

**BEECH RIVER REGIONAL
AIRPORT AUTHORITY**

Financial Statements

For the Year Ended
June 30, 2023

BEECH RIVER REGIONAL AIRPORT AUTHORITY

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INTRODUCTORY SECTION

BEECH RIVER REGIONAL AIRPORT AUTHORITY

Roster of Board of Commissioners

June 30, 2023

Board Members

Jim Terry	Chairman
Chris Hayes	Vice Chairman
Valerie Townsend	Secretary/Treasurer
Todd Beecham	Commissioner
Wib Evans	Commissioner
Tim Pierce	Commissioner
Gabe Williams	Commissioner
Dudley Stith	Commissioner
Robert Watkins	Commissioner

Management

Keith Cotton	Executive Director
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FINANCIAL SECTION

JOHN R. POOLE, CPA
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Beech River Regional Airport Authority
Lexington, Tennessee

Report on the Audit of the Financial Statements

Opinions

I have audited the financial statements of the Beech River Regional Airport Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2023, 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.

Basis for Opinions

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 the 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 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 opinions. 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 judgement 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 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 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 Required Supplementary Information, which includes the Management's Discussion and Analysis, 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 us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information section, as listed in the table of contents, is presented for purposes of additional analysis 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 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information – Introductory Section

Management is responsible for the Introductory Section included in the annual report. The Introductory Section, as listed in the table of contents, does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements does not cover the Introductory Section, and I do not express an opinion or any other assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the Introductory Section and consider whether a material inconsistency exists between the Introductory Section and basic financial statements, or the Introductory Section otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the Introductory Section 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 May 28, 2024, on my consideration of the Authority's internal control over financial reporting and on 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 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.

Jah R Poole, CPA

May 28, 2024

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

Beech River Regional Airport Authority
Management's Discussion and Analysis

As management of the Beech River Regional Airport Authority, (the Airport Authority) we offer readers of the Airport Authority's financial statements this narrative overview and analysis of the financial activities of the Airport Authority for the fiscal year ended June 30, 2023. The analysis focuses on significant financial position, revenues and expenses and specific issues related to funds and the economic factors affecting the Airport Authority. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the Beech River Regional Airport Authority exceeded its liabilities at the close of the most recent fiscal year by \$5,381,876. Of this amount, \$112,086 (unrestricted net position) may be used to meet the Airport Authority's ongoing obligations. The Airport Authority's total net position decreased by \$866,809 during the current year, primarily as a result of the depreciation charge of \$829,780 on the airport's infrastructure.

Overview of the Financial Statements:

The Statement of Net Position presents information on all the Airport Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Airport Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Airport Authority's net position changed during the most recent fiscal 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The basic financial statements can be found on pages 9-11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 13-16 of this report.

Financial Analysis of the Financial Statements

As noted earlier, net position may serve over time as a useful indicator of the Airport Authority's financial position. In the case of the Beech River Regional Airport Authority, assets exceeded liabilities by \$5,381,876 at the close of the most recent fiscal year. By far the largest portion of the Airport Authority's assets reflects its investment in capital assets. The Airport Authority uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

Beech River Regional Airport Authority's Net position – 2023

Current assets	\$ 263,407
Capital assets, net	<u>5,269,790</u>
Total assets	<u>5,533,197</u>
Current liabilities	<u>2,396</u>
Deferred Inflows	<u>148,925</u>
Net position:	
Investment in capital assets	5,269,790
Unrestricted	<u>112,086</u>
Total net position	\$ <u>5,381,876</u>

Beech River Regional Airport Authority's Net position – 2022

Current assets	\$ 380,708
Capital assets, net	<u>6,020,576</u>
Total assets	<u>6,401,284</u>
Current liabilities	<u>3,424</u>
Deferred Inflows	<u>149,175</u>
Net position:	
Investment in capital assets	6,020,576
Restricted	5,803
Unrestricted	<u>222,306</u>
Total net position	\$ <u>6,248,685</u>

At the end to the current fiscal year, the Airport Authority is able to report positive balances in all categories of net position.

Comparison of revenues and expenses

	2023	2022	Change Between Years
Operating Revenues:			
Ground lease and T-hangar rent	\$78,675	\$84,948	(\$6,273)
Fuel sales	234,545	210,266	24,279
Miscellaneous	2,735	1,344	1,391
Total Operating Revenues	<u>315,955</u>	<u>296,558</u>	<u>19,397</u>
Operating Expenses:			
Personnel costs	113,828	124,211	10,383
Employee benefits	17,381	18,115	734
Fuel purchases	173,494	152,038	(21,456)
Materials and supplies	7,333	9,816	2,483
Repairs and maintenance	39,907	60,574	20,667
Vehicle expenses	6,967	4,768	(2,199)
Office expense	4,668	5,265	597
Insurance	33,329	32,741	(588)
Utilities	36,596	31,958	(4,638)
Professional services	5,975	5,811	(164)
Fuel farm expenses	8,728	8,814	86
Credit card fees	6,080	6,333	253
Depreciation	829,780	823,803	(5,977)
Miscellaneous	2,281	4,246	1,965
Total Operating Expenses	<u>1,286,347</u>	<u>1,288,493</u>	<u>2,146</u>
Operating income (loss)	<u>(970,392)</u>	<u>(991,935)</u>	<u>17,251</u>
Nonoperating Revenues (Expenses):			
Intergovernmental appropriations	90,000	193,110	(103,110)
Special item	(46,965)	0	(46,965)
Interest income	548	153	395
Grants	60,000	85,136	(25,136)
Total Nonoperating Revenues (Expenses)	<u>103,583</u>	<u>278,399</u>	<u>(174,816)</u>
Net change in net position	(866,809)	(713,536)	(157,565)

Capital Asset

The Beech River Regional Airport Authority's investment in capital assets at June 30, 2023, amounts to \$5,269,790 (net of accumulated depreciation). This investment in capital assets is in land, buildings and equipment.

Beech River Regional Airport Authority's Capital Assets

	<u>2023</u>	<u>2022</u>
Land	1,117,830	1,117,830
Airport	13,782,443	13,739,949
Buildings	3,000,122	3,000,122
Equipment	<u>371,279</u>	<u>334,779</u>
Total	18,271,674	18,192,680
Less accumulated depreciation	<u>(13,001,884)</u>	<u>(12,172,104)</u>
Net Capital Assets	<u>5,269,790</u>	<u>6,020,576</u>

Additional information on the Beech River Regional Airport Authority's capital assets can be found in the notes to the financial statements section of this report.

Economic Factors and Next Year's Budget and Rates

In the 2023-2024 budget, the Authority revenues and user charges are budgeted to increase from the 2022-2023 budget year primarily due to an increase in usage. All of these factors were considered in preparing the Authority's budget for the 2023-2024 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Airport Authority's finances for all those 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:

Beech River Regional Airport Authority

FINANCIAL STATEMENTS

BEECH RIVER REGIONAL AIRPORT AUTHORITY

Statement of Net Position

June 30, 2023

Assets

Current Assets:

Cash and cash equivalents	\$153,529
Prepaid expenses	41,373
Inventory	68,505
Total Current Assets	<u>263,407</u>

Capital Assets:

Airport plant in service	18,271,674
Less accumulated depreciation	(13,001,884)
Total Capital Assets, Net	<u>5,269,790</u>

Total Assets	<u>\$5,533,197</u>
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Liabilities

Current Liabilities:

Accounts payable	<u>2,396</u>
Total Current Liabilities	<u>2,396</u>

Deferred Inflows: Rent	<u>148,925</u>
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Net Position:

Investment in capital assets	5,269,790
Unrestricted	112,086
Total Net Position	<u>\$5,381,876</u>

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

BEECH RIVER REGIONAL AIRPORT AUTHORITY

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

For the Year Ended June 30, 2023

Operating Revenues:	
Ground lease and T-hangar rent	\$78,675
Fuel sales	234,545
Other operating revenues	2,735
Total Operating Revenues	<u>315,955</u>
Operating Expenses:	
Personnel costs	113,828
Employee benefits	17,381
Fuel purchases	173,494
Materials and supplies	7,333
Repairs and maintenance	39,907
Vehicle expenses	6,967
Office expense	4,668
Insurance	33,329
Utilities	36,596
Professional services	5,975
Fuel farm expenses	8,728
Credit card fees	6,080
Depreciation	829,780
Miscellaneous	2,281
Total Operating Expenses	<u>1,286,347</u>
Operating income (loss)	<u>(970,392)</u>
Nonoperating Revenues (Expenses):	
Intergovernmental appropriations	90,000
State grant funds	60,000
Interest income	548
Total Nonoperating Revenues (Expenses)	<u>150,548</u>
Special item-loss of principal supporter	<u>(46,965)</u>
Net change in net position	(866,809)
Net Position, July 1, 2022	<u>6,248,685</u>
Net Position, June 30, 2023	<u><u>\$5,381,876</u></u>

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

BEECH RIVER REGIONAL AIRPORT AUTHORITY

Statement of Cash Flows

For the Year Ended June 30, 2023

Cash Flows from Operating Activities:	
Cash received from customers	\$315,955
Cash paid to suppliers	(191,796)
Cash paid to employees	(131,209)
Net Cash Provided (Used) by Operating Activities	<u>(7,050)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(81,920)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(81,920)</u>
Cash Flows from Investing Activities:	
Interest received	548
Net Cash Provided (Used) by Investing Activities	<u>548</u>
Net Increase (decrease) in Cash	(88,422)
Cash and Cash Equivalents, July 1, 2022	<u>241,951</u>
Cash and Cash Equivalents, June 30, 2023	<u><u>\$153,529</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	(\$970,392)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	829,780
State grant funds	60,000
Intergovernmental appropriations	90,000
Change in assets (increase) decrease:	
Accounts and grants receivable	976
Inventory	(4,038)
Prepaid expenses	(12,098)
Change in liabilities increase (decrease):	
Accounts payable	(1,028)
Deferred inflow	(250)
Net Cash Provided (Used) by Operating Activities	<u><u>(\$7,050)</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

BEECH RIVER REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

June 30, 2023

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Beech River Regional Airport Authority was organized to provide air transportation to the Counties surrounding the facility. The Authority is an organization that is jointly governed by the City of Lexington, City of Parsons, Decatur County, and Henderson County, Tennessee. The cities and the counties appoint the members of the Authority's board.

The Board of Commissioners, a nine-member group constituting an on-going entity, has governance responsibilities over all activities related to the operation of the Beech River Regional Airport Authority. The Airport Authority receives primary funding from charges to its customers. The Airport Authority may also receive funding from various governmental grants.

The Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Basis of Accounting

The accompanying financial statements of the Airport Authority have been prepared on the accrual basis of accounting. The Airport Authority uses the economic resources measurement focus. Revenues are recognized when they are earned, and expenses are recognized when incurred. Expenditures are recognized in the accounting period in which the liability is incurred and is measurable.

Cash and Cash Equivalents

The Airport Authority considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents.

Inventory

Gasoline inventory is valued at the lower of cost (first-in, first-out) or market.

Capital Assets

Capital assets of the Airport Authority is recorded at cost. Depreciation is computed over the estimated life of the assets utilizing the straight-line method. The estimated life for utility plant in service is from 5 to 50 years. Capital assets are defined by the Airport Authority as assets with an individual cost of \$3,500 and an estimated useful life in excess of three years.

BEECH RIVER REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

June 30, 2023

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 reported period. Actual results could differ from those estimates.

Restricted Assets

Restricted assets represent cash and cash equivalents required to be set aside for construction and major repairs and maintenance. It is the policy of the Airport Authority to apply restricted assets when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Operating revenues and operating expenses

The Airport Authority recognizes operating revenues and operating expenses resulting from providing services and producing goods to its customers. All other revenues and services are deemed nonoperating.

Net Position Flow Assumption

Sometimes the Airport Authority will fund outlays for a particular purpose from both restricted 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 Airport Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item (unearned revenues) that qualify for reporting in this category. Accordingly, the items are reported in the Statement of Net Position.

BEECH RIVER REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

June 30, 2023

Note 2 - CASH AND CERTIFICATE OF DEPOSITS

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Airport Authority. Cash and cash equivalents were adequately covered by federal depository insurance, insured by the depository bank's participation in the State of Tennessee Bank Collateral Pool or collateralized by securities, pledged for deposits, held by an independent third-party financial institution under the terms of a safekeeping collateral agreement in the Authority's name. Investment policies of the Authority follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

Note 3 - CAPITAL ASSETS

A summary of changes in capital assets in service is as follows:

	Balance <u>6-30-22</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6-30-23</u>
Assets not being depreciated				
Land	\$ 1,117,830	-	-	1,117,830
Assets being depreciated				
Airport	13,739,949	45,420	2,926	13,782,443
Building	3,000,122	-	-	3,000,122
Furniture and equipment	<u>334,779</u>	<u>36,500</u>	-	<u>371,279</u>
	<u>18,192,680</u>	<u>81,920</u>	<u>2,926</u>	<u>18,271,674</u>
Less accumulated depreciation	<u>(12,172,104)</u>			<u>(13,001,884)</u>
Capital assets - net	\$ <u>6,020,576</u>			<u>5,269,790</u>

The depreciation expense for the year was \$829,780. All assets are being depreciated except for land of \$1,117,830.

BEECH RIVER REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

June 30, 2023

Note 4 - INSURANCE

The Airport Authority carries commercial insurance for the majority of risks of loss, including general liability, property and casualty, workers' compensation and environmental. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 5 - DEFERRED INFLOWS

Some customers prepay hangar rent and ground leases as of June 30, 2023, the Airport Authority has recorded the appropriate amount as deferred rent and is recognizing the rent revenue as it is earned.

Note 6 - COMMITMENTS AND LITIGATION

Litigation:

The Airport Authority is not involved in any litigation which would have a material effect on the financial statements of the Airport Authority.

Grants:

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the Airport Authority.

Note 7 - Leases

GASB Statement No 87, *Leases*, became effective for fiscal year ending June 30, 2022. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability, (2) an intangible asset representing the lessee's right to use the leased asset, (3) report the amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (4) interest expenses on the lease liability and (5) note disclosures about the lease. A lessor must recognize (1) a lease receivable, (2) deferred inflow of resources, (3) interest revenue on the lease receivable and (4) note disclosures of leasing arrangements and the total inflows of resources recognized from leases. Management has determined that the Authority has no arrangements that qualify as leases under the standard; therefore, it has no impact on the current year financial statements.

Note 8 - Loss of Principal Support

One of the Airport Authority's long-time supporters has decided to no longer financially support the Airport Authority. This decision by the long-time supporter has caused the Airport Authority to write off certain receivables in the amount of \$46,965. This amount has been recored as a special item in the Statement of Revenues, Expenses and Changes in Net Position.

SUPPLEMENTAL
INFORMATION

BEECH RIVER REGIONAL AIRPORT AUTHORITY

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2023

<u>Assistance Listing Number</u>	<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance June 30, 2022</u>	<u>Grant Receipts</u>	<u>Other Receipts</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2023</u>
Federal Program:								
20.106	N/A	ACRGP	State of Tennessee Department of Transportation from U.S. Department of Transportation	0	13,000	0	13,000	0
20.106	N/A	ARPA	of Transportation from U.S. Department of Transportation	0	32,000	0	32,000	0
State Program:								
N/A	40100-14620	Airport Maintenance	State of Tennessee Department of Transportation	0	15,000	0	15,000	0
This schedule prepared on the accrual basis of accounting.				Total grants	0	60,000	60,000	0

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Beech River Regional Airport Authority
Lexington, Tennessee

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 Beech River 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 Beech River Regional Airport Authority's basic financial statements, and have issued a report thereon dated May 28, 2024.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Beech River Regional Airport Authority's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Beech River Regional Airport Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Beech River 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 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 the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001, that I consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Beech River 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Finding

The Beech River Regional Airport Authority's response to the finding identified in the audit is described in the Schedule of Findings and Responses. The Beech River Regional Airport Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result 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.

John R Poole, CPA

May 28, 2024

BEECH RIVER REGIONAL AIRPORT AUTHORITY

Schedule of Findings and Responses

June 30, 2023

2023-001 - Separation of Duties

Condition: The Beech River Regional Airport Authority currently has one employee that works in performing the majority of the accounting functions for the Authority. Due to only having one employee performing the accounting transactions there is currently an inadequate segregation of duties.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Cause: The Authority has a limited number of office employees to provide for a proper division of duties.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner along with the possibility of fraud or misappropriation of assets increases when accounting functions are not adequately segregated.

Recommendation: For adequate separation of duties, the employee who writes receipts, prepares and makes bank deposits, or writes checks should neither reconcile bank statements nor post to the cash receipts and disbursements journals.

Response: “We agree that the staff size will not allow the Authority to segregate duties to the optimum level desired. There is only one employee working in the department so it is virtually impossible to segregate duties unless more staff could be hired and due to the finances of our small airport, we could not financially hire additional office help. We have implemented mitigating procedures to the extent possible with our limited staff. The person making deposits and handling receipts is separate from the person reconciling the bank statements. Also, purchases require two signatures (at least one Board Member) and financial reports are presented at the Board meetings.”

BEECH RIVER REGIONAL AIRPORT AUTHORITY

Schedule of Disposition of Prior Year Comments

June 30, 2023

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2022-001	Separation of Duties	Repeated

The original finding number was 2013-001. The current finding number is 2023-001.

BEECH RIVER REGIONAL AIRPORT AUTHORITY

1600 Mount Ararat Road, Darden, TN. 38328

Phone: (731) 845-5740

Management's Corrective Action Plan

Audit period: June 30, 2023

The findings from the June 30, 2023, *Schedule of Findings and Responses* are discussed below.

2023-001 Segregation of Duties (Internal Control)

Contact person: Pamela Aycock, Staff Assistant

Planned Corrective Action: We acknowledge this finding and understand that it is related to our small size. However, at present it is not economically feasible to hire additional personnel to solve this issue. We (the Board) monitor our finances and internal controls. We have instituted some measures to mitigate this weakness and will continue to look for ways to segregate duties and/or apply additional mitigating controls whenever possible. During the year we have mitigating procedures to the extent possible with our limited staff. The person making deposit and handling receipts is separate from the person reconciling the bank statements. Also, purchases require two signatures (at least one Board Member) and financial reports are presented at the Board meetings.

Anticipated Completion Date: As stated above, because of our small size, we do not foresee this finding being resolved in the near future.

Signature: 