

**JACKSON-MADISON COUNTY
AIRPORT AUTHORITY**

JACKSON, TENNESSEE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
TABLE OF CONTENTS
For The Fiscal Year Ended June 30, 2020

Introductory Section

Director of Officials1

Financial Section

Independent Auditor's Report.....2
Management's Discussion and Analysis5
Financial Statements:
Government-wide Financial Statements:
Statement of Net Position 10
Statement of Activities 11
Fund Financial Statements:
Governmental Funds Balance Sheet..... 12
Reconciliation of Statement of Net Position to Governmental
Funds Balance Sheet..... 13
Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance 14
Reconciliation of Statement of Governmental Fund Revenues,
Expenditures and Changes in Fund Balance to Statement of Activities 15
Statement of Net Position – Proprietary Fund 16
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund 17
Statement of Cash Flows – Proprietary Fund..... 18
Notes to Financial Statements..... 19
Required Supplemental Information:
Schedule of the Authority's Proportionate Share of the Net Pension Liability (Asset).....37
Schedule of Authority Contributions - TCRS38
Schedule of the Authority's Proportionate Share of the Net OPEB Liability39
Schedule of Notes to OPEB Required Supplementary Information.....40

Supplementary and Other Information Section

Statement of Revenues, Expenditures and Changes in Fund Balance -
General Fund – Budget and Actual 41
Statement of Revenues, Expenditures and Changes in Fund Balance -
Capital Projects Fund 44
Schedule of Salaries and Bonds of Principal Officials 45
Schedule of Passenger Facility Charges, Investment Income
and Related Expenditures 46
Schedule of Expenditures of Federal Awards and State Financial Assistance 47

Internal Control and Compliance Section

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* 48
Independent Auditor's Report on Compliance with Requirements That Could
Have a Direct and Material Effect on the Passenger Facility Charge Program
And on Internal Control over Compliance in accordance with the *Passenger
Facility Charge Audit Guide for Public Agencies* 50
Schedule of Findings 52
Schedule of Prior Year Findings..... 53

INTRODUCTORY SECTION

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY
DIRECTORY**
June 30, 2020

BOARD MEMBERS

James Ross, Chairman
Ryan Porter, Vice Chairman
Bob Maniss, Secretary
Robert E. Frankland, III, Commissioner
Raymond (R.E.) Butts IV, Commissioner

MANAGEMENT TEAM

Steve Smith, Executive Director
Cindy Melton, Deputy Director

FINANCIAL SECTION



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, 2020, 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, 2020, 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, pension related schedules, and OPEB related schedules (Required Supplementary Information) as listed in the table of contents 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 supplementary and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of passenger facility charges, investment income and related expenditures is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the financial statements.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020, 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 solely 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 the effectiveness of the Authority's 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.



Jackson, Tennessee
December 14, 2020

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, 2020. 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 stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets at year-end were \$16.47 million and deferred outflows of resources were \$46 thousand and exceeded liabilities of \$351 thousand and deferred inflows of resources of \$36 thousand by \$16.13 million (i.e. net position).
- Net position decreased \$67 thousand during the current year.
- Operating revenues were \$3.12 million, while operating expenses were \$3.22 million which contributed to a decrease in net position of \$67 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 supplementary and other 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 supplementary and other information section includes the schedules of revenues, expenditures, and changes in fund balance – general fund - budget and actual, the statement of revenues, expenditures, and changes in fund balance – capital projects fund, 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, deferred outflows of resources, liabilities and deferred inflows of resources 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

liquidity and financial flexibility of the Authority. As of June 30, 2020, the Authority had deferred outflows and inflows related its pension and OPEB plans of \$46,322 and \$36,181 respectively.

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 18 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$16.13 million at the close of the most recent fiscal year. A portion of the Authority's net position, 91.49% 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,	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 851,000	\$ 667,888	\$ 863,213	\$ 751,408	\$ 1,714,213	\$ 1,419,296
Capital assets	14,719,216	14,913,268	39,556	109,478	14,758,772	\$ 15,022,746
Total assets	<u>15,570,216</u>	<u>15,581,156</u>	<u>902,769</u>	<u>860,886</u>	<u>16,472,985</u>	<u>16,442,042</u>
Deferred outflows of resources	46,322	49,384	-	-	46,322	49,384
Other liabilities	280,500	200,629	70,163	60,683	350,663	261,312
Deferred inflows of resources	36,181	30,910	-	-	36,181	30,910
Invested in capital assets	14,719,216	14,913,268	39,556	109,478	14,758,772	15,022,746
Restricted	363,172	302,551	-	-	363,172	302,551
Unrestricted	217,469	183,182	793,050	690,725	1,010,519	873,907
Total net position	<u>\$ 15,299,857</u>	<u>\$ 15,399,001</u>	<u>\$ 832,606</u>	<u>\$ 800,203</u>	<u>\$ 16,132,463</u>	<u>\$ 16,199,204</u>

An additional portion of the Authority's net position, 2.25% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position totaling \$1,010,519 may be used to meet the Authority's ongoing obligations.

Statement of Activities – Expenses in the governmental activities column exceeded revenues by \$99 thousand. Expenses in the business-type activities column were exceeded by revenues by \$32 thousand. Revenues did not change significantly while expenses slightly decreased during the year due to the fact that the Authority's FBO expenses decreased in the current fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2A

CONDENSED STATEMENT OF ACTIVITIES

	Governmental		Business-type		Total	
	Activities		Activities			
	Year Ended June 30,		Year Ended June 30,		Year Ended June 30,	
	2020	2019	2020	2019	2020	2019
Program revenues	\$ 1,289,724	\$ 1,082,356	\$ 1,833,371	\$ 2,054,362	\$ 3,123,095	\$ 3,136,718
Non-operating revenues	28,901	29,799	-	-	28,901	29,799
Transfers in	171,252	324,787	-	-	171,252	324,787
Total revenues and transfers	<u>1,489,877</u>	<u>1,436,942</u>	<u>1,833,371</u>	<u>2,054,362</u>	<u>3,323,248</u>	<u>3,491,304</u>
Program expenses	1,589,021	1,515,624	1,629,716	1,809,868	3,218,737	3,325,492
Transfers out	-	-	171,252	324,787	171,252	324,787
Total expenses and transfers	<u>1,589,021</u>	<u>1,515,624</u>	<u>1,800,968</u>	<u>2,134,655</u>	<u>3,389,989</u>	<u>3,650,279</u>
Change in net position	(99,144)	(78,682)	32,403	(80,293)	(66,741)	(158,975)
Beginning net position	15,399,001	15,477,683	800,203	880,496	16,199,204	16,358,179
Ending net position	<u>\$ 15,299,857</u>	<u>\$ 15,399,001</u>	<u>\$ 832,606</u>	<u>\$ 800,203</u>	<u>\$ 16,132,463</u>	<u>\$ 16,199,204</u>

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 \$89 thousand. The most significant changes in revenues in the general fund were:

- A \$69 thousand increase in federal grants
- A \$22 thousand increase in space rentals

Expenditures in the general fund increased from last year by approximately \$22 thousand. The most significant changes in expenditures and other financing uses in the general fund were:

- A \$15 thousand increase in maintenance and utilities
- A \$15 thousand increase in administration

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of the fiscal year, the Authority had invested \$14.76 million in a variety of capital assets. See Note 6 to the financial statements for details.

Debt – At year ended June 30, 2020 the authority had no outstanding long-term debt.

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, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash	\$ 511,727	\$ 742,748	\$ 1,254,475
Receivables			
Accounts	48,614	77,551	126,165
Intergovernmental	-	17,406	17,406
Grants	194,385	-	194,385
Inventories	448	25,508	25,956
Deposits on contracts	17,111	-	17,111
Net pension asset	78,715	-	78,715
Capital assets not being depreciated			
Construction in progress	7,716,701	-	7,716,701
Land	48,553	-	48,553
Capital assets being depreciated (net of accumulated depreciation)			
Land improvements	431,532	-	431,532
Buildings	2,943,996	-	2,943,996
Infrastructure	3,460,497	-	3,460,497
Furniture and fixtures	-	9,818	9,818
Machinery and equipment	93,831	17,339	111,170
Vehicles	24,106	12,399	36,505
Total assets	<u>15,570,216</u>	<u>902,769</u>	<u>16,472,985</u>
Deferred Outflows of Resources			
Pension related	37,510	-	37,510
OPEB related	8,812	-	8,812
Total Deferred Outflows of Resources	<u>46,322</u>	<u>-</u>	<u>46,322</u>
Liabilities			
Accounts payable	125,964	52,782	178,746
Compensated absences payable	44,866	11,181	56,047
Refundable deposits	-	6,200	6,200
Net OPEB Liability	97,030	-	97,030
Unearned revenues	12,640	-	12,640
Total liabilities	<u>280,500</u>	<u>70,163</u>	<u>350,663</u>
Deferred Inflows of Resources			
Pension related	28,093	-	28,093
OPEB related	8,088	-	8,088
Total Deferred Inflows of Resources	<u>36,181</u>	<u>-</u>	<u>36,181</u>
Net position			
Investment in capital assets	14,719,216	39,556	14,758,772
Restricted for pension benefits	78,715	-	78,715
Restricted for capital projects	284,457	-	284,457
Unrestricted	217,469	793,050	1,010,519
Total net position	<u>\$ 15,299,857</u>	<u>\$ 832,606</u>	<u>\$ 16,132,463</u>

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2020

	General Fund	Capital Projects Fund	Total
Assets			
Cash	\$ 245,256	\$ 266,471	\$ 511,727
Receivables			
Accounts	48,614	-	48,614
Grants	69,000	125,385	194,385
Inventories	448	-	448
Deposits on contracts	674	16,437	17,111
Total assets	\$ 363,992	\$ 408,293	\$ 772,285
Liabilities			
Accounts payable	\$ 2,128	\$ 123,836	\$ 125,964
Unearned revenues	12,640	-	12,640
Total liabilities	14,768	123,836	138,604
Fund Balances			
Non-spendable	448	-	448
Restricted for grant projects	-	284,457	284,457
Unassigned	348,776	-	348,776
Total fund balances	349,224	284,457	633,681
 Total liabilities, deferred inflows of resources and fund balances	\$ 363,992	\$ 408,293	\$ 772,285

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, 2020

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

Fund balance - total governmental funds (Page 12)	\$	633,681
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		14,719,216
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences payable		(44,866)
Net Pension Asset of the pension plan is not a current financial resource and therefore is not reported in the governmental funds		78,715
Net OPEB liability is not a current financial resource and therefore is not reported in the governmental funds		(97,030)
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		46,322
Less: deferred inflows of resources related to pensions & OPEB		<u>(36,181)</u>
Net position of governmental activities (Page 10)	\$	<u>15,299,857</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, 2020

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues			
Intergovernmental			
Grants			
Local	\$ -	\$ 57,482	\$ 57,482
State	25,000	404,432	429,432
Federal	69,000	129,951	198,951
Operating subsidies	128,681	-	128,681
Service and property use			
Other non-operating revenue	-	23,181	23,181
Space rentals	389,535	-	389,535
Concessions	11,604	-	11,604
Fuel flowage	45,229	-	45,229
Landing fees	6,552	-	6,552
Land rentals	22,258	-	22,258
Other			
PFC revenue	-	24,068	24,068
Interest and miscellaneous	4,800	33	4,833
Total revenues	<u>702,659</u>	<u>639,147</u>	<u>1,341,806</u>
Expenditures			
Current			
Fire protection	7,281	-	7,281
Maintenance and utilities	162,083	-	162,083
Administration	586,905	-	586,905
Control tower	13,382	-	13,382
Capital projects	-	608,133	608,133
Total expenditures	<u>769,651</u>	<u>608,133</u>	<u>1,377,784</u>
Revenues over (under) expenditures	(66,992)	31,014	(35,978)
Other financing sources (uses)			
Transfers in	<u>122,699</u>	<u>-</u>	<u>122,699</u>
Net change in fund balance	55,707	31,014	86,721
Fund balance, beginning of year	<u>293,517</u>	<u>253,443</u>	<u>546,960</u>
Fund balance, end of year	<u>\$ 349,224</u>	<u>\$ 284,457</u>	<u>\$ 633,681</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, 2020

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)	\$	86,721
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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		573,642
Current year depreciation expense		(682,172)
Capital transfer from FBO		48,553
Loss on disposal of assets		(134,075)

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.

Change in compensated absences payable		2,337
Change in net pension asset		29,607
Change in net OPEB liability		(15,424)
Change in deferred outflows related to pensions		(11,874)
Change in deferred outflows related to OPEB		8,812
Change in deferred inflows related to pensions		(5,554)
Change in deferred inflows related to OPEB		283
Change in net position of governmental activities (Page 11)	\$	<u>(99,144)</u>

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2020

	FBO
Assets	
Current assets	
Cash	\$ 742,748
Receivables	
Accounts	41,104
Credit cards	36,447
Inventory	
Aviation gasoline	18,834
Jet fuel	5,683
Oil and additives	991
Due from United States Government	17,406
Total current assets	863,213
Noncurrent assets	
Capital assets	
Furniture and fixtures	27,514
Equipment	66,822
Vehicles	32,750
Accumulated depreciation	(87,530)
Total capital assets (net of accumulated depreciation)	39,556
Total noncurrent assets	39,556
Total assets	902,769
Liabilities	
Current liabilities	
Accounts payable	50,700
Sales tax payable	2,082
Refundable deposits	6,200
Accrued leave	11,181
Total current liabilities	70,163
Total liabilities	70,163
Net position	
Investment in capital assets	39,556
Unrestricted	793,050
Total net position	\$ 832,606

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2020

	FBO
Operating revenues	
Sales - fuel, oil and additives (net of bad debts of \$3,218)	\$ 1,490,123
Sales - other	372
Rentals	183,012
Other operating revenues	159,864
Total operating revenues	1,833,371
Operating expenses	
Cost of goods sold	1,096,661
Credit card fees	23,543
Uniforms	5,066
Advertising	2,518
Personnel cost	323,787
Depreciation	26,962
Dues and subscriptions	8,798
Administration expense	900
Equipment maintenance	3,389
FBO supplies	6,738
Truck lease	24,000
Professional fees	6,265
Insurance claims expense	3,160
Special events cost	9,487
Flowage fee	41,260
Miscellaneous	702
Office supplies	2,709
Postage	48
Repairs and maintenance	16,843
Telephone	3,387
Travel	803
Utilities	22,562
Total operating expenses	1,629,716
Income before transfers	203,655
Transfers	
Operating transfer	(122,699)
Capital transfer	(48,553)
Total transfers	(171,252)
Change in net position	32,403
Total net position, beginning	800,203
Total net position, ending	\$ 832,606

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, 2020

	FBO
Cash flows from operating activities	
Cash received from customers	\$ 1,512,058
Other operating receipts	350,823
Cash paid to suppliers	(1,083,454)
Cash paid to employees for services	(321,025)
Other operating payments	(179,015)
Net cash provided by operating activities	279,387
 Cash flows from noncapital financing activities	
Transfers out	(122,699)
 Cash flows from capital and related financing activities	
Purchase of capital assets	(5,593)
 Net increase in cash and cash equivalents	151,095
Cash and cash equivalents - beginning of year	591,653
Cash and cash equivalents - end of year	\$ 742,748
 Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income	\$ 203,655
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	26,962
(Increase) decrease in receivables	21,935
(Increase) decrease in due from other governments	7,575
(Increase) decrease in inventories	9,780
(Increase) decrease in due from other funds	3,291
Increase (decrease) in payables	3,427
Increase (decrease) in accruals	2,762
Net cash provided by operating activities	\$ 279,387

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2020

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 transferred \$122,699 from the FBO to the general fund for operating purposes during the year ended June 30, 2020. The Authority also transferred a capital asset with a value of \$48,553 from the FBO to the general fund. It is not shown on the general fund due to it being presented on a modified accrual basis. It is presented on the Statement of Net Position in the governmental activities.

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the statement of net position.

D. 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 twelve months 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.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

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.

E. 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:

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, 2020 recorded in the General Fund is the amount that would normally be liquidated with expendable available financial resources. Accumulated annual leave at June 30, 2020 totaled \$56,047.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 items related to pension and OPEB that qualify for this form of reporting in the statement of net position.

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 items related to pension and OPEB that qualify for this reporting in the statement of net position as of June 30, 2020.

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:

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.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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.

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.

Other Post-Employment Benefits

Information about the Authority's participation in their single employer post-employment benefits plan and additions to/deductions from the Authority's fiduciary net position have been determined on the same basis as they are reported by the other post-employment benefits plan. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms of the other post-employment benefits plan.

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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. 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 funds invested in the repurchase transaction. As of June 30, 2020, 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, 2020 was as follows:

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Construction in process	\$ 7,283,267	\$ 567,509	\$ 134,075	\$ 7,716,701
Land	-	48,553	-	48,553
Total capital assets not being depreciated	<u>7,283,267</u>	<u>616,062</u>	<u>134,075</u>	<u>7,765,254</u>
Capital assets, being depreciated				
Land improvements	724,265	-	-	724,265
Buildings	7,731,724	-	55,009	7,676,715
Infrastructure	6,376,698	-	245,594	6,131,104
Furniture and fixtures	3,033	-	-	3,033
Machinery and equipment	915,908	6,133	102,703	819,338
Vehicles	650,763	-	-	650,763
Total capital assets, being depreciated	<u>16,402,391</u>	<u>6,133</u>	<u>403,306</u>	<u>16,005,218</u>
Total capital assets	<u>23,685,658</u>	<u>622,195</u>	<u>537,381</u>	<u>23,770,472</u>
Less: accumulated depreciation for:				
Land improvements	247,231	45,502	-	292,733
Buildings	4,505,900	281,828	55,009	4,732,719
Infrastructure	2,599,274	316,927	245,594	2,670,607
Furniture and fixtures	3,033	-	-	3,033
Machinery and equipment	803,102	25,108	102,703	725,507
Vehicles	613,850	12,807	-	626,657
Total accumulated depreciation	<u>8,772,390</u>	<u>682,172</u>	<u>403,306</u>	<u>9,051,256</u>
Governmental activities capital assets, net	<u>\$ 14,913,268</u>	<u>\$ (59,977)</u>	<u>\$ 134,075</u>	<u>\$ 14,719,216</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 48,553	\$ -	\$ 48,553	\$ -
Capital assets, being depreciated				
Capital assets being depreciated				
Furniture and fixtures	50,088	1,993	24,567	27,514
Machinery and equipment	116,952	3,600	53,730	66,822
Vehicles	32,750	-	-	32,750
Total capital assets being depreciated	<u>199,790</u>	<u>5,593</u>	<u>78,297</u>	<u>127,086</u>
Total capital assets	<u>248,343</u>	<u>5,593</u>	<u>126,850</u>	<u>127,086</u>
Less: accumulated depreciation for:				
Furniture and fixtures	35,337	6,926	24,567	17,696
Machinery and equipment	87,827	15,386	53,730	49,483
Vehicles	15,701	4,650	-	20,351
Total accumulated depreciation	<u>138,865</u>	<u>26,962</u>	<u>78,297</u>	<u>87,530</u>
Business-type activities capital assets, net	<u>\$ 109,478</u>	<u>\$ (21,369)</u>	<u>\$ 48,553</u>	<u>\$ 39,556</u>

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Depreciation expense for the year ended June 30, 2020 was \$709,134.

NOTE 7 – PENSION PLANS

A. Tennessee Consolidated Retirement System

General Information about the Pension Plan

Plan Description. Certain employees of the Authority are provided a 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 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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits Provided. *Tennessee Code Annotated*, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 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, 2019, the following employees were covered by the benefit terms:

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Inactive Employees or Beneficiaries Currently Receiving Benefits	
Receiving Benefits	-
Inactive Employees Entitled to But Not Yet Receiving	
Benefits	-
Active Employees	5
Total	5

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, 2020, employer contributions for the Authority were \$29,452 based on a rate of 15.23% 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, 2019, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date. The Authority's net pension asset at June 30, 2019 represents 1.03% of the collective net pension asset as determined by Madison County based on contribution data.

Actuarial Assumptions. The total pension liability as of the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.44% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2019, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

block method in which as best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity	5.69%	31.00%
Developed Market International Equity	5.29%	14.00%
Emerging Market International Equity	6.36%	4.00%
Private Equity and Strategic Lending	5.79%	20.00%
U.S. Fixed Income	2.01%	20.00%
Real Estate	4.32%	10.00%
Short-term Securities	0.00%	1.00%
Total		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, June 30, 2018	\$ 1,408,304	\$ 1,457,412	\$ (49,108)
Changes for the year:			
Service Cost	20,777	-	20,777
Interest	106,466	-	106,466
Differences Between Expected and Actual Experience	(7,215)	-	(7,215)
Changes in Assumption	-	-	-
Contributions-Employer	-	34,785	(34,785)
Contributions- Employees	-	4	(4)
Net Investment Income	-	112,914	(112,914)
Benefit Payments, Including Refunds of Employee Contributions	(64,866)	(64,866)	-
Administrative Expense	-	(573)	573
Other Changes	71,853	74,358	(2,505)
Net Changes	<u>127,015</u>	<u>156,622</u>	<u>(29,607)</u>
Balance, June 30, 2019	<u>\$ 1,535,319</u>	<u>\$ 1,614,034</u>	<u>\$ (78,715)</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 7.25 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 (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
Jackson-Madison County Airport Authority proportionate share of net pension liability (asset)	\$ 109,999	\$ (78,715)	\$ (237,137)

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

Pension Expense. For the year ended June 30, 2020, the Authority recognized pension expense of \$20,145.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2020, Madison County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 9,248
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	18,845
Changes in assumption	8,058	
Contributions Subsequent to the Measurement Date of June 30, 2019	29,452	-
Total	\$ 37,510	\$ 28,093

- (1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2019,” 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	Amount
June 30	
2021	138
2022	(15,990)
2023	(3,592)
2024	(591)
2025	-
Thereafter	-

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 and administered 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.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - Postemployment Healthcare Plan

Plan Description

Jackson-Madison County Airport Authority participates in Madison County's post-retirement plan. It is a self-insured postemployment benefits plan administered by Blue Cross Blue Shield for its retirees. The plan provides medical, dental, and life insurance to eligible retirees and their spouses.

Funding Policy

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75. The funding policy is to pay the OPEB obligation as it comes due each month on a pay-as-you-go basis.

Eligibility and Benefits Provided

To be eligible to continue coverage under the Medical and Dental Plans following retirement from active service with the Employer, the retiree must: be age 55 with at least 5 years of service with the Employer; or have 30 years of service with the Employer; and be under the Social Security Normal Retirement Age. Coverage ends at age 65. Benefits are established and amended by the Madison County Commission.

The Plan participants (the retiree and his/her eligible dependents) must have been continuously covered under this Plan since the beginning of the Plan Year (July 1st) immediately preceding the employee's retirement date.

A retiree who is least age 55 with 5 years of service will be required to pay one-hundred percent (100%) of the Monthly Medical Premium (MPP) for the retiree portion of the coverage and one hundred percent (100%) of the cost of the dependent portion of the coverage.

A retiree with at least 30 years of service will be required to pay twenty-five percent (25%) of the MPP for the retiree portion of the coverage and one-hundred percent (100%) of the cost of the dependent portion of the coverage. Madison County will pay seventy-five percent (75%) of the retiree portion of the coverage.

A retiree who has obtained age 55 with 20-29 years of service will be required to pay thirty-five percent (35%) of the MPP for the retiree portion of the coverage and one-hundred percent (100%) of the cost of the dependent portion of the coverage. Madison County will pay sixty-five percent (65%) of the retiree portion of the coverage.

Unless the retirement is due to disability, the retiree must give a 14-day notice of retirement to the Personnel Director.

If the retiree becomes employed and medical coverage is available due to such employment, the retiree will maintain the option for coverage under the Madison County medical plan.

Dependent coverage for the spouse and dependent Child(ren) may be continued beyond the date the retiree attains Social Security Normal Retirement Age. Coverage may be continued for the eligible dependents until the spouse attains Social Security Normal Retirement Age with the retiree paying all of the cost of the dependent coverage.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

The Plan's cost is determined every year and is communicated to Participants by memo. It is based on the COBRA cost. The Plans are self-funded; therefore, the County is responsible for any claims in excess of the retiree contributions.

The County also pays the premiums for the \$5,000 Life Insurance.

Plan Membership

Number of Participants

Inactive Employees or Beneficiaries Currently Receiving Benefits	-
Inactive Employees Entitled to But Not Yet Receiving	-
Active Employees	7
Total	7

Total OPEB Liability

Actuarial Assumptions

The Authority's OPEB liability at June 30, 2020 represents 1.09% of the OPEB liability as determined by Madison County based on population data. The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2020
Actuarial valuation date	July 1, 2019
Cost Method	Entry age normal
Interest rate	Rate if trust fund is not established - 2.75% per year, compounded annually net of expenses
Mortality	RP-2000 Blue Collar Healthy Annuity table for males and females
Termination or Withdrawal	T3 Standard Table
Salary scale	3.00%
Core inflation assumption	2.50%

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Retirement age

Retirement Rates based on Age and Service

Age	Male	Female
50 - 51	1.00%	1.50%
52	1.00%	2.50%
53	1.00%	2.50%
54	2.00%	2.50%
55	2.00%	5.50%
56	2.50%	6.50%
57	2.50%	6.50%
58	5.00%	6.50%
59	6.50%	6.50%
60	12.00%	5.00%
61	20.00%	13.00%
62	30.00%	15.00%
63	25.00%	12.50%
64	22.00%	18.00%
65	40.00%	15.00%
66	25.00%	20.00%
67	25.00%	20.00%
68	30.00%	25.00%
69	30.00%	20.00%
70	100.00%	100.00%
71	100.00%	100.00%
72	100.00%	100.00%

Valuation of assets

Assets are valued at market value.

Health Care Trend Rates

The Health Care Trend Rate is 4.50% for 2020 reduced each year by 0.00% until 4.50% is reached.

Marriage assumption

That current employees will remain married to their current spouse. If not married, assume that they will not get married.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at June 30, 2019	\$ 81,606
Changes for the year:	
Service cost	5,490
Interest	1,917
Differences between expected and actual experience	(3,103)
Change in assumptions	10,281
Benefit payments	(2,239)
Change in allocation	3,078
Net changes	15,424
Balances at June 30, 2020	\$ 97,030

Sensitivity of total OPEB liability to changes in the discount rate - The following presents the total OPEB liability related to the plan, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00%) or 1-percentage-point higher (4.00%) than the current discount rate.

	1% Decrease (1.75%)	Discount Rate (2.75%)	1% Increase (3.75%)
Total OPEB liability	\$ 107,498	\$ 97,030	\$ 87,675

Sensitivity of total OPEB liability to changes in the healthcare cost trend rate - The following presents what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate.

	Healthcare Cost		
	1% Decrease (3.50%)	Trend Rate (4.50%)	1% Increase (5.50%)
Total OPEB liability	\$ 85,396	\$ 97,030	\$ 110,855

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources - OPEB

OPEB Expense. For the year ended June 30, 2020, the Authority recognized OPEB expense of \$10,486.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2020, the Airport Authority's proportionate share of Madison County's reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 8,088
Changes in assumption	8,812	-
Total	\$ 8,812	\$ 8,088

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

Year Ended	Amount
June 30	
2021	349
2022	349
2023	349
2024	349
2025	349
Thereafter	(1,019)

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

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:

Year Ending June 30,	Minimum Lease Revenues
2021	167,848
2022	136,195
2023	124,195
2024	112,195
2025	43,730
2026-2030	95,255
2031-2032	15,002

The Authority has annual revenues of \$43,036 from leases cancelable by either party on thirty days’ notice.

The Authority also receives the following revenues from concession contracts:

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

<u>Concession</u>	<u>Revenue Base</u>
Automobile rentals	7.50% of gross rents
Fuel sales	\$0.10 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, 2020, 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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Authority's proportionate of the net pension liability (asset)	0.38%	0.38%	0.85%	0.90%	0.98%	1.03%
Authority's proportionate share of the net pension liability (asset)	\$ (9,040)	\$ (17,598)	\$ 19,255	\$ (16,958)	\$ (49,108)	\$ (78,715)
Authority's covered-employee payroll	210,055	228,829	234,544	239,453	266,782	193,330
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-4.30%	-7.69%	8.21%	-7.08%	-18.41%	-40.72%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.97%	100.73%	98.26%	101.37%	103.49%	105.13%

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 29,114	\$ 31,716	\$ 32,532	\$ 34,052	\$ 34,785	\$ 29,452
Contributions in relation to the contractually required contribution	<u>(29,114)</u>	<u>(31,716)</u>	<u>(32,532)</u>	<u>(34,052)</u>	<u>(34,785)</u>	<u>(29,452)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 210,055	\$ 228,829	234,544	239,453	266,782	193,330
Contributions as a percentage of covered-employee payroll	13.86%	13.86%	13.87%	14.22%	13.04%	15.23%

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

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30

	<u>2019</u>	<u>2020</u>
Authority's proportionate of the net OPEB liability	1.50%	1.09%
Authority's proportionate share of the net OPEB liability	\$ 81,606	\$ 97,030
Authority's covered-employee payroll	248,255	193,330
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	32.87%	50.19%
Plan fiduciary net position as a percentage of the total pension liability (asset)	0.00%	0.00%

These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

There are no assets accumulating in a trust for this plan.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
SCHEDULE OF NOTES TO OPEB REQUIRED SUPPLEMENTARY
INFORMATION

For the Year Ended June 30, 2020

Notes to OPEB Required Supplementary Information

Valuation Date: Actuarially determined contribution rates for 2020 were calculated based on the June 30, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Discount Rate	2.75%
Salary Increases	Salary increases are expected to be 3% per year
Retirement Age	Retirement rates used in the July 1, 2019 actuarial valuation are based on past history of the Madison County Plan
Mortality	Mortality tables used are the RP- 2000 Blue Collar Annuity tables
Healthcare Cost Trend Rates	The health care cost trend rate is 4.50% for 2020 reduced each year by 0.00% per year for an ultimate trend rate of 4.50%.
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death".
Expenses	Administrative expenses are included in the per capita health costs.

Other Information:

There were no benefit changes during the measurement period.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

The supplementary and other 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, 2020

	<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	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
CARES Act Grant	-	-	69,000	69,000
Operating subsidies - local	111,681	111,681	111,681	-
Operatng subsidies for control tower - local	17,000	17,000	17,000	-
	<u>153,681</u>	<u>153,681</u>	<u>222,681</u>	<u>69,000</u>
Services and Property Use				
Space Rentals:				
Airline	16,975	16,975	16,975	-
Tee hangars	28,620	28,620	28,620	-
Hangar #3	12,600	12,600	12,600	-
Hangar #4 - Suite B	9,000	9,000	9,000	-
Hanger 16	24,000	24,000	24,000	-
Hangars #8 and #10	34,721	34,721	34,721	-
Hangar #6	24,000	24,000	24,000	-
Hangar #10 - Suite B	6,000	6,000	6,000	-
Hangar # 6 office	12,204	12,204	12,204	-
Hangar #8 offices	7,800	7,800	7,800	-
Hangar #18	-	-	7,452	7,452
Space rental	6,000	6,000	6,000	-
Hanger 1 - TN Aircraft	15,000	15,000	15,000	-
EMA	60,000	60,000	60,000	-
AFSS/AFSFO	42,000	42,000	42,000	-
Car rental service area - building #15	1,620	1,620	1,620	-
Rental offices - terminal building #9	58,717	58,717	58,717	-
Fuel farm	12,000	12,000	12,000	-
Joint use - Army National Guard	10,000	10,000	10,000	-
Miscellaneous	600	600	826	226
	<u>381,857</u>	<u>381,857</u>	<u>389,535</u>	<u>7,678</u>
Concessions:				
Hertz	9,000	9,000	11,279	2,279
Enterprise	1,350	1,350	325	(1,025)
	<u>10,350</u>	<u>10,350</u>	<u>11,604</u>	<u>1,254</u>
Fuel Flowage:				
FBO	44,000	44,000	41,301	(2,699)
United Foods	4,000	4,000	3,928	(72)
	<u>48,000</u>	<u>48,000</u>	<u>45,229</u>	<u>(2,771)</u>
Landing Fees:				
Corporate Airlines	6,552	6,552	6,552	-

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, 2020

	<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	\$ 18,458	\$ 18,458	\$ 18,458	\$ -
Golf course	3,600	3,600	3,600	-
BellSouth	200	200	200	-
	<u>22,258</u>	<u>22,258</u>	<u>22,258</u>	<u>-</u>
 Total Services and Property Use	 <u>469,017</u>	 <u>469,017</u>	 <u>475,178</u>	 <u>6,161</u>
 Other				
Transfers in	133,853	133,853	122,699	(11,154)
Interest and miscellaneous	4,800	4,800	4,800	-
	<u>138,653</u>	<u>138,653</u>	<u>127,499</u>	<u>(11,154)</u>
 Total Revenues	 <u>761,351</u>	 <u>761,351</u>	 <u>825,358</u>	 <u>64,007</u>
 Expenditures				
Current				
Fire Protection				
ARFF training and supplies	3,050	3,050	4,036	986
Fuel, oil and grease	2,250	2,250	2,063	(187)
Maintenance- fire equipment	3,000	3,000	1,182	(1,818)
	<u>8,300</u>	<u>8,300</u>	<u>7,281</u>	<u>(1,019)</u>
 Maintenance and Utilities				
Janitorial supplies	18,900	18,900	20,512	1,612
Fuel, oil and grease	8,800	8,800	7,498	(1,302)
Maintenance - ARFF	1,000	1,000	25,116	24,116
Maintenance - other	45,000	45,000	36,928	(8,072)
Outside lighting	9,500	9,500	10,251	751
Utilities	67,000	67,000	61,569	(5,431)
Maintenance equipment	2,000	2,000	209	(1,791)
	<u>152,200</u>	<u>152,200</u>	<u>162,083</u>	<u>9,883</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, 2020

	<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	427,920	427,920	548,760	120,840
Dues and publications	6,000	6,000	6,931	931
Automobile expense	2,000	2,000	2,573	573
Office equipment	1,000	1,000	1,406	406
Administration	4,000	4,000	4,257	257
Legal and accounting	18,000	18,000	10,850	(7,150)
Office supplies and postage	4,000	4,000	6,308	2,308
Comunications	4,500	4,500	4,756	256
Repairs and maintenance	250	250	505	255
COVID-19 Expenses	-	-	498	498
Promotion	5,000	5,000	61	(4,939)
	<u>472,670</u>	<u>472,670</u>	<u>586,905</u>	<u>114,235</u>
Control Tower				
Utilities	10,300	10,300	8,341	(1,959)
Maintenance and janitorial	5,800	5,800	4,316	(1,484)
Equipment purchases and repairs	1,000	1,000	500	(500)
	<u>17,100</u>	<u>17,100</u>	<u>13,382</u>	<u>(3,718)</u>
Total expenditures	<u>650,270</u>	<u>650,270</u>	<u>769,651</u>	<u>119,381</u>
Net change in fund balance	<u>\$ 111,081</u>	<u>\$ 111,081</u>	<u>\$ 55,707</u>	<u>\$ (55,374)</u>
Fund balance, beginning of year			<u>293,517</u>	
Fund balance, end of year			<u><u>\$ 349,224</u></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, 2020

Revenues

Intergovernmental	
Grants - local governments	\$ 57,482
Grants - TDOT Aeronautics Division	534,383
	591,865
Other	
PFC revenue	24,068
Reimbursements	23,181
Interest and miscellaneous	33
	47,282
Total revenues	639,147

Expenditures

Capital Projects	
State and local projects	417,239
FAA capital projects	156,366
Other capital projects	25,758
Miscellaneous local projects	8,770
	608,133

Net change in fund balance	31,014
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Fund balance, beginning of year	253,443
Fund balance, end of year	\$ 284,457

See the independent auditor's report.

JACKSON-MADISON COUNTY AIRPORT AUTHORITY
SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS
June 30, 2020

<u>Name</u>	<u>Position</u>	<u>Annual Salary</u>	<u>Amount of Bond</u>
Raymond (R.E.) Butts IV	Commissioner	None	\$ 500,000
James Ross	Commissioner	None	500,000
Bob Frankland	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 PASSENGER FACILITY CHARGES
INVESTMENT INCOME AND RELATED EXPENDITURES
For the Year Ended June 30, 2020

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

Balance, beginning	\$	52,573
Passenger facility charge revenue recognized during period		24,068
Interest earned allocated to PFC funds		17
Expenditures during the period		<u>(18,573)</u>
Balance, ending	\$	<u>58,085</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, 2020. 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, 2020

Federal Grantor / Pass-Through Grantor	CFDA #	Grant Number	Expenditures
Federal Awards			
United States Department of Transportation / Tennessee Department of Transportation - Aeronautics Division -			
Airport Improvement Program	20.106	AERO-20-198-00	\$ 127,476
Airport Improvement Program	20.106	AERO-20-258	1,845
Airport Improvement Program	20.106	AERO-21-201-00	69,000
Airport Improvement Program	20.106	1903	<u>630</u>
Total federal awards			<u>198,951</u>
State Financial Assistance			
Tennessee Department of Transportation - Aeronautics Division			
Aeronautics Division	N/A	AERO-19-199-00	150,909
Aeronautics Division	N/A	AERO-20-198-00	7,082
Aeronautics Division	N/A	AERO-20-258	103
Aeronautics Division	N/A	AERO-15-239-00	241,218
Aeronautics Division	N/A	AERO-15-143-00 (Property Purchase R/W 29 RPZ)	5,085
Aeronautics Division	N/A	1903	35
Aeronautics Division	N/A	AERM-20-127-00	<u>25,000</u>
Total state financial assistance			<u>429,432</u>
Total federal awards and state financial assistance			<u>\$ 628,383</u>

Note 1. Basis of Presentation

The accompanying Schedule Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the federal award activity of the Authority under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

INTERNAL CONTROL AND COMPLIANCE SECTION



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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 14, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 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 cursive script that reads "Alexander Thompson Arnold, PLLC".

Jackson, Tennessee
December 14, 2020



Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on the Passenger Facility Charge Program And on Internal Control over Compliance in Accordance with the *Passenger Facility Charge Audit Guide for Public Agencies*

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

Report on Compliance for the Passenger Facility Charge Program

We have audited the Jackson-Madison County Airport Authority, Jackson, Tennessee (the Authority) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (FAA Guide), that could have a direct and material effect on the Authority’s passenger facility charge program for the year ended June 30, 2020. The Authority’s passenger facility charge program is identified as a major program in the summary of auditor’s results section of the accompanying schedule of findings.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its passenger facility charge program.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Authority’s passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally 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 the FAA Guide. Those standards and the FAA Guide 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 the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the 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 the passenger facility charge program. However, our audit does not provide a legal determination of the Authority’s compliance.

Opinion on the Passenger Facility Charge Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the 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 Authority’s internal control over compliance with the types of requirements that could have a direct and material effect on the passenger facility charge program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an

opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the FAA Guide, 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 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.

The purpose of this report on internal control over compliance 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 the FAA Guide. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Passenger Facility Charges, Investment Income and Related Expenditures

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated December 14, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of passenger facility charges, investment income and expenditures of passenger facility charges is presented for purposes of additional analysis as required by the FAA Guide 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of passenger facility charges investment income and related expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Jackson, Tennessee

December 14, 2020

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

June 30, 2020

Financial Statement Findings

There were no current year findings reported.

Passenger Facility Charge Program Findings

There were no current year findings reported.

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

June 30, 2020

Financial Statement Findings

There were no prior year findings reported.

Passenger Facility Charge Program Findings

There were no prior year findings reported.