

**JACKSON-MADISON COUNTY  
AIRPORT AUTHORITY**

**JACKSON, TENNESSEE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019**

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
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For The Fiscal Year Ended June 30, 2019

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## **INTRODUCTORY SECTION**

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY  
DIRECTORY**  
June 30, 2019

**BOARD MEMBERS**

Tim Wilson, Chairman  
James Ross, Vice Chairman  
Bob Maniss, Secretary  
Robert E. Frankland, III, Commissioner  
Ryan Porter, 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, 2019, 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, 2019, 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 November 27, 2019, 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  
November 27, 2019



## 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, 2019. 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 \$16.44 million and deferred outflows of resources were \$49 thousand and exceeded liabilities of \$261 thousand and deferred inflows of resources of \$31 thousand by \$16.20 million (i.e. net position).
- Net position decreased \$159 thousand during the current year.
- Operating revenues were \$3.14 million, while operating expenses were \$3.33 million which contributed to a decrease in net position of \$159 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 schedule of revenues, expenditures, and changes in fund balance – general fund - budget and actual, the schedule of salaries and bonds of principal officials, schedule of state financial assistance and the schedule of federal awards. The internal control and compliance section includes the report on internal control and compliance.

### REQUIRED FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements

The *Statement of Net Position* includes all of the Authority's assets, 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 liquidity and financial flexibility of the Authority. As of June 30, 2019, the Authority had deferred outflows and inflows related its pension and OPEB plans of \$49,384 and \$30,910 respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Statement of Net Position** - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$16.20 million at the close of the most recent fiscal year. A portion of the Authority's net position, 92.74% 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,	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 667,888	\$ 664,925	\$ 751,408	\$ 793,780	\$ 1,419,296	\$ 1,458,705
Capital assets	14,913,268	15,000,075	109,478	142,480	15,022,746	\$ 15,142,555
Total assets	<u>15,581,156</u>	<u>15,665,000</u>	<u>860,886</u>	<u>936,260</u>	<u>16,442,042</u>	<u>16,601,260</u>
Deferred outflows of resources	49,384	57,166	-	-	49,384	57,166
Other liabilities	200,629	211,463	60,683	55,764	261,312	267,227
Deferred inflows of resources	30,910	33,020	-	-	30,910	33,020
Invested in capital assets	14,913,268	15,000,075	109,478	142,480	15,022,746	15,142,555
Restricted	302,551	216,896	-	-	302,551	216,896
Unrestricted	183,182	260,712	690,725	738,016	873,907	998,728
Total net position	<u>\$ 15,399,001</u>	<u>\$ 15,477,683</u>	<u>\$ 800,203</u>	<u>\$ 880,496</u>	<u>\$ 16,199,204</u>	<u>\$ 16,358,179</u>

An additional portion of the Authority's net position, 1.87% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position totaling \$873,907 may be used to meet the Authority's ongoing obligations.

**Statement of Activities** – Expenses in the governmental activities column exceeded revenues by \$79 thousand. Expenses in the business-type activities column exceeded revenues by \$80 thousand. Revenues significantly decreased and expenses slightly increased during the year due to the fact that the Authority received less grant money from state and federal governments 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,	
	2019	2018	2019	2018	2019	2018
Program revenues	\$ 1,082,356	\$ 2,041,999	\$ 2,054,362	\$ 1,880,985	\$ 3,136,718	\$ 3,922,984
Non-operating revenues	29,799	148,526	-	-	29,799	148,526
Transfers in	324,787	142,201	-	-	324,787	142,201
Total revenues and transfers	<u>1,436,942</u>	<u>2,332,726</u>	<u>2,054,362</u>	<u>1,880,985</u>	<u>3,491,304</u>	<u>4,213,711</u>
Program expenses	1,515,624	1,397,657	1,809,868	1,644,901	3,325,492	3,042,558
Transfers out	-	-	324,787	142,201	324,787	142,201
Total expenses and transfers	<u>1,515,624</u>	<u>1,397,657</u>	<u>2,134,655</u>	<u>1,787,102</u>	<u>3,650,279</u>	<u>3,184,759</u>
Change in net position	(78,682)	935,069	(80,293)	93,883	(158,975)	1,028,952
Beginning net position	15,477,683	14,602,907	880,496	786,613	16,358,179	15,389,520
Restatement- Related to OPEB	-	(60,293)	-	-	-	(60,293)
Ending net position	<u>\$ 15,399,001</u>	<u>\$ 15,477,683</u>	<u>\$ 800,203</u>	<u>\$ 880,496</u>	<u>\$ 16,199,204</u>	<u>\$ 16,358,179</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 \$23 thousand. The most significant changes in revenues in the general fund were:

- A \$14 thousand increase in operating subsidies
- A \$10 thousand increase in space rentals

Expenditures in the general fund increased from last year by approximately \$12 thousand. The most significant changes in expenditures and other financing uses in the general fund were:

- A \$13 thousand increase in maintenance and utilities

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 \$15.02 million in a variety of capital assets. See Note 6 to the financial statements for details.

**Debt** – At year ended June 30, 2019 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, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 544,662	\$ 591,653	\$ 1,136,315
Receivables			
Accounts	5,160	99,486	104,646
Intergovernmental	-	24,981	24,981
Grants	47,842	-	47,842
Inventories	449	35,288	35,737
Deposits on contracts	20,667	-	20,667
Net pension asset	49,108	-	49,108
Capital assets not being depreciated			
Construction in progress	7,283,267	-	7,283,267
Land	-	48,553	48,553
Capital assets being depreciated (net of accumulated depreciation)			
Land improvements	477,034	-	477,034
Buildings	3,225,824	-	3,225,824
Infrastructure	3,777,424	-	3,777,424
Furniture and fixtures	-	14,751	14,751
Machinery and equipment	112,806	29,125	141,931
Vehicles	36,913	17,049	53,962
<b>Total assets</b>	<u>15,581,156</u>	<u>860,886</u>	<u>16,442,042</u>
<b>Deferred Outflows of Resources</b>			
Pension related	49,384	-	49,384
Total Deferred Outflows of Resources	<u>49,384</u>	<u>-</u>	<u>49,384</u>
<b>Liabilities</b>			
Accounts payable	55,878	50,090	105,968
Compensated absences payable	47,203	8,419	55,622
Refundable deposits	-	5,465	5,465
Internal balances	3,291	(3,291)	-
Net OPEB Liability	81,606	-	81,606
Unearned revenues	12,651	-	12,651
<b>Total liabilities</b>	<u>200,629</u>	<u>60,683</u>	<u>261,312</u>
<b>Deferred Inflows of Resources</b>			
Pension related	22,539	-	22,539
OPEB related	8,371	-	8,371
Total Deferred Inflows of Resources	<u>30,910</u>	<u>-</u>	<u>30,910</u>
<b>Net position</b>			
Investment in capital assets	14,913,268	109,478	15,022,746
Restricted for pension benefits	49,108	-	49,108
Restricted for capital projects	253,443	-	253,443
Unrestricted	183,182	690,725	873,907
<b>Total net position</b>	<u>\$ 15,399,001</u>	<u>\$ 800,203</u>	<u>\$ 16,199,204</u>

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

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Airport operation	\$ 1,515,624	\$ 456,740	\$ 265,024	360,592	\$ (433,268)	\$ -	\$ (433,268)
Business-type activities							
FBO	1,809,868	2,054,362	-	-	-	244,494	244,494
Total	<u>\$ 3,325,492</u>	<u>\$ 2,511,102</u>	<u>\$ 265,024</u>	<u>\$ 360,592</u>	<u>(433,268)</u>	<u>244,494</u>	<u>(188,774)</u>
General revenues							
Interest earnings					18	-	18
Other non-operating Revenue					29,781	-	29,781
Transfers					324,787	(324,787)	-
Total general revenues and transfers					<u>354,586</u>	<u>(324,787)</u>	<u>29,799</u>
<b>Change in net position</b>					<b>(78,682)</b>	<b>(80,293)</b>	<b>(158,975)</b>
Net position - beginning					<u>15,477,683</u>	<u>880,496</u>	<u>16,358,179</u>
Net position - ending					<u>\$ 15,399,001</u>	<u>\$ 800,203</u>	<u>\$ 16,199,204</u>

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

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
June 30, 2019

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 188,640	\$ 356,022	\$ 544,662
Receivables			
Accounts	5,160	-	5,160
Grants	-	47,842	47,842
Due from other funds	113,022	-	113,022
Inventories	449	-	449
Deposits on contracts	-	20,667	20,667
<b>Total assets</b>	<b>\$ 307,271</b>	<b>\$ 424,531</b>	<b>\$ 731,802</b>
<b>Liabilities</b>			
Accounts payable	\$ 1,103	\$ 54,775	\$ 55,878
Due to other funds	-	116,313	116,313
Unearned revenues	12,651	-	12,651
<b>Total liabilities</b>	<b>13,754</b>	<b>171,088</b>	<b>184,842</b>
<b>Fund Balances</b>			
Non-spendable	449	-	449
Restricted for grant projects	-	253,443	253,443
Unassigned	293,068	-	293,068
<b>Total fund balances</b>	<b>293,517</b>	<b>253,443</b>	<b>546,960</b>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 307,271</b>	<b>\$ 424,531</b>	<b>\$ 731,802</b>

*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, 2019

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

Fund balance - total governmental funds (Page 12)	\$	546,960
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		14,913,268
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences payable		(47,203)
Net Pension Asset of the pension plan is not a current financial resource and therefore is not reported in the governmental funds		49,108
Net OPEB liability is not a current financial resource and therefore is not reported in the governmental funds		(81,606)
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		49,384
Less: deferred inflows of resources related to pensions & OPEB		<u>(30,910)</u>
Net position of governmental activities (Page 10)	\$	<u>15,399,001</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, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Revenues</b>			
Intergovernmental			
Grants			
Local	\$ -	\$ 108,500	\$ 108,500
State	25,740	285,842	311,582
Federal	-	74,752	74,752
Operating subsidies	130,784	-	130,784
Service and property use			
Other non-operating revenue	-	5,652	5,652
Space rentals	367,036	-	367,036
Concessions	11,123	-	11,123
Fuel flowage	44,571	-	44,571
Landing fees	6,552	-	6,552
Land rentals	27,458	-	27,458
Other			
PFC revenue	-	25,462	25,462
Interest and miscellaneous	-	18	18
Total revenues	<u>613,264</u>	<u>500,226</u>	<u>1,113,490</u>
<b>Expenditures</b>			
Current			
Fire protection	10,085	-	10,085
Maintenance and utilities	147,308	-	147,308
Administration	572,045	-	572,045
Control tower	18,451	-	18,451
Capital projects	-	681,468	681,468
Total expenditures	<u>747,889</u>	<u>681,468</u>	<u>1,429,357</u>
Revenues over (under) expenditures	(134,625)	(181,242)	(315,867)
<b>Other financing sources (uses)</b>			
Transfers in	<u>146,297</u>	<u>178,490</u>	<u>324,787</u>
<b>Net change in fund balance</b>	<b>11,672</b>	<b>(2,752)</b>	<b>8,920</b>
Fund balance, beginning of year	<u>281,845</u>	<u>256,195</u>	<u>538,040</u>
Fund balance, end of year	<u>\$ 293,517</u>	<u>\$ 253,443</u>	<u>\$ 546,960</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, 2019

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)	\$	8,920
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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		587,987
Current year depreciation expense		(673,457)
Loss on disposal of assets		(1,333)

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		(3,055)
Change in net pension asset		32,150
Change in net OPEB liability		(24,222)
Change in deferred outflows related to pensions		(7,782)
Change in deferred inflows related to pensions		2,774
Change in deferred inflows related to OPEB		(664)
Change in net position of governmental activities (Page 11)	\$	<u>(78,682)</u>

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2019

	<b>FBO</b>
<b>Assets</b>	
Current assets	
Cash	\$ 591,653
Receivables	
Accounts	56,313
Credit cards	43,173
Inventory	
Aviation gasoline	24,746
Jet fuel	7,950
Oil and additives	2,592
Due from United States Government	24,981
Due from other funds	3,291
Total current assets	754,699
Noncurrent assets	
Capital assets	
Real Property	48,553
Furniture and fixtures	50,088
Equipment	116,952
Vehicles	32,750
Accumulated depreciation	(138,865)
Total capital assets (net of accumulated depreciation)	109,478
Total assets	864,177
<b>Liabilities</b>	
Current liabilities	
Accounts payable	45,807
Sales tax payable	4,283
Refundable deposits	5,465
Accrued leave	8,419
Total current liabilities	63,974
<b>Net position</b>	
Investment in capital assets	109,478
Unrestricted	690,725
Total net position	<b>\$ 800,203</b>

*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, 2019

	<b>FBO</b>
<b>Operating revenues</b>	
Sales - fuel, oil and additives (net of bad debts of \$4,140)	\$ 1,624,448
Sales - other	958
Rentals	168,052
Insurance reimbursement	13,526
Other operating revenues	247,378
Total operating revenues	2,054,362
 <b>Operating expenses</b>	
Cost of goods sold	1,214,900
Credit card fees	27,085
Uniforms	6,829
Catering	430
Advertising	10,179
Personnel cost	306,726
Depreciation	32,865
Dues and subscriptions	6,409
Administration expense	6,846
Equipment maintenance	3,999
FBO supplies	15,889
Truck lease	24,000
Professional fees	9,038
Insurance claims expense	17,809
Special events cost	36,977
Flowage fee	43,355
Miscellaneous	1,087
Office supplies	2,149
Postage	81
Repairs and maintenance	20,314
Telephone	2,361
Travel	1,902
Utilities	18,638
Total operating expenses	1,809,868
 Income before transfers	 244,494
Transfers out	(324,787)
 <b>Change in net position</b>	 <b>(80,293)</b>
Total net position, beginning	880,496
Total net position, ending	\$ 800,203

*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, 2019

	<b>FBO</b>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 1,652,993
Other operating receipts	435,007
Cash paid to suppliers	(1,196,805)
Cash paid to employees for services	(305,315)
Other operating payments	(256,647)
Net cash provided by operating activities	329,233
 <b>Cash flows from noncapital financing activities</b>	
Transfers out	(324,787)
 <b>Cash flows from capital and related financing activities</b>	
Loss on disposal of assets	137
Net cash used by capital and related financing activities	137
 <b>Net increase in cash and cash equivalents</b>	<b>4,583</b>
 Cash and cash equivalents - beginning of year	587,070
 Cash and cash equivalents - end of year	\$ 591,653
 Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income	\$ 244,494
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	32,865
(Increase) decrease in receivables	28,545
(Increase) decrease in due from other governments	5,093
(Increase) decrease in inventories	11,296
(Increase) decrease in due from other funds	(1,270)
Increase (decrease) in payables	6,799
Increase (decrease) in accruals	1,411
 Net cash provided by operating activities	\$ 329,233

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

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

June 30, 2019

**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, 2019

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 \$146,297 from the FBO to the general fund for operating purposes during the year ended June 30, 2019.

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.

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



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

June 30, 2019

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, 2019 recorded in the General Fund is the amount that would normally be liquidated with expendable available financial resources. Accumulated annual leave at June 30, 2019 totaled \$55,622.

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.

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

June 30, 2019

**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 four items that qualify for this form of reporting in the statement of net position – deferred outflows caused by pension contributions subsequent to the measurement date, the difference between expected and actual experience related to pension, difference between projected and actual earnings on pension plan investments, and changes in assumption related to pension.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for this reporting in the statement of net position – deferred inflows resulting from the difference between expected and actual experience related to pension and the difference between expected and actual experience related to OPEB as of June 30, 2019.

**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.

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

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

June 30, 2019

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**

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.

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

June 30, 2019

**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, 2019, all bank deposits are fully collateralized or insured except for \$3,211 which represented interest accrued on a CD exceeding FDIC insurance limits.

**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, 2019 was as follows:

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

June 30, 2019

<b>Governmental activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Reclass</b>	<b>Ending Balance</b>
Capital assets, not being depreciated					
Construction in process	\$ 6,898,951	\$ 384,316	\$ -	\$ -	\$ 7,283,267
Total capital assets not being depreciated	<u>6,898,951</u>	<u>384,316</u>	<u>-</u>	<u>-</u>	<u>7,283,267</u>
Capital assets, being depreciated					
Land improvements	724,265	-	-	-	724,265
Buildings	7,597,090	172,170	-	(37,536)	7,731,724
Infrastructure	6,376,698	-	-	-	6,376,698
Furniture and fixtures	8,692	-	(5,659)	-	3,033
Machinery and equipment	944,605	5,000	(33,697)	-	915,908
Vehicles	596,318	26,501	(9,588)	37,532	650,763
Total capital assets, being depreciated	<u>16,247,668</u>	<u>203,671</u>	<u>(48,944)</u>	<u>(4)</u>	<u>16,402,391</u>
Total capital assets	<u>23,146,619</u>	<u>587,987</u>	<u>(48,944)</u>	<u>(4)</u>	<u>23,685,658</u>
Less: accumulated depreciation for:					
Land improvements	201,728	45,503	-	-	247,231
Buildings	4,247,179	274,361	-	(15,640)	4,505,900
Infrastructure	2,282,347	316,927	-	-	2,599,274
Furniture and fixtures	8,692	-	(5,659)	-	3,033
Machinery and equipment	810,282	25,184	(32,364)	-	803,102
Vehicles	596,316	11,482	(9,588)	15,640	613,850
Total accumulated depreciation	<u>8,146,544</u>	<u>673,457</u>	<u>(47,611)</u>	<u>-</u>	<u>8,772,390</u>
Governmental activities capital assets, net	<u>\$ 15,000,075</u>	<u>\$ (85,470)</u>	<u>\$ (1,333)</u>	<u>\$ (4)</u>	<u>\$ 14,913,268</u>

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

<b>Business-type activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Capital assets not being depreciated				
Land	\$ 48,553	\$ -	\$ -	\$ 48,553
Capital assets, being depreciated				
Capital assets being depreciated				
Furniture and fixtures	50,602	-	(514)	50,088
Machinery and equipment	124,250	-	(7,298)	116,952
Vehicles	38,750	-	(6,000)	32,750
Total capital assets being depreciated	<u>213,602</u>	<u>-</u>	<u>(13,812)</u>	<u>199,790</u>
Total capital assets	<u>262,155</u>	<u>-</u>	<u>(13,812)</u>	<u>248,343</u>
Less: accumulated depreciation for:				
Furniture and fixtures	27,938	7,776	(377)	35,337
Machinery and equipment	74,686	20,439	(7,298)	87,827
Vehicles	17,051	4,650	(6,000)	15,701
Total accumulated depreciation	<u>119,675</u>	<u>32,865</u>	<u>(13,675)</u>	<u>138,865</u>
Business-type activities capital assets, net	<u>\$ 93,927</u>	<u>\$ (32,865)</u>	<u>\$ (137)</u>	<u>\$ 109,478</u>

Depreciation expense for the year ended June 30, 2019 was \$706,322.

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

June 30, 2019

**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, 2018, the following employees were covered by the benefit terms:

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

June 30, 2019

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, 2019, employer contributions for the Authority were \$34,050 based on a rate of 12.76% 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, 2018, 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 0.98% 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, 2018, 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, 2018, 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, 2019

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>	<u>Percentage Long-term Expected Real Rate of Return</u>	<u>Percentage Target Allocations</u>
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.

**Changes in the Net Pension Liability (Asset)**



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

June 30, 2019

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, June 30, 2017	\$ 1,351,367	\$ 1,369,832	\$ (18,466)
Changes for the year:			
Service Cost	20,430	-	20,430
Interest	97,334	-	97,334
Differences Between Expected and Actual Experience	(2,320)	-	(2,320)
Changes in Assumption	-	-	-
Contributions-Employer	-	34,049	(34,049)
Contributions- Employees	-	2	(2)
Net Investment Income	-	112,663	(112,663)
Benefit Payments, Including Refunds of Employee Contributions	(58,507)	(58,507)	-
Administrative Expense	-	(627)	627
Other Changes	-	-	-
Net Changes	<u>56,938</u>	<u>87,580</u>	<u>(30,642)</u>
Balance, June 30, 2018	<u>\$ 1,408,304</u>	<u>\$ 1,457,412</u>	<u>\$ (49,108)</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	\$ 126,755	\$ (49,108)	\$ (196,592)

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

*Pension Expense.* For the year ended June 30, 2019, the Authority recognized pension expense of \$14,435.

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

June 30, 2019

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2018, 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	\$ -	\$ 17,053
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	5,487
Changes in assumption	15,334	
Contributions Subsequent to the Measurement Date of June 30, 2018	34,050	-
Total	<u>\$ 49,384</u>	<u>\$ 22,539</u>

- (1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2018,” 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	
2020	5,019
2021	2,985
2022	(12,357)
2023	(2,853)
2024	-
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, 2019

**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, 2019

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	<u>7</u>
Total	<u><u>7</u></u>

**Total OPEB Liability**

**Actuarial Assumptions**

The Authority's OPEB liability at June 30, 2019 represents 1.50% of the OPEB liability as determined by Madison County based on population data. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

June 30, 2019

Measurement date	June 30, 2019		
Actuarial valuation date	July 1, 2017		
Cost Method	Entry age normal		
Interest rate	Rate if trust fund is not established - 3.00% per year, compounded annually net of expenses		
Mortality	Males: SOA 2000 Blue Collar Annuity table for males Females: 2000 Blue Collar Annuity table for females		
Termination or Withdrawal	T3 Standard Table		
Salary scale	2.00%		
Core inflation assumption	2.00%		
Retirement age	Retirement Rates based on Age and Service		
	Age	Less than 30 Years	30 Years or More
	55	10%	25%
	56	5%	20%
	57	5%	15%
	58	5%	15%
	59	5%	15%
	60	5%	25%
	61	5%	15%
	62	25%	50%
	63	15%	50%
	64	50%	50%
	65	100%	100%
Valuation of assets	Assets are valued at market value.		
Health CareTrend Rates	The Health Care Trend Rate is 5.55% for 2019 reduced each year by 0.25% until 3.00% 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, 2019

**Changes in the Total OPEB Liability**

	Total OPEB Liability (a)
Balances at June 30, 2018	\$ 76,174
Changes for the year:	
Service cost	4,951
Interest	2,405
Differences between expected and actual experience	-
Change in assumptions	-
Benefit payments	(1,924)
Net changes	5,432
Balances at June 30, 2019	\$ 81,606

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 (2.0%)	Discount Rate (3.0%)	1% Increase (4.0%)
Total OPEB liability	\$ 90,410	\$ 81,606	\$ 73,738

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 (4.55%)	Trend Rate (5.55%)	1% Increase (6.55%)
Total OPEB liability	\$ 71,821	\$ 81,606	\$ 93,233

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

*OPEB Expense.* For the year ended June 30, 2019, the Authority recognized OPEB expense of \$6,426.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2018, 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, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 8,371
Contributions Subsequent to the Measurement Date of June 30, 2018	-	-
Total	\$ -	\$ 8,371

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	Amount
2020	(930)
2021	(930)
2022	(930)
2023	(930)
2024	(930)
Thereafter	(3,721)

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
2020	177,998
2021	172,015
2022	136,195
2023	136,195
2024	115,195
2025-2029	154,213
2030-2031	17,503

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:

Automobile rentals	7.50% of gross rents
Fuel sales	\$0.10 per gallon sold

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

June 30, 2019

**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, 2019, 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 TCR**  
For the Fiscal Year Ended June 30

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

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>
Contractually required contribution	\$ 29,114	\$ 31,716	\$ 32,532	\$ 34,052	\$ 34,050
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>(34,050)</u>
Contribution deficiency (excess)	<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
Contributions as a percentage of covered-employee payroll	13.86%	13.86%	13.87%	14.22%	12.76%

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>2018</u>	<u>2019</u>
Authority's proportionate of the net OPEB liability	1.50%	1.50%
Authority's proportionate share of the net OPEB liability	\$ 76,174	\$ 81,606
Authority's covered-employee payroll	234,544	239,453
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	32.48%	34.08%
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.

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

For the Year Ended June 30, 2019

**Notes to OPEB Required Supplementary Information**

*Valuation Date:* Actuarially determined contribution rates for 2019 were calculated based on the June 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Inflation	2.75%
Discount Rate	3.00%
Salary Increases	Salary increases are expected to be 3% per year
Retirement Age	Retirement rates used in the July 1, 2017 actuarial valuation are based on past history of the Madison County Plan
Mortality	Mortality tables used are the SOA 2000 Blue Collar Annuity tables
Healthcare Cost Trend Rates	The health care cost trend rate is 5.55% for 2019 reduced each year by .25% until 3% is reached.
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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u> <u>(Under)</u>
<b>Revenues</b>				
Intergovernmental				
State maintenance grant	\$ 25,740	\$ 25,740	\$ 25,740	\$ -
Operating subsidies - local	-	-	113,784	113,784
Operatng subsidies for control tower - local	17,000	17,000	17,000	-
	<u>42,740</u>	<u>42,740</u>	<u>156,524</u>	<u>113,784</u>
Services and Property Use				
Space Rentals:				
Airline	8,625	8,625	11,408	2,783
Tee hangars	28,620	28,620	28,620	-
Hangar #3	7,650	7,650	6,875	(775)
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	-
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	59,317	59,317	58,917	(400)
Fuel farm	12,000	12,000	12,000	-
Joint use - Army National Guard	10,000	10,000	10,000	-
Miscellaneous	-	-	2,871	2,871
	<u>362,557</u>	<u>362,557</u>	<u>367,036</u>	<u>4,479</u>
Concessions:				
Hertz	11,000	11,000	11,097	97
Enterprise	1,000	1,000	26	(974)
	<u>12,000</u>	<u>12,000</u>	<u>11,123</u>	<u>(877)</u>
Fuel Flowage:				
FBO	30,000	30,000	41,169	11,169
United Foods	3,500	3,500	3,402	(98)
	<u>33,500</u>	<u>33,500</u>	<u>44,571</u>	<u>11,071</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, 2019

	<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	3,300	(300)
BellSouth	200	200	200	-
Hanger land lease	6,000	6,000	5,500	(500)
	<u>28,258</u>	<u>28,258</u>	<u>27,458</u>	<u>(800)</u>
 Total Services and Property Use	 <u>442,867</u>	 <u>442,867</u>	 <u>456,740</u>	 <u>13,873</u>
 Other				
Transfers in	146,297	146,297	146,297	-
Bad debt	(500)	(500)	-	500
	<u>145,797</u>	<u>145,797</u>	<u>146,297</u>	<u>500</u>
 Total Revenues	 <u>631,404</u>	 <u>631,404</u>	 <u>759,561</u>	 <u>128,157</u>
 <b>Expenditures</b>				
Current				
Fire Protection				
ARFF training and supplies	2,500	2,500	4,251	1,751
Fuel, oil and grease	2,000	2,000	2,148	148
Maintenance- fire equipment	2,000	2,000	3,686	1,686
	<u>6,500</u>	<u>6,500</u>	<u>10,085</u>	<u>3,585</u>
 Maintenance and Utilities				
Janitorial supplies	17,000	17,000	19,204	2,204
Fuel, oil and grease	8,000	8,000	7,839	(161)
Maintenance - ARFF	1,500	1,500	4,291	2,791
Maintenance - other	45,000	45,000	41,392	(3,608)
Outside lighting	8,500	8,500	9,746	1,246
Utilities	65,000	65,000	63,391	(1,609)
Maintenance equipment	2,000	2,000	1,445	(555)
	<u>147,000</u>	<u>147,000</u>	<u>147,308</u>	<u>308</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, 2019

	<b>Budgeted Amounts</b>			<b>Variance- Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Current:				
Administration				
Personnel cost	423,254	423,254	528,088	104,834
Dues and publications	6,000	6,000	7,336	1,336
Automobile expense	2,000	2,000	2,000	-
Office equipment	1,000	1,000	1,579	579
Administration	6,000	6,000	3,861	(2,139)
Legal and accounting	10,000	10,000	15,229	5,229
Office supplies and postage	4,000	4,000	3,755	(245)
Comunications	4,500	4,500	4,215	(285)
Repairs and maintenance	350	350	614	264
Promotion	5,000	5,000	5,368	368
	462,104	462,104	572,045	109,941
Control Tower				
Utilities	9,000	9,000	9,449	449
Maintenance and janitorial	5,800	5,800	6,748	948
Equipment purchases and repairs	1,000	1,000	1,361	361
	15,800	15,800	18,451	2,651
Total expenditures	631,404	631,404	747,889	116,485
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,672</b>	<b>\$ 11,672</b>
Fund balance, beginning of year			281,845	
Fund balance, end of year			<b>\$ 293,517</b>	

*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, 2019

**Revenues**

Intergovernmental	
Grants - local governments	\$ 108,500
Grants - TDOT Aeronautics Division	360,594
	469,094
Other	
PFC revenue	25,462
Reimbursements	5,652
Transfers in	178,490
Interest and miscellaneous	18
	209,622
Total revenues	678,716

**Expenditures**

Capital Projects	
State and local projects	307,669
FAA capital projects	85,224
Other capital projects	288,539
Miscellaneous local projects	36
Total expenditures	681,468

**Net change in fund balance (2,752)**

Fund balance, beginning of year	256,195
Fund balance, end of year	\$ 253,443

*See the independent auditor's report.*

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS**  
June 30, 2019

<u>Name</u>	<u>Position</u>	<u>Annual Salary</u>	<u>Amount of Bond</u>
Tim Wilson	Commissioner	None	\$ 500,000
James Ross	Commissioner	None	500,000
Bob Franklin	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, 2019

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

Balance, beginning	\$	51,496
Passenger facility charge revenue recognized during period		25,462
Interest earned allocated to PFC funds		17
Expenditures during the period		<u>(24,402)</u>
Balance, ending	\$	<u>52,573</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, 2019. 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, 2019

<u>Federal Grantor / Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Grant Number</u>	<u>Expenditures</u>
<b>Federal Awards</b>			
United States Department of Transportation / Tennessee Department of Transportation - Aeronautics Division -			
Airport Improvement Program	20.106	1401-B	\$ 5,665
Airport Improvement Program	20.106	1801	40,421
Airport Improvement Program	20.106	1903	21,870
Airport Improvement Program	20.106		<u>6,796</u>
Total federal awards			<u>74,752</u>
<b>State Financial Assistance</b>			
Tennessee Department of Transportation - Aeronautics Division			
Aeronautics Division	N/A	AERO-15-143-00	12,713
Aeronautics Division	N/A	AERO-15-239-00	268,975
Aeronautics Division	N/A	1401-B	315
Aeronautics Division	N/A	1801	2,246
Aeronautics Division	N/A	1903	1,215
Aeronautics Division	N/A	1901	378
Aeronautics Division	N/A	AERO-15-239-00	<u>25,740</u>
Total state financial assistance			<u>311,582</u>
Total federal awards and state financial assistance			<u>\$ 386,334</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, 2019. 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, wherein 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.

*See the independent auditor's report.*

## **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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 27, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing 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*.

## **Authority's Response to Finding**

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

## **Purpose of this Report**

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  
November 27, 2019





**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, 2019. 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 and questioned costs.

***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, 2019.

**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

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

June 30, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated November 27, 2019, 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  
November 27, 2019

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

June 30, 2019

**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, 2019

**Financial Statement Findings**

There were no prior year findings reported.

**Passenger Facility Charge Program Findings**

There were no prior year findings reported.