

*Audited Financial Statements
and Supplementary Information*

Sumner County Regional Airport Authority

June 30, 2015

Sumner County Regional Airport Authority
 Audited Financial Statements and Supplementary Information
 June 30, 2015

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SUMNER COUNTY REGIONAL AIRPORT AUTHORITY
1475 AIRPORT ROAD
GALLATIN, TENNESSEE 37066
LETTER OF TRANSMITTAL
June 30, 2015

To the Members of the Authority

The financial statements of the Sumner County Regional Airport Authority (the Authority) for the fiscal year ended June 30, 2015 are hereby submitted to the Authority Board and all others interested in the financial condition of the Authority. This report is published in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

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

Don Drayton
Chairman

Shawn Fennell
Treasurer

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY

ROSTER OF BOARD MEMBERS AND OFFICIALS

June 30, 2015

Officers

Don Drayton
Don Dickerson
Tim Lynch Jr.
Shawn Fennell

Chairman
Vice-Chairman
Secretary
Treasurer

Board of Commissioners

Camden McConnell
Douglas Brown
Dr. Steven Nelson
Mary J. Isham

John Berwind
Charles E. "Tod" Burnham
David Pigna

Other Officials

GTO Aviation, LLC
Harold M. Van Leeuwen, Jr

Fixed – Base Operator
Airport Manager

Independent Auditors

Crisler CPA, PLLC
Hendersonville, TN

See Note 7 regarding the Roster of Officials.



Independent Auditors' Report

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

Report on the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sumner County Regional Airport Authority as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority as of and for the year ended June 30, 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. The accompanying supplementary schedule of expenditures of federal awards and state financial assistance is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State of Tennessee Comptroller of the Treasury Audit Manual for Local Governmental Units and Recipients of Grant Funds, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information provided in the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2016, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Custer CPA, PLLC

Certified Public Accountants
Hendersonville, Tennessee
February 22, 2016

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) of the Sumner County Regional Airport Authority (the Authority) provides an introduction to the major activities affecting the operations of the airport and an introduction and overview to the financial performance and statements of the Authority as of and for the fiscal year ending June 30, 2015. This section should be read in conjunction with the financial statements and notes to the financial statements, which follow this section.

Financial Statements

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (the GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized and (except land and construction in progress) are depreciated over their useful lives. Refer to Note 1 of the financial statements for the summary of the Authority's significant accounting policies.

The Statement of Net Position presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial position.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing the change in the Authority's net position during the fiscal year. All changes in net position are reported when the underlying events occur, regardless of the timing of related cash flows. Thus, revenues and expenses are recorded and reported in this statement for some items that will result in cash flows in future periods.

The Statement of Cash Flows relates to the inflows and outflows of cash and cash equivalents. As such, only transactions that affect the Authority's cash accounts are recorded in this statement.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Airport Activities and Highlights

The Authority continued its redirection of the Authority's existing priorities and incorporation of new priorities into its overall plan to better serve its users and communities in the present and in the future. These actions include the continued effort to complete a review of the existing planning efforts and develop a full Master Plan for the Authority and associated Airport Layout Plan to reflect the results of this Master Plan effort. The previous plan developed and approved was the result of studies dating back several years and did not reflect the economic changes in the communities nor the forecast for the future demands on the Authority accurately resulting from these changes.

The Authority executed the project to correct several safety issues associated with its current in-place surfaces including the correction of the runway gradient and taxiway placement issues. This project cost was projected to be \$6.1 million composed of a 5% local share with the balance provided through Federal Aviation and State Aviation Funding. This also included the installation of new Precision Approach Path Indicator (PAPI) lighting systems that are more energy efficient and less maintenance intensive. As of June 30, 2015, the project is 90% complete and is well within budget. Other projects that continued were the purchase and clearing of an additional parcel of land. This was necessary to enable the Authority to have the required safety zones and obstruction clearances to allow instrument approaches in both directions and to use the full length of the runway in both directions for landing and takeoff.

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2015

Unfortunately, the expected bid out to accomplish the relocation of Airport Road was not accomplished in 2015 and is now not expected until early 2016. This relocation is still critical to the future development of the Authority to its fullest potential and is strongly supported by Sumner County and the City of Gallatin. Included in this project, but yet to be funded, is the need for sewer extension along the full length of the airport frontage on Airport Road. This service is critical to the ability of the Authority to develop the space made available by this road relocation. The Authority is working to find additional funding from other federal sources to support this requirement.

In addition to the critical road relocation in 2016, the Authority will be using its allocated resources, both federal and local, to accomplish projects that are focused on safety, maintenance and preservation of existing airport assets, including a ramp rehabilitation project.

The Authority is a critical asset to the communities it serves and has undertaken a comprehensive approach to successfully accomplish this role in the most effective manner possible. This has to be done through the efficient use of all resources both physical and fiscal.

Summary of Operations and Changes in Net Position

Operations

Net operating income remains relatively consistent with prior years as the Authority's available hangars remain fully leased. The Authority received grant funds of \$5,792,292 from the State of Tennessee, which was used to continue construction discussed above. This construction is overseen by the State, and all expenditures are reviewed for propriety by the State. Construction in progress is \$8,995,659 as of June 30, 2015.

Below is a summary of the Authority's results of operations and changes in its net position for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 258,219	\$ 221,190
Operating expenses	<u>166,785</u>	<u>184,888</u>
Profit (loss) before depreciation and non-operating revenue	91,434	36,302
Depreciation	<u>737,145</u>	<u>737,145</u>
Loss before non-operating revenue	(645,711)	(700,843)
Non-operating revenue (expense)	<u>763</u>	<u>(10,736)</u>
Loss before capital contributions	(644,948)	(711,579)
Capital contributions	<u>5,792,292</u>	<u>272,152</u>
Increase (decrease) in net position	<u>\$ 5,147,344</u>	<u>\$ (439,427)</u>

Net Position

The largest portion of the Authority's net position (97% for the year ended June 30, 2015) represents its investment in capital assets (e.g., buildings, improvements, and equipment). The Authority uses these capital assets to provide services to the general public; consequently, these assets are not available for future spending. The remaining unrestricted net position may be used to meet any of the Authority's ongoing obligations.

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

The following is a summary of the Authority's assets, liabilities, and net position at June 30, 2015 and 2014:

	2015	2014
Assets		
Current and other assets	\$ 1,284,793	\$ 479,163
Capital assets	<u>17,624,867</u>	<u>12,431,298</u>
Total assets	<u>\$ 18,909,660</u>	<u>\$ 12,910,461</u>
Liabilities		
Current liabilities	\$ 962,351	\$ 112,331
Long-term liabilities	<u>800,000</u>	<u>800,000</u>
Total liabilities	<u>1,762,351</u>	<u>912,331</u>
Deferred Inflows of Resources	4,575	2,740
Net Position		
Invested in capital assets	16,588,818	11,520,985
Restricted	239,711	32,266
Unrestricted	<u>314,205</u>	<u>442,139</u>
Total net position	<u>17,142,734</u>	<u>11,995,390</u>
Total liabilities and net position	<u>\$ 18,909,660</u>	<u>\$ 12,910,461</u>

Request for Information

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

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2015

Assets

Current Assets

Cash	\$ 206,185
Cash - restricted for retainage payments	239,711
Accounts receivable	4,654
Deposits with state	92,728
Grants receivable	726,302
Prepaid expenses	<u>15,213</u>
Total Current Assets	<u>1,284,793</u>

Capital Assets, net	<u>17,624,867</u>
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Total Assets	<u><u>\$ 18,909,660</u></u>
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Liabilities and Net Position

Current Liabilities

Retainage payable	\$ 239,089
Accrued expenditures	<u>723,262</u>
Total Current Liabilities	962,351

Note Payable	<u>800,000</u>
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Total Liabilities	1,762,351
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Deferred Inflows of Resources	4,575
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Net Position

Net investment in capital assets	16,588,818
Restricted net position	239,711
Unrestricted net position	<u>314,205</u>
Total Net Position	<u>17,142,734</u>

Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 18,909,660</u></u>
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See independent auditors' report and notes to the financial statements.

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
June 30, 2015

Operating Revenues	
Hangar lease revenue	\$ 226,808
Other operating revenues	<u>31,411</u>
Total Operating Revenues	<u>258,219</u>
Operating Expenses	
Salaries and wages	31,891
Maintenance expense	42,722
Insurance expense	18,737
Utilities expense	22,463
Administrative expense	27,482
Legal and professional expense	<u>23,490</u>
Total Operating Expense	<u>166,785</u>
Net Loss from Operating Activities Before Depreciation	<u>91,434</u>
Depreciation	<u>737,145</u>
Net Loss from Operating Activities	<u>(645,711)</u>
Non-Operating Revenue (Expense)	
Grants	14,300
Interest income	463
Interest expense	<u>(14,000)</u>
Total Non-Operating Revenue	<u>763</u>
Capital Grants	<u>5,792,292</u>
Increase in Net Position	<u>5,147,344</u>
Total Net Position at June 30, 2014	<u>11,995,390</u>
Total Net Position at June 30, 2015	<u>\$ 17,142,734</u>

See independent auditors' report and notes to the financial statements.

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
June 30, 2015

Cash Flows from Operating Activities	
Cash received from customers	\$ 255,400
Cash paid to suppliers	(147,633)
Cash paid to employees	<u>(31,891)</u>
Net Cash Provided by Operating Activities	<u>75,876</u>
 Cash Flows from Investing Activities	
Interest income received	<u>463</u>
Net Cash Provided by Investing Activities	<u>463</u>
 Cash Flow from Non-Capital Financing Activities	
Proceeds from non-capital grants	<u>14,300</u>
Net Cash Provided by Non-Capital Financing Activities	<u>14,300</u>
 Cash Flows from Capital and Related Financing Activities	
Proceeds from state grants	5,796,760
Interest paid on financing	(14,000)
Cash payments for the purchase of capital assets	<u>(5,930,713)</u>
Net Cash Flows Used by Capital and Related Financing Activities	<u>(147,953)</u>
 Net Decrease in Cash and Cash Equivalents	(57,314)
 Cash and Cash Equivalents at June 30, 2014	<u>263,499</u>
 Cash and Cash Equivalents at June 30, 2015	<u>\$ 206,185</u>

See independent auditors' report and notes to the financial statements.

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
June 30, 2015

Reconciliation of Net Loss from Net Cash Provided by Operating Activities

Net Loss from Operating Activities	\$ (645,711)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation	737,145
Increase in accounts receivable	(4,654)
Increase in prepaid expenses	(12,739)
Increase in deferred inflows	<u>1,835</u>
 Total Adjustments	 <u>721,587</u>
 Net Cash Provided by Operating Activities	 <u><u>\$ 75,876</u></u>

See independent auditors' report and notes to the financial statements.

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies

a. Organization

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

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

b. Basis of Accounting

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

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

c. Cash, Cash Equivalents, and Investments

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

Per Tennessee statutes, bank accounts may only be established and maintained in financial institutions whose deposits are federally insured. Bank account balances (including checking and investment accounts combined) must not exceed the amount federally insured by the FDIC unless the financial institution participates in the State Collateral Pool or pledges collateral for deposits in excess of the insured limits and the collateral is maintained in accordance with state statutes. In June of 2014, the Authority approved a plan to move bank accounts to a financial institution that participates in the State Collateral Pool. The Authority executed this plan in April of 2015. The Authority's deposits are now fully covered.

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

d. Receivables

Receivables are reported at their gross value when earned and reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts is based on collection history, aviation industry trends and current information regarding the credit worthiness of the tenants and others doing business with the Authority. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected. The Authority determined an allowance for uncollectible amounts was not needed as of June 30, 2015.

e. Capital Assets

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

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

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

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

f. Capital Contributions

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

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

g. Revenue

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

The Authority provides hangars for pilots who use the Airport facilities and one hangar for the Fixed Base Operator (FBO). The Authority leases to the owners the underlying land related to hangars privately built. Underlying land leases range from \$50 to \$323 per month. Leases on hangars built and owned by the Authority have rents ranging from \$200 to \$308 per month for individual hangars and \$500 and \$4,000 per month for the corporate hangars.

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any items that qualify for reporting in this category as of June 30, 2015.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority records hangar rent collected in advance of the months in which it is earned as deferred inflows or resources. Deferred inflows of resources were \$4,575 at June 30, 2015.

i. Net Position

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

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

Restricted net position – consists of assets with constraints

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

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

j. Estimates

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

k. Impact of Recently Issued Accounting Pronouncements

In March of 2012, GASB issued Statement No. 65 – Items previously reported as assets and liabilities. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for financial periods beginning after December 15, 2012. As of June 30, 2015, the Authority does report certain deferred inflows of resources.

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

In June 2012, GASB issued Statement 67, Financial Reporting for Pension Plans – an amendment of GASB Statement 25, and Statement 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal year beginning after June 30, 2014. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulation and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payable) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations. As of June 30, 2015, GASB Statement 67 and 68 will not have an impact on the financial position of the Authority, since it does not have a pension plan.

Note 2. Litigation

The Authority is subject to litigation from time to time. Currently, the Authority is involved in one eminent domain litigation case. The appraisal obtained by the Authority is \$192,600 while the defendant’s appraisal is \$485,000. This condemnation lawsuit is for land taken to expand the airport. The case is set for jury trial in January 2016 in the Circuit Court of Sumner County. The outcome of the trial cannot be reasonably estimated.

Note 3. Long-Term Debt

Long-term debt at June 30, 2015 consisted of the following:

The Authority has an interest-only note payable with Sumner County, Tennessee in the amount of \$800,000. Originally, the terms of the note stated that the note matured on January 2, 2023 and carried an interest rate of 3%. In July of 2015, a resolution approved by the Board of County Commissioners authorized the swap of the outstanding \$800,000 note for a building and land located on airport property.

Subsequent to the transaction described above, future maturities of long term debt are as follows:

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

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

Balance, June 30, 2014	\$ 800,000
Additions	-
Retirements	-
Balance, June 30, 2015	<u>\$ 800,000</u>

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 4. State Grants

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

Note 5. Airport Management

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

The Board terminated the services of C. Steven Sudbury of J & S Properties at the Board meeting on November 25, 2013. The Board oversaw the day-to-day operations of the Authority until a new airport manager was hired and began work in July 2014.

Note 6. Budget

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

Note 7. Roster of Officials

The Board of Commissioners as listed on the Roster of Officials on page 2 was seated and held their first formal meeting on July 28, 2014. During the December 2014 Board meeting, the Board nominated and voted to elect Don Drayton as Chairman, Don Dickerson as Vice-Chairman, Shawn Fennell as Treasurer, and Tim Lynch Jr. as Secretary. Board member Todd Burnham joined the board January 2015, increasing the count of Board members from ten to eleven.

Note 8. Risk Financing Activities

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

Note 9. Capital Assets

Non-depreciable assets owned by the Authority consist solely of land recorded at cost. Eleven privately built hangars were removed from the Authority's capital assets in previous years. These hangars are leased by private parties on thirty-year terms. Depreciation expense for the year ending June 30, 2015 totaled \$737,145.

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

The following is a summary of the Authority's depreciable and non-depreciable assets as of June 30, 2015:

Cost	Capital Assets Not Being Depreciated		Capital Assets Being Depreciated			
	Land	Construction in Progress	Buildings and Improvements	Taxiways, Runways, and Ramps	Furniture and Equipment	Totals
Balance, June 30, 2014	\$ 2,148,973	\$ 3,238,713	\$ 5,354,320	\$ 7,225,932	\$ 377,061	\$ 18,344,999
Additions	173,768	5,930,714	-	-	-	6,104,482
Retirements	-	-	(149,471)	(42,046)	-	(191,517)
Transfers	-	(173,768)	-	-	-	(173,768)
Balance, June 30, 2015	2,322,741	8,995,659	5,204,849	7,183,886	377,061	24,084,196
Accumulated Depreciation						
Balance, June 30, 2014	-	-	4,176,923	1,538,546	198,232	5,913,701
Additions	-	-	173,495	536,579	27,071	737,145
Retirements	-	-	(149,471)	(42,046)	-	(191,517)
Balance, June 30, 2015	-	-	4,200,947	2,033,079	225,303	6,459,329
Net Assets	\$ 2,322,741	\$ 8,995,659	\$ 1,003,902	\$ 5,150,807	\$ 151,758	\$ 17,624,867

Note 10. Related Party Transactions

The Chairman of the Board rents a hangar from the Authority. The terms of the lease are the same as other customers that rent a similar hangar. For the year ended June 30, 2015, he paid \$2,040 in hangar rent to the Authority. The Secretary of the Board subleases a hangar from a customer that rents two hangars from the Authority and paid a total of \$7,485 for both hangars during the year ended June 30, 2015. The Secretary does not pay the Authority directly.

Note 11. Subsequent Events

Authority management has evaluated subsequent events through February 22, 2016, which is the date of the Auditors' Report and the date the financial statements were available to be issued.

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
June 30, 2015

Federal Grantor/Pass Through Grantor	CFDA Number	Contract Number	Expenditures
US Dept. of Transportation/TN Dept. of Transportation - Aeronautics Division all programs	20.106	83-555-0153-04	\$ 24,397
	20.106	83-555-0196-04	4,954,902
	20.106	83-555-0766-04	115,409
	20.106	83-555-0785-04	1,800
	20.106	83-555-0787-04	66,179
	20.106	83-555-0792-04	118,265
	20.106	99-555-1239-04	14,300
			<u>\$ 5,295,252</u>

Basis of Presentation

This schedule summarizes the expenditures of the Sumner County Regional Airport Authority under programs of the federal government for the year ended June 30, 2015. This schedule is presented on the accrual basis of accounting.



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

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

We have audited, 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, the financial statements of the Sumner County Regional Airport Authority (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 financial statements, and have issued our report thereon dated February 22, 2016.

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 over financial reporting.

A *deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

In addition, we noted other matters involving internal control and its operation that we reported to the board of the Authority in a separate letter dated February 22, 2016.

Sumner County Regional Airport Authority
Gallatin, Tennessee

Authority Response to Findings

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

Purpose of this Report

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

Custer CPA, PLLC

Certified Public Accountants
Hendersonville, Tennessee
February 22, 2016



Independent Auditors' Report on Compliance
For Each Major Program And On Internal Control
Over Compliance Required By OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Sumner County Regional Airport Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the Sumner County Regional Airport Authority's major federal programs for the year ended June 30, 2015. The Sumner County Regional Airport Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Sumner County Regional Airport Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards general accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sumner County Regional Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Sumner County Regional Airport Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sumner County Regional Airport Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Sumner County Regional Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Sumner County Regional Airport Authority's internal

Sumner County Regional Airport Authority
Gallatin, Tennessee

control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sumner County Regional Airport Authority's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes.

A handwritten signature in black ink that reads "Custer CPA, PLLC". The signature is written in a cursive, slightly slanted style.

Certified Public Accountants
Hendersonville, Tennessee
February 22, 2016

SUMNER COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Sumner County Regional Airport Authority.
2. No material weaknesses were identified.
3. No significant deficiencies were identified.
4. No instances of noncompliance material to the financial statements of the Authority were disclosed during the audit.
5. The auditors' report on compliance with major federal awards programs for the Authority expresses an unqualified opinion.
6. Audit findings relative to the major federal awards for the Authority, when applicable, appear in Part B of this schedule.
7. The programs tested as major federal awards programs include those of the Tennessee Department of Transportation – Aeronautics Division.
8. The threshold for determining Type A and B programs was \$300,000.
9. The authority was determined to be a high risk auditee.

B. Financial Statement Findings

Current year findings:

None reported.

Prior year findings:

2014-001

Condition:

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

Criteria:

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

Effect:

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

Recommendation:

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

Management's response:

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