

FAYETTEVILLE-LINCOLN COUNTY
REGIONAL AIRPORT AUTHORITY

FINANCIAL STATEMENTS

AS OF JUNE 30, 2023

FAYETTEVILLE-LINCOLN COUNTY REGIONAL AIRPORT AUTHORITY

SCHEDULE OF BOARD MEMBERS

JUNE 30, 2023

Walt Shurden, Chairman

Reece Howell, Vice Chairman

Jack Towry, Secretary

Dan Holt, Treasurer (through April 2023)

Charlie Beyer

Jeff Wilcox (effective July 2023)

FAYETTEVILLE-LINCOLN COUNTY REGIONAL AIRPORT AUTHORITY

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Schedule of Board Members	1
FINANCIAL SECTION	
Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-11
Basic Financial Statements:	
Statement of net position	12
Statement of revenues, expenses and changes in fund net position	13
Statement of cash flows	14
Notes to basic financial statements	15-19
Other Supplementary Information	
Schedule of expenditures of federal awards and state financial assistance	20
Schedule of changes in long-term debt by individual issue	21
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 <i>Government Auditing Standards</i>	22-23
Schedule of prior year findings and questioned costs	24

DAVID A. KIDD
Certified Public Accountant

115 N. Main ❖ P.O. Box 66
Fayetteville, TN 37334

(931) 433-0128
Fax (931) 433-0650

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the
Fayetteville-Lincoln County Regional Airport Authority:

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the Fayetteville-Lincoln County Regional Airport Authority, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Fayetteville-Lincoln County Regional Airport Authority's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fayetteville-Lincoln County Regional Airport Authority, as of June 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Fayetteville-Lincoln Regional Airport Authority and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fayetteville-Lincoln County Regional Airport Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fayetteville-Lincoln County Regional Airport Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fayetteville-Lincoln County Regional Airport Authority's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming my opinion on the financial statements that collectively comprise the Fayetteville-Lincoln County Regional Airport Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance and the Schedule of Changes in Long-Term Debt by Individual Issue are presented for purposes of additional analysis and are 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 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 my opinion, the Schedule of Expenditures of Federal Awards and State Financial Assistance

and Schedule of Changes in Long-Term Debt by Individual Issue are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements does not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 16, 2024, on my consideration of the Fayetteville-Lincoln County Regional Airport Authority's internal control over financial reporting and my 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 my 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 Fayetteville-Lincoln Regional Airport 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 Fayetteville-Lincoln County Regional Airport Authority's internal control over financial reporting and compliance.

Fayetteville, Tennessee
January 16, 2024

A handwritten signature in black ink that reads "David A. Kidd". The signature is written in a cursive style with a large, looped initial "D".

Management's Discussion and Analysis

This narrative discussion and analysis is intended to serve as an introduction to the Fayetteville-Lincoln County Regional Airport Authority's (Authority) basic financial statements for the Fiscal Year ended June 30, 2023. The information presented here should be read in conjunction with the financial statements, footnotes, and supplementary information found in this report. The Fayetteville Municipal Airport (Airport) is a joint venture of the City of Fayetteville (City) and Lincoln County (County) of the State of Tennessee and is operated by the Authority.

A Brief Discussion of the Financial Statements

The Authority fund is structured as a proprietary fund. The fund resources are from the financial assistance of the State of Tennessee, Lincoln County, the City of Fayetteville, and from leases of the airport premises. The resources from the State of Tennessee include both State and Federal funds. In previous years the Authority has obtained financing through a local bank for the construction of revenue producing facilities, such as aircraft storage hangars. All expenses are from this proprietary fund. The financial statements are prepared on the accrual basis of accounting, meaning that revenues are recognized when earned, rather than when received, and expenses are recognized when liabilities are incurred, rather than when paid. Capital assets (items which costs over \$2,500 and have a useful life of more than one year), other than land, are capitalized and depreciated over their useful lives. Land is also capitalized (recorded as a capital asset), but not depreciated.

Included in this Management's Discussion and Analysis (MD&A) are the basic financial statements and supplemental schedules of the Authority. This information, taken collectively, is designed to provide readers with an understanding of the Authority's finances.

During the past years, the Authority has continually taken actions to improve the utility, safety, and security of the airport. The major actions include the acquisition of land, the extension of the runway and taxiway, the rehabilitation of the runway, the construction of aircraft storage hangars, the removal of obstructions from airport property to improve safety of aircraft operations, and the replacement of aged fencing and gates around the perimeter of the airport for security purposes and to control the intrusion of wildlife. The Authority leases the airport to Fayetteville Aviation, Inc, for day to day operation of the airport and servicing of aircraft. The President of Fayetteville Aviation, Inc., Mr. Mark Cobb, also serves as the Airport Manager. The Authority's goal is and has been to provide an airport which will properly accommodate and provide security and safety for not only small aircraft owned by private individuals, but also for larger aircraft used by businesses. There are no scheduled airline operations at the airport.

These projects were accomplished in phases due to the availability of grant funds from the State and matching local funds from the City and the County. Some of these phases were in progress during the prior fiscal year and some will extend into the next fiscal year. These projects are funded by the State of Tennessee, using State and Federal funds, and by local funds provided by the City and the County and the Authority initiated bank loans. Before major projects begin, the State requires that the Authority deposit the local funds with the State. As costs are incurred, the State reimburses the Authority 100% which includes grant funds from the State plus the refund of local funds. The matching of State/Federal funds with local funds is on a percentage basis depending on the type of project. The local funding on grants in progress during Fiscal Year 2023 was 5% of the project total cost. The local funding for grants and grant amendments/change orders awarded by the State during Fiscal Year 2023 was not required, but covered by several supplemental Federal funds enacted by the current Federal administration. The State does not require the deposit of local funds for minor projects and for the maintenance grant.

The significant changes discussed in the following statements, analysis, and comments are the results of major projects, the Authority's methods of financing, and these actions extending fiscal years. Airport operations, excluding the activities of major projects, are fairly consistent from year to year and have minimum effect on the overall financial operations of the Airport.

Statement of Net Position

The *Statement of Net Position* presents information on the Authority's assets and liabilities, with the difference between the two reported as the net position. The net position reflects the Authority's financial position and over time the increases and decreases may serve as a useful indicator of the Authority's operation and the Airport's financial health. This statement presents not only the information for the most recent Fiscal Year which ended June 30, 2023, but also includes comparable information for the previous fiscal year with increases and decreases shown by percent and amount.

The cash balance, the local project funds on deposit with the State for approved grants, the amount due from the State of Tennessee, and as well as accounts payable, fluctuate due to the timing of payments and reimbursements on airport projects. The Authority normally pays invoices for operations and for minor projects upon receipt; however, invoices for major projects are not always paid until reimbursement is received from the State, depending on the amount of the invoice and the amount of the Authority's cash on hand. This practice, which is made known to project vendors up front, is necessary due to the limitation of funds on hand.

STATEMENT OF NET POSITION

June 30, 2023

ASSETS

	June 30, 2023	June 30, 2022	Percent Increase -Decrease	Amount Increase (Decrease)
CURRENT ASSETS:				
Cash	115,250	128,689	-10.4%	(13,439)
State of Tennessee grant receivables	27,972	758	3590.2%	27,214
Total Current Assets	143,222	129,447	10.6%	13,775
NONCURRENT ASSETS:				
Capital assets not being depreciated	2,645,713	2,367,586	11.7%	278,127
Capital assets, net of accumulated depreciation	4,183,954	4,420,861	-5.4%	(236,907)
Total Non-current Assets	6,829,667	6,788,447	0.6%	41,220
TOTAL ASSETS	6,972,889	6,917,894	0.8%	54,995

LIABILITIES

CURRENT LIABILITIES				
Accounts payable	15,962	0	n/a	15,962
Unearned City and County revenue	16,750	24,160	-30.7%	(7,410)
Current portion of long-term unearned revenue	1,920	1,920	0.0%	0
Current portion of long-term debt	0	14,099	-100.0%	(14,099)
Total Current Liabilities	34,632	40,179	-13.8%	(5,547)
NONCURRENT LIABILITIES				
Long-term debt	0	14,099	-100.0%	(14,099)
Long-term unearned revenue	7,360	9,280	-20.7%	(1,920)
Less current portion	(1,920)	(16,019)	-88.0%	14,099
Total Non-current Liabilities	5,440	7,360	-26.1%	(1,920)
TOTAL LIABILITIES	40,072	47,539	-15.7%	(7,467)

NET POSITION

Net Investment in capital assets	6,813,705	6,774,348	0.6%	39,357
Unrestricted	119,112	96,007	24.1%	23,105
TOTAL NET POSITION	6,932,817	6,870,355	0.9%	62,462

The Total Net Position of the Authority increased during Fiscal Year 2023 by \$62,462 or 0.9%.

Assets increased by \$54,995 primarily due to an increase in noncurrent assets that are not depreciated and in an increase in receivables from the State of Tennessee.

There was a decrease in liabilities (\$7,469) during Fiscal Year 2023 due to a reduction in unearned revenue and a decrease in debt.

The current liability for unearned revenue, which decreased \$1,920 during Fiscal Year 2023, represents the amount of local funds from the City and the County on hand at the beginning of the current year plus receipts during Fiscal Year 2023 that have not been earned, or consumed by project expenses, as of June 30, 2023. The noncurrent liability of \$7,360 for unearned revenue is from the five-year lease of property for a remote ambulance service, the rent for which was received in full, extending 45 months beyond the current fiscal year.

Debt liability decreased by \$14,099 due to the monthly note payments and the final payment to the lending financial institution. The payment of this debt was made by the assistance of the American Rescue Plan Act grant from the State of Tennessee.

Statement of Revenues, Expenses, and Changes in Fund Net Position

The *Statement of Revenues, Expenses, and Changes in Fund Net Position* is similar to a Profit and Loss Statement which analyzes the source of revenues and expenses and presents the difference between the two as changes in net position and should be considered in connection with the previous statement presented in this MD&A. The Statement of Revenues, Expenses, and Changes in Fund Net Position not only analyzes the net position as of June 30, 2023, but also presents the changes in net position from the previous year. The change in net position is an indication of the financial health of a business. A continued increase over multiple fiscal years is healthy; whereas, a continued decrease is unhealthy.

This statement compares the most recent two fiscal years to show revenues and expenses related to operations, non-operations, capital contributions from the State, County, and City, and the resulting affect on the net position. This analysis with its accompanying comments is intended to help readers to understand significant changes in the net position of the Authority.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For The Year Ended June 30, 2023

	June 30, 2023	June 30, 2022	Percent Increase (Decrease)	Amount Increase (Decrease)
OPERATING REVENUES:				
Rent	39,227	36,493	7.5%	2,734
Total Operating Revenues	39,227	36,493	7.5%	2,734
OPERATING EXPENSES:				
Maintenance	26,117	20,245	29.0%	5,872
Utilities	17,650	17,867	-1.2%	(217)
Insurance	16,775	15,531	8.0%	1,244
Travel and Conventions	2,800	3,044	-8.0%	(244)
Audit	1,358	2,500	-45.7%	(1,142)
Advertising	2,883	680	324.0%	2,203
Depreciation	276,110	289,083	-4.5%	(12,973)
Other	546	1,002	-45.5%	(456)
Total Operating Expenses	344,239	349,952	-1.6%	(5,713)
Operating Income(Loss)	(305,012)	(313,459)	-2.7%	8,447
NON-OPERATING REVENUES(EXPENSES):				
Intergovernmental				
City and County	44,794	44,118	1.5%	676
State of Tennessee maintenance grant	15,000	5,875	155.3%	9,125
Federal Grant	32,000	6,579	100.0%	25,421
Interest Income	252	60	320.0%	192
Interest Expense	(310)	(619)	-49.9%	309
Total Non-operating Revenues(Expenses)	91,736	56,013	63.8%	35,723
Income(Loss) before capital contributions	(213,276)	(257,446)	-17.2%	44,170
CAPITAL CONTRIBUTIONS:				
Capital grants – State of Tennessee	0	24,077	-100.0%	(24,077)
Capital Grants – Federal	275,738	6,421	4194.3%	269,317
Capital Grants – City and County	0	0	#DIV/0!	0
Total Capital Contributions	275,738	30,498	804.1%	245,240
INCREASE(DECREASE) IN NET POSITION	62,462	(226,948)	-127.5%	289,410
NET POSITION, beginning of year	6,870,355	7,097,303	-3.2%	(226,948)
NET POSITION, end of year	6,932,817	6,870,355	0.9%	62,462

The net position increased by \$62,462 during the Fiscal Year ended June 30, 2023. The net position varies from year to year largely in relation to the dollar value of State grants for capital improvements to the Airport. If revenue from capital grants exceed the annual operating expenses, the net position increases. Otherwise the net position decreases. Ordinarily a business cannot sustain a decrease and continue to operate; however, the airport is considered by the State, County, and City as beneficial to the economic health of the surrounding area and provides financial support to the Authority. The County and the City provide funds to cover the deficit in operation and also provides local funds for State grants. Funds from the County and the City are based upon a zero net change in net position. In other words, the airport is operated as a non-profit organization.

The major item that contributed to the increase in net position was that capital contributions in Fiscal Year 2023 (\$275,738) were more than the net loss before capital contributions (\$213,276).

Normally there is very little change in operating expenses from one year to the next. The major operating expenses include maintenance, utilities, insurance, and depreciation.

Maintenance expenses vary from year to year depending on the need for repairs and the availability of operating funds. Utilities, primarily electricity, normally increases gradually due to inflation. Also insurance premiums for property, liability, and errors or omissions liability coverage increase somewhat every year or two. Depreciation is by far the largest of the operating expenses. The Authority calculates depreciation on a straight line basis with a residual value of 10% of the asset cost and estimated life by major assets category based upon IRS guidelines. For Fiscal Year 2023, depreciation was \$276,110. Capital assets are replaced or added as necessary with funds from the State, County, and City with the exception of revenue producing assets. Revenue producing assets, primarily aircraft storage hangars, are funded by State grants, but the local funds are obtained from bank loans rather than from the City and the County. The loans are paid over time, not to exceed ten years, from increased rental revenues.

Statement of Cash Flows

The *Statement of Cash Flows* present the sources of cash receipts and the purpose of cash disbursements for the fiscal year ending June 30, 2023. All of the receipts and disbursements are categorized and show the net amount by operating activities, noncapital financing activities, capital and related financial activities, and investing activities. The difference between the beginning of year cash on hand and the balance at the end of the fiscal year indicates the increase or decrease for the year, which in turn indicates the financial strength of the Authority. This report differs from the two previous reports in that it is based on the cash basis rather than the accrual basis,

Discussion of Currently Known Facts, Decisions, or Conditions

The main objectives of the Authority are to:

- o Provide superior service to all of Fayetteville, Lincoln County, and other surrounding areas with general aviation connections to our local area.
- o Not only eliminate any detriments, but increase the attraction of industrial development in our area.
- o Provide security to the overall airport property including aircraft stored or parked.
- o Maintain the facilities and structures of the Airport not only to assure compliance with Federal and State requirements but also to provide safety and security for pilots and their aircraft and passengers.

To accomplish these objectives, the Authority has:

- o Leased the day to day operations of the airport to Fayetteville Aviation, Inc. one of the Southeast's premier full-service fixed base operators.
- o Maintained the runway and taxiway surfaces to correct deterioration issues, assure proper runoff of rain water, and re-painting of reflective runway markings.
- o Maintained runway, taxiway, and approach lights for safety of night and inclement weather operations.
- o Continued to improve access security to the Airport by replacing perimeter fencing and installing limited access security gates.
- o Removed obstructions from the airport property that were beginning to intrude into restricted airspace to improve the safety of aircraft operations.
- o Established an agreement with the Sheriff's Department to make periodic patrols to include the airport proper and the perimeter.
- o Constructed additional hangars for the storage of both personal and corporate aircraft as the need arises.
- o Purchased additional land adjoining the airport property to provide for the expansion of aircraft operations.
- o Provided local Fayetteville Municipal Airport weather to pilots in-flight and on the ground.
- o Provided communications with the Huntsville Air Traffic Control for aircraft prior to departure from the Fayetteville Municipal Airport.

Request for Information

These analyses and discussions provide a general overview of the Authority's responsibilities and actions for those with an interest in its finances and operations. Questions concerning any of the information should be addressed to the Fayetteville-Lincoln County Regional Airport Authority, 37 Airport Road, Fayetteville, TN 37334.

FAYETTEVILLE-LINCOLN COUNTY REGIONAL AIRPORT AUTHORITY

STATEMENT OF NET POSITION

June 30, 2023

ASSETS

CURRENT ASSETS

Cash	\$ 115,250
State of Tennessee grants receivable	<u>27,972</u>
Total Current Assets	<u>143,222</u>

NONCURRENT ASSETS

Capital assets not being depreciated	2,645,713
Other capital assets, net of accumulated depreciation	<u>4,183,954</u>
Total Noncurrent Assets	<u>6,829,667</u>

TOTAL ASSETS

6,972,889

LIABILITIES

CURRENT LIABILITIES

Accounts payable	15,962
Unearned City and County revenue	16,750
Current portion of long-term unearned revenue	<u>1,920</u>
Total Current Liabilities	<u>34,632</u>

NONCURRENT LIABILITIES

Long-term unearned revenue	7,360
Less current portion	<u>(1,920)</u>
Total Noncurrent Liabilities	<u>5,440</u>

TOTAL LIABILITIES

40,072

NET POSITION

Net investment in capital assets	6,813,705
Unrestricted	<u>119,112</u>
TOTAL NET POSITION	<u>\$ 6,932,817</u>

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

FAYETTEVILLE-LINCOLN COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2023

<u>OPERATING REVENUES:</u>	
Rent	\$ 39,227
Total Operating Revenues	39,227
 <u>OPERATING EXPENSES:</u>	
Maintenance	26,117
Utilities	17,650
Insurance	16,775
Audit	2,800
Advertising	1,358
Travel and conventions	2,883
Depreciation	276,110
Other	546
Total Operating Expenses	344,239
Operating Income(Loss)	(305,012)
 <u>NON-OPERATING REVENUES (EXPENSES):</u>	
Intergovernmental	
City and County	44,794
State of Tennessee maintenance grant	15,000
Federal grants	32,000
Interest income	252
Interest expense	(310)
Total non-operating revenues(expenses)	91,736
Income(Loss) before capital contributions	(213,276)
 <u>CAPITAL CONTRIBUTIONS:</u>	
Capital grants-Federal	275,738
Total Capital Contributions	275,738
INCREASE (DECREASE) IN NET POSITION	62,462
NET POSITION, beginning of year	6,870,355
NET POSITION, end of year	\$ 6,932,817

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

FAYETTEVILLE-LINCOLN COUNTY REGIONAL AIRPORT AUTHORITY

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from rents	\$ 37,307
Cash paid to suppliers for goods & services	<u>(68,129)</u>
Net Cash Used by Operating Activities	<u>(30,822)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental operations funding	<u>84,384</u>
Cash Provided by Noncapital Financing Activities	<u>84,384</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term liabilities	(14,099)
Interest paid on long-term liabilities	(310)
Additions to property and equipment	(301,368)
Capital grants	<u>248,524</u>
Cash Used by Capital and Related Financing Activities	<u>(67,253)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	<u>252</u>
Cash Provided by Investing Activities	<u>252</u>
NET DECREASE IN CASH	(13,439)
CASH, beginning of year	<u>128,689</u>
CASH, end of year	<u><u>\$ 115,250</u></u>
RECONCILIATION OF OPERATING INCOME TO NET	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income (loss)	\$ (305,012)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	276,110
Change in operating assets and liabilities:	
Decrease in unearned rent revenue	<u>(1,920)</u>
Net Cash Used by Operating Activities	<u><u>\$ (30,822)</u></u>

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

FAYETTEVILLE-LINCOLN COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note A - SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

The Fayetteville-Lincoln County Regional Airport Authority (the "Airport") is a joint venture by the City of Fayetteville (the "City") and Lincoln County, Tennessee (the "County") organized in accordance with TCA 42-3 Airport Authorities. The Airport has the ability to independently issue bonds, acquire property, and execute contracts in its own name but is currently dependent on the City and County for funding. The Airport has the responsibility to manage, lease, and control the land, buildings, and equipment of the Fayetteville-Lincoln County Regional Airport. The Airport is governed by a five member Board of Commissioners consisting of two members selected by the Lincoln County Board of Commissioners, two selected by the City of Fayetteville Board of Mayor and Aldermen, and a fifth member selected by the four other members. There were no potential component units of the Airport to consider for inclusion in these financial statements.

Basis of Accounting

The accounting policies and the reporting requirements of the Airport conform to generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB). The Airport reports on the basis of a proprietary fund type. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses when incurred. Operating revenues include rental of Airport property and amounts received from other governments for ongoing operations of the Airport. Operating expenses include the cost of maintaining Airport property and other expenses required to provide the Airport's services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Airport classifies net position as:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the amount of outstanding notes or other borrowings that are attributable to the acquisition, construction or improvement of these assets.
- Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, or laws or regulations of other governments.
- Unrestricted - This component of net position consists of assets that do not meet the definition of "restricted" or "invested in capital assets".

When both restricted and unrestricted resources are available for use, it is the Airport's policy to use restricted resources first and then unrestricted resources as they are needed.

FAYETTEVILLE-LINCOLN COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Capital Assets

Property and equipment is stated at cost. The capitalization threshold for an individual item is \$2,500.

Depreciation of capital assets is computed and recorded by the straight-line method. The estimated useful life of buildings is 39 years, the estimated useful life of land improvements and lighting is 15 years, and the estimated useful life of equipment is 5 years. Maintenance and repairs are charged to expense as incurred.

Statement of Cash Flows - Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Airport considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Deposits and Investments

State law restricts the Airport's investments to either United States Treasury or Agency obligations or to certificates of deposit insured or collateralized by direct United States Treasury obligations. In 2023 interest earned was all from interest-bearing checking accounts. As of June 30, 2023, the Airport's cash was within FDIC coverage limits.

The Airport has not adopted formal deposit or investment policies for exposure to various forms of risks associated with its deposit and investment practices, other than to follow State statutes as described above.

Budgetary Basis

The Airport prepares an annual operating budget for its own use as well as to request funding from the City and County. The operating budget includes proposed expenditures and the means for financing them. The budget is presented on the modified cash basis of accounting. The Airport is not required to demonstrate statutory compliance with its annual operating budget. Therefore, budgetary data is not included in the basic financial statements.

Use of Estimates

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

FAYETTEVILLE-LINCOLN COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note B - NOTE PAYABLE

The Airport's note outstanding during the year ended June 30, 2023 consisted of a note payable to First National Bank originated as interim financing of \$40,000 in June 2014 converted to permanent financing in June 2015 and renewed in June 2018. The note bore interest at 3.75% and was due in 59 monthly installments of \$386 and a final payment of \$10,256. Final payment on the note was made in February 2023.

Changes in note principal balances during the year ended June 30, 2023 are summarized as follows:

Beginning balance	\$ 14,099
Less principal paid to bank	<u>14,099</u>
	<u>\$ -</u>

Note C - GRANTS

During the year ended June 30, 2023, the Airport received grants from the State of Tennessee Department of Transportation, Office of Aeronautics (the "State") which included pass through grants from the Federal Aviation Administration. The grants are for maintenance and improvement projects with the State reimbursing 100% of project costs if the project qualifies for increased funding under the CARES Act. The acceptance of State assistance requires the Airport to give the State an equitable interest in equipment and land purchased with State funds and to operate the Airport for 20 years from the grant date. The schedule below summarizes State grant assistance for the year ended June 30, 2023:

	Receivable June 30, 2022	Adjustments	Receipts	Eligible Costs	Grantor Share	Receivable June 30, 2023
Airport Maintenance 22-23	\$ -	\$ -	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Road Closure Design 23-3	-	-	31,602	56,074	56,074	24,472
Obstruction Removal 22-1	758	(758)	216,922	220,422	220,422	3,500
ARPA	-	-	32,000	32,000	32,000	-
Total	<u>\$ 758</u>	<u>\$ (758)</u>	<u>\$ 295,524</u>	<u>\$ 323,496</u>	<u>\$ 323,496</u>	<u>\$ 27,972</u>

Note D - CITY AND COUNTY SUPPORT

During the year ended June 30, 2023, the Airport received \$22,059 each from the City and County for their portion of budgeted operating expenses and capital projects. At June 30, 2022 the Airport had received and recorded as unearned revenue \$12,080 each from the City and County and at June 30, 2023 the Airport had recorded as unearned revenue \$8,375 each from the City and County. The unearned amounts relate to local funding for capital projects received in advance of required expenditures.

FAYETTEVILLE-LINCOLN COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note E - LEASES AND CONCENTRATION OF LEASE REVENUE

The Airport has entered into a lease agreement with a fixed base operator ("FBO") for the Airport buildings and surrounding land, excluding the buildings and land under a separate lease described in the paragraph below. The lease began April 1, 2018 and includes three five-year renewal options with terms to be negotiated at exercise of the options. The lease was renewed for a five year period on April 1, 2023. The leased assets have an original cost and net book value at June 30, 2023 of \$2,325,657 and \$1,539,824, respectively. Rent payments consist of a fixed monthly rental of \$2,790 (\$2,620 prior to April 1, 2023) plus 1.25% of fuel sold or used by the lessee, Fayetteville Aviation, Inc. Annual payments under the current lease are \$33,480 for fiscal years 2024 through 2027 and \$25,110 in fiscal year 2028. Payments by the lessee in the current year related to fuel sales were \$3,387. The lessor is responsible for most repairs to the Airport premises and facilities. The lessee is responsible for interior repairs to the maintenance hangar, mowing, paying an allocated portion of utilities, maintaining a \$1,000,000 liability insurance policy and keeping the Airport available for public use. The lessee may terminate the lease with 120 days notice. Lease revenue from the FBO was approximately 95% of total lease revenue in the year ended June 30, 2023.

During the year ended June 30, 2006 the Airport acquired 59.1 acres of real estate along the northern boundary of the Airport at a cost of \$414,443 in order to accommodate a 1,000 foot extension of the runway and taxiway, establish a 1,000 foot northern runway safety area, and provide the FAA required land control under the northern runway protection zone. Beginning January 1, 2006, the Airport leased substantially all of the property back to the seller for a monthly rental of \$150. The lease was a five-year lease with five five-year renewal options with the third five-year option being exercised in January 2021. Future rents are negotiable but limited to 3% annual increases. The lease is cancelable at the option of the lessee. The lessee is responsible for maintaining the property except that the Airport is responsible for individual repairs costing in excess of \$500.

The Airport entered into a lease agreement with Lincoln Medical Center effective May 1, 2022. The lease is for a five year period at \$1,920 per year. The total rent for the five years was paid at lease inception. The lease includes one five year renewal option with the same payment terms. The leased assets have an original cost and net book value at June 30, 2023 of \$3,500 and \$350, respectively.

GASB has issued Statement No. 87, Leases ("GASB No. 87"). Under GASB No. 87, a lessor is required to recognize a lease receivable and a deferred inflow of resources for leases covered by the statement. In accordance with GASB No. 87, the Airport does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings. The U. S. Department of Transportation and the Federal Aviation Administration regulate leases between airports and aeronautical users. The Airport considers all significant leasing activity as regulated.

Note F - PUBLIC ENTITY RISK POOL PARTICIPATION

The Airport is exposed to various risks related to general liability, hangarkeeper's liability, errors and omissions, and property and casualty losses. The Airport is a member of Public Entity Partners, which is a nonprofit, risk sharing pool of Tennessee municipalities and local public agencies established by the Public Entity Partners, an association of cities and towns in Tennessee. Participating members contribute premiums to the Public Entity Partners based on that member's exposure and underwriting standards. Reinsurance is purchased by the Public Entity Partners to cover losses that exceed the Public Entity Partners' loss fund. Members can be assessed to cover losses exceeding the reinsurance. The Airport

FAYETTEVILLE-LINCOLN COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

contributes an annual premium to the Public Entity Partners for its errors and omissions liability and property damage coverage.

The Airport maintains commercial insurance coverage for general liability and hangarkeeper's liability. Settled claims from these losses have not exceeded the commercial insurance coverage since the policy was acquired in the year ending June 30, 1996.

Note G - CAPITAL ASSETS

The following summarizes changes in capital assets for the year ended June 30, 2023:

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2023</u>
Non-Depreciable:					
Land	\$ 2,367,586	\$ 278,127	\$ -	\$ -	\$ 2,645,713
	<u>2,367,586</u>	<u>278,127</u>	<u>-</u>	<u>-</u>	<u>2,645,713</u>
Depreciable					
Runways, taxiways, and lighting	6,526,404	-	-	-	6,526,404
Other buildings, fences and equipment	2,831,248	16,985	-	-	2,848,233
Fuel equipment	142,276	22,218	-	-	164,494
	<u>9,499,928</u>	<u>39,203</u>	<u>-</u>	<u>-</u>	<u>9,539,131</u>
Total capital assets	<u>\$ 11,867,514</u>	<u>\$ 317,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,184,844</u>
Accumulated and current depreciation	<u>\$ 5,079,067</u>	<u>\$ 276,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,355,177</u>

FAYETTEVILLE-LINCOLN COUNTY REGIONAL AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Federal Assistance Listing Number</u>	<u>TDOT Project Number</u>	<u>Federal Grant Number</u>	<u>Federal</u>	<u>State</u>
State of Tennessee Grants					
Tennessee Department of Transportation					
Airport Maintenance 22-23		52-555-0772-23	N/A	\$ -	\$ 15,000
Total State of Tennessee Grants				<u>-</u>	<u>15,000</u>
Joint Federal Awards and State Grants					
U.S. Department of Transportation and Tennessee Department of Transportation					
Airport Improvement Program					
Road Closure Design	20.106	52-555-0173-23	3-47-SBGP-57,59,64	56,074	-
Obstruction Removal 22-1	20.106	52-555-0171-22	3-47-SBGP-64	220,422	-
ARPA	20.106	52-555-0170-22	3-47-SBGP-67	32,000	-
Total Joint Federal Awards and State Assistance				<u>308,496</u>	<u>-</u>
				<u>\$ 308,496</u>	<u>\$ 15,000</u>

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the Airport Authority under programs of the Federal and Tennessee governments for the year ended June 30, 2023. The schedule is presented using the accrual basis of accounting.

Note 2 - Indirect Cost Rate

The Airport Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

FAYETTEVILLE LINCOLN COUNTY REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 7/1/2022	Paid and/or Matured During Period	Outstanding 6/30/2023
<u>NOTE PAYABLE</u>							
Building Construction	\$ 40,000	3.75	6/13/2014	6/23/2023	\$ 14,099	\$ (14,099)	\$ -
Total Note Payable					\$ 14,099	\$ (14,099)	\$ -

DAVID A. KIDD
Certified Public Accountant

115 N. Main ❖ P.O. Box 66
Fayetteville, TN 37334

(931) 433-0128
Fax (931) 433-0650

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners of the
Fayetteville-Lincoln County Regional Airport Authority:

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Fayetteville-Lincoln County Regional Airport Authority as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Fayetteville-Lincoln County Regional Airport Authority's basic financial statements, and have issued my report thereon dated January 16, 2024.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Fayetteville-Lincoln County Regional Airport Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fayetteville-Lincoln County Regional Airport Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Fayetteville-Lincoln County Regional Airport 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Fayetteville-Lincoln County Regional Airport Authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

January 16, 2024

DAVID A. KIDD

**FAYETTEVILLE-LINCOLN COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

There were no prior findings reported.