pension liability	\$ 50,942	\$ (9,038)	\$(59,198)

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

Pension Expense. For the year ended June 30, 2015, the Authority recognized pension expense of \$5,359.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, Madison County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 2,912	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	29,188
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>29,114</u>	<u>-</u>
Total	<u>\$ 32,026</u>	<u>\$ 29,188</u>

- (1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2014," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended <u>June 30</u>	<u>Amount</u>
2016	\$ 22,545
2017	(6,569)
2018	(6,569)
2019	(6,569)
2020	-
Thereafter	-

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

B. Deferred Compensation

The Authority offers all employees a deferred compensation plan established pursuant to IRC Section 457 and also offers employees hired on or after July 1, 2012, a deferred compensation plan established pursuant to IRC Section 401(a). These plans are offered through participation in the plans offered by Madison County. The Authority will match each eligible participant's 457(b) salary deferrals dollar-for-dollar on the first one percent of compensation and 50 percent on the next six percent of compensation. This match is deposited into a 401(a) account. The amount of match provided during the fiscal year ended June 30, 2015 was \$2,136.

NOTE 9 – REVENUE FROM OPERATING LEASES AND CONTRACTS

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

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

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

The Authority also receives the following revenues from concession contracts:

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

NOTE 10 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2015, the Authority or Madison County purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

REQUIRED SUPPLEMENTARY INFORMATION

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
PUBLIC EMPLOYEE PENSION PLAN OF TCRS
For the Fiscal Year Ended June 30

		2014
Authority's proportionate of the net pension liability (asset)		0.38%
Authority's proportionate share of the net pension liability (asset)	\$	(9,040)
Authority's covered-employee payroll	\$	196,293
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		-4.61%
Plan fiduciary net position as a percentage of the total pension liability (asset)		101.75%

Note: Ten years of data will be presented when in the future as available.

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
SCHEDULE OF AUTHORITY CONTRIBUTIONS
PUBLIC EMPLOYEE PENSION PLAN OF TCRS
For the Fiscal Years Ended June 30

	2014	2015
Contractually required contribution	\$ 28,168	\$ 29,114
Contributions in relation to the contractually required contribution	(28,168)	(29,114)
Contribution deficiency (excess)	\$ -	\$ -
Authority's covered-employee payroll	\$ 196,293	\$ 210,055
Contributions as a percentage of covered-employee payroll	14.35%	13.86%

Note: Ten years of data will be presented when in the future as available.

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

OTHER SUPPLEMENTARY INFORMATION SECTION

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

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

For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u> <u>(Under)</u>
Revenues				
Intergovernmental				
State maintenance grant	\$ 25,740	\$ 25,740	\$ 23,163	\$ (2,577)
Operating subsidies - local	187,620	187,620	217,147	29,527
Operatng subsidies for control tower - local	17,000	17,000	17,000	-
	<u>230,360</u>	<u>230,360</u>	<u>257,310</u>	<u>26,950</u>
Services and Property Use				
Space Rentals:				
Airline	5,400	5,400	5,400	-
Tee hangars	27,420	27,420	27,420	-
Hangar #3	10,056	10,056	7,650	(2,406)
Hangar #4 - Suite B	9,000	9,000	9,000	-
Hangars #8 and #10	34,716	34,716	34,721	5
Hangar #6	23,772	23,772	23,772	-
Hangar #10 - Suite B	5,400	5,400	6,075	675
Hangar # 6 office	8,412	8,412	8,415	3
Hangar #8 offices	10,800	10,800	12,150	1,350
Hanger 1 - TN Aircraft	15,000	15,000	15,000	-
AFSS/AFSFO	38,808	38,808	38,809	1
Car rental service area - building #15	1,620	1,620	1,620	-
Rental offices - terminal building #9	20,538	20,538	48,337	27,799
Fuel farm	2,550	2,550	2,550	-
Joint use - Army National Guard	10,000	10,000	10,000	-
Miscellaneous	500	500	5,957	5,457
	<u>223,992</u>	<u>223,992</u>	<u>256,876</u>	<u>32,884</u>
Concessions:				
Hertz	13,000	13,000	13,837	837
Enterprise	150	150	884	734
	<u>13,150</u>	<u>13,150</u>	<u>14,721</u>	<u>1,571</u>
Fuel Flowage:				
FBO	30,000	30,000	30,282	282
United Foods	13,796	13,796	10,230	(3,566)
	<u>43,796</u>	<u>43,796</u>	<u>40,512</u>	<u>(3,284)</u>
Landing Fees:				
Corporate Airlines	7,000	7,000	6,965	(35)

See the independent auditor's report.

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

For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u> <u>(Under)</u>
Land Rentals				
Agriculture	\$ 21,000	\$ 21,000	\$ 20,500	\$ (500)
Golf course	3,600	3,600	3,600	-
BellSouth	200	200	200	-
Hanger land lease	6,000	6,000	6,000	-
	<u>30,800</u>	<u>30,800</u>	<u>30,300</u>	<u>(500)</u>
 Total Services and Property Use	 <u>318,738</u>	 <u>318,738</u>	 <u>349,374</u>	 <u>30,636</u>
 Other				
Vending and miscellaneous	-	-	5,204	5,204
Interest	100	100	-	(100)
Bad debt	(500)	(500)	(708)	(208)
	<u>(400)</u>	<u>(400)</u>	<u>4,496</u>	<u>4,896</u>
 Total Revenues	 <u>548,698</u>	 <u>548,698</u>	 <u>611,180</u>	 <u>62,482</u>
 Expenditures				
Current				
Fire Protection				
ARFF training and supplies	3,000	3,000	2,649	(351)
Fuel, oil and grease	2,000	2,000	2,010	10
Maintenance- fire equipment	1,000	1,000	3,087	2,087
	<u>6,000</u>	<u>6,000</u>	<u>7,746</u>	<u>1,746</u>
Maintenance and Utilities				
Janitorial supplies	4,000	4,000	5,518	1,518
Fuel, oil and grease	14,000	14,000	11,323	(2,677)
Maintenance - ARFF	1,500	1,500	2,502	1,002
Maintenance - other	54,000	54,000	61,394	7,394
Outside lighting	9,000	9,000	7,424	(1,576)
Utilities	70,000	70,000	58,164	(11,836)
Maintenance equipment	1,000	1,000	4,877	3,877
	<u>153,500</u>	<u>153,500</u>	<u>151,202</u>	<u>(2,298)</u>

See the independent auditor's report.

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

For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u> <u>(Under)</u>
Current:				
Administration				
Personnel cost	330,000	330,000	367,732	37,732
Dues and publications	3,000	3,000	5,334	2,334
Automobile expense	2,000	2,000	1,999	(1)
Office equipment	3,000	3,000	1,709	(1,291)
Administration	8,000	8,000	6,356	(1,644)
Legal and accounting	10,000	10,000	7,019	(2,981)
Office supplies and postage	4,500	4,500	5,231	731
Communications	10,000	10,000	12,062	2,062
Repairs and maintenance	200	200	1,953	1,753
Promotion	5,000	5,000	8,975	3,975
	<u>375,700</u>	<u>375,700</u>	<u>418,370</u>	<u>42,670</u>
Control Tower				
Utilities	7,500	7,500	9,722	2,222
Maintenance and janitorial	5,000	5,000	5,413	413
Equipment purchases and repairs	1,000	1,000	486	(514)
Miscellaneous	-	-	646	646
	<u>13,500</u>	<u>13,500</u>	<u>16,267</u>	<u>2,767</u>
Total expenditures	<u>548,700</u>	<u>548,700</u>	<u>593,585</u>	<u>44,885</u>
Net change in fund balance	<u>\$ (2)</u>	<u>\$ (2)</u>	<u>\$ 17,595</u>	<u>\$ 17,597</u>
Fund balance, beginning of year			<u>299,539</u>	
Fund balance, end of year			<u>\$ 317,134</u>	

See the independent auditor's report.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND**

For the Year Ended June 30, 2015

Revenues

Intergovernmental

Grants - local governments	\$ 119,253
Grants - TDOT Aeronautics Division	848,942
Grants - Federal Aviation Administration	21,408
	<u>989,603</u>

Other

PFC revenue	1,918
Interest and miscellaneous	3
	<u>1,921</u>

Total revenues	<u>991,524</u>
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Expenditures

Capital Projects

State and local projects	911,635
FAA capital projects	31,648
Miscellaneous local projects	29,510
Other capital improvements	6,964
Total expenditures	<u>979,757</u>

Net change in fund balance	11,767
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Fund balance, beginning of year	<u>204,271</u>
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Fund balance, end of year	<u>\$ 216,038</u>
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See the independent auditor's report.

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

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

See the independent auditor's report.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
For the Year Ended June 30, 2015

Passenger Facility Charges under Title 49, U.S.C., Seciton 40117

Balance, beginning	\$	28,392
Passenger facility charge revenue collected during period		1,918
Interest earned allocated to PFC funds		3
Expenditures during the period		<u>-</u>
Balance, ending	\$	<u>30,313</u>

Basis of Presentation:

The accompanying expenditures of passenger facility charges summarizes the expenditures of the Jackson-Madison County Airport Authority under the FAA PFC program for the year ended June 30, 2015. The expenditures are presented using the modified accrual basis of accounting.

See the independent auditor's report.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2015

<u>Federal Grantor / Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Grant Number</u>	<u>Expenditures</u>
Federal Awards			
United States Department of Transportation / Tennessee Department of Transportation - Aeronautics Division	20.106	AERO-13-215-00	\$ 2,250
Tennessee Department of Transportation - Aeronautics Division	20.106	AERO-15-142-00	6,948
Tennessee Department of Transportation Aeronautics Division	20.106	AERO-14-157-00	<u>12,075</u>
Total federal awards			<u>21,273</u>
State Financial Assistance			
Tennessee Department of Transportation - Aeronautics Division	N/A	AERO-14-157-00	\$ 1,342
Aeronautics Division	N/A	AERO-15-143-00	20,072
Aeronautics Division	N/A	AERO-13-163-00	673,423
Aeronautics Division	N/A	AERO-13-216-00	19,501
Aeronautics Division	N/A	AERO-13-215-00	125
Aeronautics Division	N/A	AERO-15-142-00	386
Aeronautics Division	N/A	AERO-15-112-00	30,874
Aeronautics Division	N/A	AERO-13-106-00	23,180
Aeronautics Division	N/A	AERO-13-121-00	1,285
Aeronautics Division	N/A	AERO-14-191-00	54,140
Aeronautics Division	N/A	AERO-14-248-01	7,371
Aeronautics Division	N/A	AERO-15-143-00	11,844
Aeronautics Division	N/A	Z-10-22-0209-00	<u>23,163</u>
Total state financial assistance			<u>866,706</u>
Total federal awards and state financial assistance			<u>\$ 887,979</u>

Basis of Presentation:

The accompanying Schedule of State Financial Assistance summarizes the expenditures of the Jackson-Madison County Airport Authority under programs of the state government for the year ended June 30, 2015. The expenditures are presented using the modified accrual basis of accounting.

See the independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Jackson-Madison County Airport Authority, Jackson, Tennessee (the Authority), as of and for the year ended June 30, 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 November 7, 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 purposes of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Jackson, Tennessee
November 7, 2015

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS**

June 30, 2015

**FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Current year findings:

None reported.

Prior year findings:

None reported.