

CLARKSVILLE-MONTGOMERY COUNTY

REGIONAL AIRPORT AUTHORITY

AUDITED FINANCIAL STATEMENTS

AND OTHER INFORMATION

JUNE 30, 2008

TABLE OF CONTENTS

Independent Auditor’s Report	1
Management’s Discussion and Analysis (unaudited).....	3
Audited Financial Statements:	
Statement of Net Assets.....	13
Statement of Revenues, Expenses and Changes in Net Assets	15
Statement of Cash Flows	17
Notes to Financial Statements	19
Other Information:	
Directory of Officials (unaudited)	28
Schedule of Expenditures of Federal and State Awards.....	29
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>	30
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	34
Schedule of Findings and Questioned Costs	36

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Clarksville-Montgomery County
Regional Airport Authority
Clarksville, Tennessee

We have audited the accompanying financial statements of the Clarksville-Montgomery County Regional Airport Authority (Airport Authority) as of and for the year ended June 30, 2008, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Airport Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of June 30, 2008, and the changes in its financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2009, on our consideration of the Airport 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport Authority's basic financial statements. The accompanying information listed as other information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Airport Authority. The schedule of expenditures of federal and state awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying directory of officials listed as other information in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Stone Rudolph & Henry, PLC

January 16, 2009

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2008

The following Management's Discussion and Analysis (MD&A) of the Clarksville-Montgomery County Regional Airport Authority's (Authority) financial performance provides an introduction to the financial statements for the years ended June 30, 2008, and 2007. The information contained in this MD&A should be used in conjunction with the information contained in the Authority's financial statements for the period.

Background

In 1997 the Clarksville Airport Joint Committee (CAJC) approached the mayors of the City of Clarksville and Montgomery County with the idea of creating a regional airport authority. Subsequently, both municipalities passed resolutions authorizing the Clarksville-Montgomery County Regional Airport Authority (CMCRAA) and provided it with all the rights, privileges, and authority of the CAJC. The CMCRAA then petitioned the State of Tennessee and received its state charter. In 1998, the Authority purchased a mobile home park adjacent to the airport which included twelve mobile homes that were subsequently sold. The lot rents from that mobile home park continue to be a significant source of revenue for the Authority.

Overview of the Financial Statements

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The fiscal year accounting period runs from July 1 to June 30.

Following this MD&A are the basic financial statements of the Authority together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The Authority's financial statements are broken down into two separate tables to reflect both the operations of the airport and that of the American Village Mobile Home Park which is located on airport property and managed by the Authority. These tables are shown as "Airport Authority" and "Mobile Home Park" respectively.

The Statement of Net Assets shows all assets of the Authority and Mobile Home Park less liabilities. Buildings and properties are recorded at cost. Over time, increases or decreases in net assets will serve as a useful indicator of the Authority's financial position.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2008

Summaries of the Airport Authority *Statements of Net Assets* are presented in Table 1. The Airport Authority had a decrease in current assets of \$147,646 in 2008. Total liabilities increased from \$700,573 in 2007 to \$837,354 in 2008.

Table 1				
Clarksville-Montgomery County Regional Airport Authority				
Airport Authority				
Condensed Statements of Net Assets				
June 30, 2008 and 2007				
ASSETS	2008	2007	Dollar Change	Total Percent Change
Current Assets	300,008	447,653	-147,645	-32.9%
Restricted Assets	375,225	-0-	375,225	N/A
Capital Assets (Net)	<u>5,485,916</u>	<u>3,681,421</u>	<u>1,804,495</u>	49.0%
TOTAL ASSETS	<u>6,161,149</u>	<u>4,129,074</u>	<u>2,032,075</u>	49.2%
LIABILITIES AND NET ASSETS				
Current Liabilities	637,044	476,345	160,699	33.7%
Long-Term Debt	<u>200,311</u>	<u>224,228</u>	<u>(23,917)</u>	-10.7%
TOTAL LIABILITIES	<u>837,355</u>	<u>700,573</u>	<u>136,782</u>	19.5%
Invested in Capital Assets, Net of Related Debt	5,396,955	3,578,217	1,818,738	50.8%
Restricted	375,225	-0-	375,225	N/A
Unrestricted	<u>(448,386)</u>	<u>(149,716)</u>	<u>(298,670)</u>	199.4%
NET ASSETS	<u>5,323,794</u>	<u>3,428,501</u>	<u>1,895,293</u>	55.3%
TOTAL LIABILITIES AND NET ASSETS	<u>6,161,149</u>	<u>4,129,074</u>	<u>2,032,075</u>	49.2%

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2008

Summaries of the Mobile Home *Statements of Net Assets* are presented in Table 2. The Mobile Home Park had an increase in current assets of \$4,488. Total Liabilities decreased from \$187,720 in 2007 to \$144,992 in 2008.

Table 2				
Clarksville-Montgomery County Regional Airport Authority				
Mobile Home Park				
Condensed Statements of Net Assets				
June 30, 2008 and 2007				
ASSETS	2008	2007	Dollar Change	Total Percent Change
Current Assets	36,869	32,381	4,488	13.9%
Capital Assets (Net)	<u>872,229</u>	<u>886,373</u>	<u>(14,144)</u>	-1.6%
TOTAL ASSETS	<u>909,098</u>	<u>918,754</u>	<u>(9,656)</u>	-1.1%
LIABILITIES AND NET ASSETS				
Current Liabilities	144,992	175,294	(30,302)	-17.3%
Non-Current Liabilities	-0-	<u>12,426</u>	<u>(12,426)</u>	-100%
TOTAL LIABILITIES	<u>144,992</u>	<u>187,720</u>	<u>(42,728)</u>	-22.8%
Invested in Capital Assets, Net of Related Debt	727,237	698,653	28,584	4.1%
Unrestricted	<u>36,869</u>	<u>32,381</u>	<u>4,488</u>	13.9%
NET ASSETS	<u>764,106</u>	<u>731,034</u>	<u>33,072</u>	4.5%
TOTAL LIABILITIES AND NET ASSETS	<u>909,098</u>	<u>918,754</u>	<u>(9,656)</u>	-1.1%

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2008

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the net assets of the Airport Authority changed during the fiscal year. Transfers from the Mobile Home Park to the Authority serve to cover a portion of routine operating expenses previously funded or not covered by the City and County.

Summaries of the *Statements of Revenue, Expenses, and Changes in Net Assets* for the Airport Authority are detailed below in Table 3. Revenue for the Airport Authority is generated from monthly building rental and monthly allocations from both the City of Clarksville and Montgomery County. As shown in Table 3, the Airport Authority had operating revenues in the amount of \$178,571 for 2008. Operating expenses increased from \$344,020 in 2007 to \$669,977 in 2008. The Airport Authority had an increase in grants received from \$488,675 in 2007 to \$2,391,865 in 2008. This increase is due to multiple federal grant projects.

Table 3				
Clarksville-Montgomery County Regional Airport Authority				
Airport Authority				
Condensed Statements of Revenues, Expenses,				
and Changes in Net Assets				
June 30, 2008 and 2007				
	2008	2007	Dollar Change	Total Percent Change
Operating Revenues	178,571	200,861	(22,290)	-11.0%
Operating Expenses	<u>669,977</u>	<u>344,020</u>	<u>325,957</u>	94.7%
Operating Income (Loss)	(491,406)	(143,159)	(348,247)	243.2%
Nonoperating Income (Expense)	<u>(5,166)</u>	<u>(5,888)</u>	<u>722</u>	-12.3%
Income (Loss) Before Contributions and Transfers	(496,572)	(149,047)	(347,525)	233.1%
Contributions	2,391,865	488,675	1,903,190	389.4%
Interfund Transfers	<u>-0-</u>	<u>33,625</u>	<u>(33,625)</u>	-100%
Change in Net Assets	1,895,293	373,253	1,522,040	407.8%
Net Assets - Beginning	<u>3,428,501</u>	<u>3,055,248</u>	<u>373,253</u>	12.2%
Net Assets - Ending	<u>5,323,794</u>	<u>3,428,501</u>	<u>1,895,293</u>	55.3%

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2008

Summaries of the *Statements of Revenues, Expenses, and Changes in Net Assets* for the Mobile Home Park are detailed below in Table 4. Revenue for the Mobile Home Park is generated from land rental. As shown in Table 4, the Mobile Home Park had operating revenues in the amount of \$84,520 for 2008. Total expenses decreased from \$60,461 in 2007 to \$51,513 in 2008.

Table 4				
Clarksville-Montgomery County Regional Airport Authority				
Mobile Home Park				
Condensed Statements of Revenues, Expenses,				
and Changes in Net Assets				
June 30, 2008 and 2007				
	2008	2007	Dollar Change	Total Percent Change
Operating Revenues	84,520	101,032	(16,512)	-16.3%
Interest Income	65	169	(104)	-61.5%
Total Revenues	<u>84,585</u>	<u>101,201</u>	<u>(16,616)</u>	-16.4%
Operating Expenses	36,366	44,154	(7,788)	-17.6%
Administrative and General	278	162	116	71.6%
Interest Expense	725	1,942	(1,217)	-62.7%
Depreciation and Amortization	<u>14,144</u>	<u>14,203</u>	(59)	-0.4%
Total Expenses	<u>51,513</u>	<u>60,461</u>	<u>(8,948)</u>	-14.8%
Income Before Transfers	33,072	40,740	(7,668)	-18.8%
Interfund Transfers	-0-	<u>(33,625)</u>	<u>33,625</u>	-100%
Change in Net Assets	<u>33,072</u>	<u>7,115</u>	<u>25,957</u>	364.8%
Net Assets - Beginning	<u>731,034</u>	<u>723,919</u>	<u>7,115</u>	1.0%
Net Assets - Ending	<u>764,106</u>	<u>731,034</u>	<u>33,072</u>	4.5%

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2008

The *Statements of Cash Flows* reports the net changes in cash resulting from operating, investing, and financing activities. It provides information on a company's liquidity, financial flexibility and operating capacity. As shown in Table 5, cash is generated by the operating activities of the Airport Authority. The Airport Authority had a net increase in cash of \$371,547 from fiscal year 2007 to fiscal year 2008.

Table 5		
Clarksville-Montgomery County Regional Airport Authority		
Airport Authority		
Condensed Statements of Cash Flows		
June 30, 2008 and 2007		
	2008	2007
Cash Flows from Operating Activities	(55,648)	139,894
Cash Flows from Noncapital Financing Activities	10,000	36,949
Cash Flows from Capital and Related Financing Activities	417,195	(208,580)
Cash Flows from Investing Activities	<u>-0-</u>	<u>-0-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	371,547	(31,737)
Cash and Cash Equivalents - Beginning	<u>3,678</u>	<u>35,415</u>
Cash and Cash Equivalents - Ending	<u>375,225</u>	<u>3,678</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2008

Table 6 shows the cash flow analysis for the Mobile Home Park.

Table 6		
Clarksville-Montgomery County Regional Airport Authority		
Mobile Home Park		
Condensed Statements of Cash Flows		
June 30, 2008 and 2007		
	2008	2007
Cash Flows from Operating Activities	63,742	53,042
Cash Flows from Noncapital Financing Activities	-0-	(33,625)
Cash Flows from Capital and Related Financing Activities	(43,453)	(52,011)
Cash Flows from Investing Activities	65	169
Net Increase (Decrease) in Cash and Cash Equivalents	20,354	(32,425)
Cash and Cash Equivalents - Beginning	<u>12,853</u>	<u>45,278</u>
Cash and Cash Equivalents - Ending	<u>33,207</u>	<u>12,853</u>

The Notes to Financial Statements present explanatory information to the various reports and specific details regarding additions and deletions from operations during the year. In addition, summary explanations are provided regarding various leases and notes payable of the Authority.

The Directory of Officials represents the members of the Clarksville-Montgomery County Regional Airport Authority as it existed as of June 30, 2008.

The Schedule of Expenditures of Federal and State Awards discloses various state and federal grants obtained during the year and their resulting account balances.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2008

Capital Assets and Debt Administration

At the end of 2008, the Airport Authority had net capital assets of \$5,485,916. This is an increase of 49% from 2007. Total airport assets are listed below. Construction Work in Progress increased \$1,866,197 due to ongoing federal airport projects. Please see Table 7 for an analysis of net capital assets. The Mobile Home Park had a decrease in net capital assets of \$14,144. Please see Table 8 on the following page.

Table 7				
Clarksville-Montgomery County Regional Airport Authority				
Airport Authority				
Capital Assets				
June 30, 2008 and 2007				
	2008	2007	Dollar	Total
			Change	Percent
			Change	Change
Buildings and Airport Facilities	6,624,524	6,227,370	397,154	6.4%
Vehicles and Equipment	92,547	90,329	2,218	2.5%
Land and Land Improvements	861,805	861,805	-0-	0.0%
Construction Work in Progress	<u>2,442,266</u>	<u>576,069</u>	<u>1,866,197</u>	<u>324.0%</u>
Total Capital Assets	<u>10,021,142</u>	<u>7,755,573</u>	<u>2,265,569</u>	<u>29.2%</u>
Less Accumulated Depreciation	<u>(4,535,226)</u>	<u>(4,074,152)</u>	<u>(461,074)</u>	11.3%
Net Capital Assets	<u>5,485,916</u>	<u>3,681,421</u>	<u>1,804,495</u>	<u>49.0%</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2008

Table 8				
Clarksville-Montgomery County Regional Airport Authority				
Mobile Home Park				
Capital Assets				
June 30, 2008 and 2007				
	2008	2007	Dollar	Total
			Change	Percent
				Change
Land	748,414	748,414	-0-	0%
Equipment	5,620	5,620	-0-	0%
Water System and Improvements	<u>217,874</u>	<u>217,874</u>	<u>-0-</u>	0%
Total Capital Assets	971,908	971,908	-0-	0%
Less Accumulated Depreciation	<u>99,679</u>	<u>85,535</u>	<u>14,144</u>	16.5%
Net Capital Assets	<u>872,229</u>	<u>886,373</u>	<u>(14,144)</u>	-1.6%

Long-Term Debt

At June 30, 2008, the Airport Authority had a note payable outstanding to the City with a balance of \$144,992. In September of 2003, the City demanded full payment of this note; however, due to lack of funding, the Authority was unable to comply during the June 30, 2005 fiscal year. In a resolution dated July 20, 2005, the Authority resolved to repay this debt to the City and began paying monthly loan payments in the amount of \$2,000.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2008

Analysis of Financial Position

The financial position of the Authority improved significantly in 2008 as compared to the previous two years and reflects the results of proactive actions taken and informed decisions made by current board members and management. The current Authority has regained the confidence of local municipalities by its actions and by the hiring of an experienced airport manager. As a result, local municipalities have continued to provide a predictable and substantial level of financial support. The stability of the board and addition of an experienced manager have not only ushered in greater continuity in operations, but have also resulted in the Authority being in a favorable position to seek and obtain additional capital funds through FAA Airport Improvement Projects grant funding. Additionally, the board and management are aggressively researching other means to upgrade the quality of the facility and/or generate revenue to make the Authority more self-sustaining.

The Authority is moving forward with measured, yet deliberate steps toward renewing or issuing a new contract for a fixed base operator (FBO). The new FBO contract should result in the Airport becoming even more attractive to users who will financially support the Airport.

Finally, the Authority has sought to make the airport more self-sustaining by renegotiating or entering into beneficial lease contracts for hangar space, office space, and an on-site restaurant to move even more toward self-sustainability.

Contacting the Authority's Financial Management

This financial report is designed to provide our customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report, or need additional information, contact the Authority's office at 200 Airport Road, Clarksville, Tennessee 37042.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

	Airport Authority	Mobile Home Park	Totals
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents			
Unrestricted	\$ -	\$ 33,207	\$ 33,207
Restricted	375,225	-	375,225
Accounts Receivable	14,828	662	15,490
Notes Receivable	-	3,000	3,000
Matching Funds on Deposit	74,638	-	74,638
Grants Receivable	210,542	-	210,542
Total Current Assets	675,233	36,869	712,102
<u>CAPITAL ASSETS</u>			
Buildings and Airport Facilities	6,624,524	-	6,624,524
Vehicles and Equipment	92,547	5,620	98,167
Land and Land Improvements	861,805	966,288	1,828,093
Construction In Progress	2,442,266	-	2,442,266
Total Capital Assets	10,021,142	971,908	10,993,050
Less: Accumulated Depreciation	4,535,226	99,679	4,634,905
Net Capital Assets	5,485,916	872,229	6,358,145
 Total Assets	 \$ 6,161,149	 \$ 909,098	 \$ 7,070,247

LIABILITIES AND NET ASSETS

	<u>Airport Authority</u>	<u>Mobile Home Park</u>	<u>Totals</u>
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 610,279	\$ -	\$ 610,279
Current Portion of Notes Payable	14,027	144,992	159,019
Gate Card Deposits	360	-	360
Accrued Payroll	2,380	-	2,380
Current Portion of Unearned Lease Revenue	9,998	-	9,998
Total Current Liabilities	637,044	144,992	782,036
<u>LONG-TERM LIABILITIES</u>			
Unearned Lease Revenue - less Current Portion	125,377	-	125,377
Notes Payable - less Current Portion	74,934	-	74,934
Total Long-Term Liabilities	200,311	-	200,311
Total Liabilities	837,355	144,992	982,347
<u>NET ASSETS (DEFICIT)</u>			
Invested in Capital Assets, Net of Related Debt	5,396,955	727,237	6,124,192
Restricted - Expendable	375,225	-	375,225
Unrestricted	(448,386)	36,869	(411,517)
Total Net Assets	5,323,794	764,106	6,087,900
Total Liabilities and Net Assets	\$ 6,161,149	\$ 909,098	\$ 7,070,247

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

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2008

	<u>Airport Authority</u>	<u>Mobile Home Park</u>	<u>Totals</u>
<u>OPERATING REVENUE</u>			
City and County Funding	\$ 109,581	\$ -	\$ 109,581
Lease Income:			
Terminal Facilities	8,248	-	8,248
Hangar Facilities, Net of Bad Debts	49,902	-	49,902
Fuel Flowage Fees	4,309	-	4,309
Farm Land	6,250	-	6,250
Pilot Shop Sales	70	-	70
Mobile Home Park Rent and Fees, Net of Bad Debts	-	84,520	84,520
Miscellaneous	211	-	211
Total Operating Income	<u>178,571</u>	<u>84,520</u>	<u>263,091</u>
<u>OPERATING EXPENSES</u>			
Cleaning and Pest Control	1,218	-	1,218
Depreciation	461,074	14,144	475,218
Dues and Fees	1,508	-	1,508
Facilities Maintenance	43,961	2,176	46,137
Insurance	10,071	1,012	11,083
Miscellaneous	50	63	113
Office Supplies and Postage	4,388	278	4,666
Payroll Taxes	6,640	-	6,640
Pilot Shop Cost of Sales	344	-	344
Professional Fees	12,920	9,356	22,276
Property Taxes	-	10,510	10,510
Salaries and Personnel Services	100,819	-	100,819
Utilities	26,984	13,249	40,233
Total Operating Expenses	<u>669,977</u>	<u>50,788</u>	<u>720,765</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(491,406)</u>	<u>33,732</u>	<u>(457,674)</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (CONT'D)
YEAR ENDED JUNE 30, 2008

	<u>Airport Authority</u>	<u>Mobile Home Park</u>	<u>Totals</u>
<u>NONOPERATING INCOME (EXPENSE)</u>			
Interest Income	-	65	65
Interest Expense	(5,166)	(725)	(5,891)
Total Nonoperating Income (Expense)	<u>(5,166)</u>	<u>(660)</u>	<u>(5,826)</u>
<u>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</u>			
	<u>(496,572)</u>	<u>33,072</u>	<u>(463,500)</u>
State Grants - Airport Maintenance	10,000	-	10,000
Federal Grants - Runway Lighting Project	12,050	-	12,050
Federal Grants - T-Hangar Project	501,094	-	501,094
Federal Grants - Taxiway Project	670,442	-	670,442
Federal Grants - Auto Access Project	68,125	-	68,125
Federal Grants - Runway Intersection Project	41,697	-	41,697
Federal Grants - Rehabilitation Project	695,488	-	695,488
Federal Grants - Obstruction Removal Project	30,143	-	30,143
Local Grants - T-Hangar Project	33,334	-	33,334
Local Grants - Taxiway Project	91,400	-	91,400
Local Grants - Auto Access Project	76,000	-	76,000
Local Grants - Runway Intersection Project	9,100	-	9,100
Local Grants - Rehabilitation Project	98,600	-	98,600
Local Grants - Obstruction Removal Project	4,400	-	4,400
Local Grants - Hangar Projects	32,364	-	32,364
Local Grants - HVAC Project	17,628	-	17,628
Total Contributions	<u>2,391,865</u>	<u>-</u>	<u>2,391,865</u>
<u>CHANGE IN NET ASSETS</u>	<u>1,895,293</u>	<u>33,072</u>	<u>1,928,365</u>
<u>NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</u>	<u>3,479,277</u>	<u>731,034</u>	<u>4,210,311</u>
<u>PRIOR-PERIOD ADJUSTMENT - NOTE 11</u>	<u>(50,776)</u>	<u>-</u>	<u>(50,776)</u>
<u>NET ASSETS - BEGINNING OF YEAR, AS RESTATED</u>	<u>3,428,501</u>	<u>731,034</u>	<u>4,159,535</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 5,323,794</u>	<u>\$ 764,106</u>	<u>\$ 6,087,900</u>

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

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008

	<u>Airport Authority</u>	<u>Mobile Home Park</u>	<u>Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash Received from Customers	\$ 153,745	\$ 97,496	\$ 251,241
Cash Paid to Employees	(101,264)	-	(101,264)
Cash Paid to Suppliers	(108,129)	(33,754)	(141,883)
Net Cash Provided by (Used in) Operating Activities	<u>(55,648)</u>	<u>63,742</u>	<u>8,094</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
State Operating Grants	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>10,000</u>	<u>-</u>	<u>10,000</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Local Capital Grants	362,826	-	362,826
Federal Capital Grants	2,228,611	-	2,228,611
Purchase of Equipment	(2,218)	-	(2,218)
Payments on Long-Term Debt	(14,243)	(42,728)	(56,971)
Payments for Improvements	(2,152,615)	-	(2,152,615)
Interest on Capital Debt	(5,166)	(725)	(5,891)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>417,195</u>	<u>(43,453)</u>	<u>373,742</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest Received	<u>-</u>	<u>65</u>	<u>65</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	371,547	20,354	391,901
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>3,678</u>	<u>12,853</u>	<u>16,531</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 375,225</u>	<u>\$ 33,207</u>	<u>\$ 408,432</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS (CONT'D)
YEAR ENDED JUNE 30, 2008

	<u>Airport Authority</u>	<u>Mobile Home Park</u>	<u>Totals</u>
<u>RECONCILIATION OF OPERATING INCOME</u>			
<u>(LOSS) TO NET CASH PROVIDED BY</u>			
<u>(USED IN) OPERATING ACTIVITIES</u>			
Operating Income (Loss)	\$ (491,406)	\$ 33,732	\$ (457,674)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	461,074	14,144	475,218
Changes in Current and Deferred Items:			
Accounts Receivable	(14,828)	12,976	(1,852)
Notes Receivable	-	2,890	2,890
Gate Card Deposits	(45)	-	(45)
Accrued Expense	(445)	-	(445)
Unearned Lease Revenue	(9,998)	-	(9,998)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (55,648)</u>	<u>\$ 63,742</u>	<u>\$ 8,094</u>

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

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting and reporting policies of the Clarksville-Montgomery County Regional Airport Authority (Airport Authority) relating to the accounts included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments in the United States of America.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

A. Reporting Entity

The Airport Authority, a joint venture of Montgomery County and the City of Clarksville, provides airport facilities to the Clarksville-Montgomery County area. The Clarksville City Council and the Montgomery County Commission each appoint two of the five members of the Airport Authority's governing board. All real properties of the Airport Authority are deeded to the Clarksville-Montgomery County Regional Airport Authority. These financial statements include only the assets, liabilities, operations and cash flows of the Airport Authority, and do not include any other fund, organization, agency or department of Montgomery County or the City of Clarksville. The Airport Authority applies all Governmental Accounting Standard Board (GASB) and Financial Accounting Standards Board (FASB) pronouncements issued on or before November, 30, 1989, unless those pronouncements conflict with GASB pronouncements. It has the option to apply all FASB pronouncements issued after November 30, 1989.

B. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Airport Authority operations are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

C. Funding

The major sources of revenue are lease of facilities, operation subsidies, and grants as listed below:

(1) Lease of Facilities

The Airport Authority leases the airport facilities primarily to two other corporations. These leases are discussed further in Note 6. The addition of 26 acres includes a mobile home park of approximately 101 lots. Rental of these lots provides additional funding for the Airport Authority.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

1. Summary of Significant Accounting Policies (Cont'd)

C. Funding (Cont'd)

(2) Operations Subsidies

The Airport Authority receives monthly funding for operating expenses from the City of Clarksville and Montgomery County, Tennessee.

(3) Grants

The Airport Authority receives federal, state, and local grants for maintenance of the airport, improvements and expansion projects.

The future operations of the Airport Authority may be significantly impacted if a major reduction of funds by these supporting organizations should occur.

D. Capital Assets and Depreciation

Capital expenditures for airport equipment, vehicles, buildings and facilities are recorded at cost of acquisition. Some airport buildings have been constructed by the lessee in exchange for an eighteen-year renewable lease of the building. These buildings have been recorded at the estimated construction cost of the lessee. Depreciation of buildings is recorded on a straight-line basis over an estimated life of 30-40 years. Airport runways, taxiways and aprons are depreciated on a straight-line basis over an estimated life of 12 or 20 years. A fire truck, airport lighting and fencing are depreciated on a straight-line basis over 15 or 20 years. Many renovation projects to the airport facilities have occurred over the past 40 years. At the time of the renovations, any remaining undepreciated cost of the facility was added to the renovation cost and a new estimated life assigned for future depreciation calculations. All assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years are capitalized. Depreciation is calculated after allowing for 10% salvage value for most assets. Minor repairs and maintenance costs are charged to expense.

The purchase of a mobile home park on December 20, 1998, included twelve mobile homes which subsequently were sold. A non-standard water line system has been installed for the park which is being depreciated over 20 years. A portion of the real estate occupied by the mobile home park was purchased using government funding. If sold, reimbursement to certain grantor agencies will be required unless the income is reinvested in the Airport Authority.

E. Cash and Cash Equivalents

Cash and cash equivalents include all cash in bank accounts and on hand. The Airport Authority considers all highly-liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents. When an expense is incurred for which both restricted and unrestricted resources are available, the Airport Authority first applies restricted resources to these expenses.

F. Use of Estimates

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

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

1. Summary of Significant Accounting Policies (Cont'd)

G. Operating Revenues and Expenses

Operating revenues and expenses of the Airport Authority are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

H. Interfund Transfers

Permanent reallocation of resources between the Mobile Home Park and the Airport Authority are classified as interfund transfers. These amounts represent cash transferred to the Airport Authority to cover operating expenses throughout the year.

2. Cash and Cash Equivalents

The Airport Authority maintains checking and liquid investment accounts for both the Airport Authority and the Mobile Home Park. Credit risk is managed by restricting cash and cash equivalents to deposits with federally insured institutions which must be approved by the board of commissioners. Investments and other deposits are restricted by state law to deposits with financial institutions and certain obligations guaranteed by the United States government. At June 30, 2008, cash and cash equivalents included bank balances of \$408,042, all of which was insured by the FDIC or the State of Tennessee Collateral Pool. Both cash and cash equivalents are carried at cost which approximated fair value at June 30, 2008. At June 30, 2008, restricted cash included \$84,757 of 5% retainage withheld from capital project invoices that is payable upon satisfactory completion of those projects. Restricted cash also included \$290,468 received from grantors for capital projects.

3. Receivables

Receivables for the Airport Authority consist primarily of amounts due from the Tennessee Department of Transportation for completed grant contracts. Receivables for the Mobile Home Park include lot rental fees and notes from the sale of mobile homes. With respect to Mobile Home Park receivables, credit risk is dispersed across a large number of lessees who are geographically concentrated in the Clarksville, Tennessee service area. The Mobile Home Park does not obtain collateral for accounts receivable. Bad debts are reported as a reduction of the related revenue account in the year losses are recognized.

Following is a schedule of accounts receivable at June 30, 2008:

	Airport Authority	Mobile Home Park
<u>Accounts Receivable</u>		
Rental	\$ -	\$ 662
City of Clarksville	14,828	-
Total Accounts Receivable	\$ 14,828	\$ 662

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

3. Receivables (Cont'd)

<u>Grants Receivable</u>	<u>Airport Authority</u>	<u>Mobile Home Home Park</u>
Tennessee Department of Transportation		
TAD Project #99-555-1167-04	\$ 10,000	\$ -
TAD Project #63-555-0120-04	75,190	-
TAD Project #63-555-0123-04	72,461	-
TAD Project #63-555-0429-04	6,277	-
TAD Project #63-555-0727-04	4,981	-
TAD Project #63-555-0128-04	14,640	-
TAD Project #63-555-0733-04	26,992	-
Total Grants Receivable	<u>\$ 210,541</u>	<u>\$ -</u>
<u>Notes Receivable</u>		
Sale of Mobile Homes	<u>\$ -</u>	<u>\$ 3,000</u>

4. Capital Assets

A summary of changes in Capital Assets follows:

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
<u>Airport Authority</u>				
Airport Facilities	\$ 6,227,370	\$ 397,154	\$ -	\$ 6,624,524
Vehicles and Equipment	90,329	2,218	-	92,547
Land and Land Improvements	861,805	-	-	861,805
Construction in Progress	576,069	2,260,551	394,354	2,442,266
Total Capital Assets	<u>\$ 7,755,573</u>	<u>\$ 2,659,923</u>	<u>\$ 394,354</u>	<u>\$ 10,021,142</u>
<u>Mobile Home Park</u>				
Land	\$ 748,414	\$ -	\$ -	\$ 748,414
Equipment	5,620	-	-	5,620
Water System and Improvements	217,874	-	-	217,874
Total Capital Assets	<u>\$ 971,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 971,908</u>

A summary of changes in Accumulated Depreciation on Capital Assets follows:

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
<u>Airport Authority</u>				
Airport Facilities	\$ 4,007,762	\$ 454,490	\$ -	\$ 4,462,252
Vehicles and Equipment	66,390	6,584	-	72,974
Total Accumulated Depreciation on Capital Assets	<u>\$ 4,074,152</u>	<u>\$ 461,074</u>	<u>\$ -</u>	<u>\$ 4,535,226</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

4. Capital Assets (Cont'd)

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
<u>Mobile Home Park</u>				
Equipment	\$ 2,060	\$ 929	\$ -	\$ 2,989
Water System and Improvements	83,475	13,215	-	96,690
Total Accumulated Depreciation on Capital Assets	\$ 85,535	\$ 14,144	\$ -	\$ 99,679

Fuel farm equipment totaling \$166,482 was pledged as collateral for debt at June 30, 2008. Land and land improvements and construction in progress are not depreciated or amortized. Of the net increase of \$2,265,569 for capital assets during fiscal year 2008, approximately \$525,521 had been capitalized but was still included in accounts payable at June 30, 2008. No capital assets were idle or considered to be impaired.

5. Unearned Revenue

Unearned revenues represent future lease payments whereby the lessee has constructed a building for the Airport Authority in exchange for future use as explained under Lease Contracts in Note 6. Changes in unearned revenue for the current year were as follows:

	Balance July 1, 2007	New Leases	Revenue Recognized	Balance June 30, 2008
Lease described in Note 6:				
Robert O. Wyatt	\$ 11,853	\$ -	\$ 2,222	\$ 9,631
Dr. Ronald E. Whitford	133,520	-	7,776	125,744
	\$ 145,373	\$ -	\$ 9,998	135,375
Less: portion to be recognized as lease income in next year				9,998
Long-Term Unearned Revenue				\$ 125,377

6. Lease Contracts

The Clarksville-Montgomery County Regional Airport Authority has entered into various lease contracts for the operation and maintenance of the airport facility as follows:

- A. On April 24, 1986, the Airport Authority entered a fixed base operator lease contract with Montgomery County Aero, Inc. for use of the hangar facilities of the airport. Effective August 1, 2006, the lease term was changed to a month-to-month basis. The monthly rent at June 30, 2008, was \$1,823 per month. The Lessee also pays a monthly fuel flow fee in the amount of six cents for every gallon of aviation gasoline and jet fuel purchased.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

6. Lease Contracts (Cont'd)

- B. On June 23, 1988, the Airport Authority entered a lease contract with Montgomery County Aero, Inc. for certain unimproved land on the airport. The Lessee pays an annual rent of \$1.00 per year and has constructed a building on the land with an estimated cost of \$60,000. The term of the original contract was for 18 years with renewal options for two additional periods of five years each. On June 23, 2006, the first renewal option was exercised for an additional five years. Land with improvements will be surrendered to the Airport Authority at termination of the contract.
- C. Effective May 1, 2008, the Airport Authority entered a month-to-month lease contract for a hangar with Montgomery County Aero, Inc. Rent is \$577 per month.
- D. On May 18, 1994, the Airport Authority entered a lease contract with Robert O. Wyatt for certain unimproved land on the airport. The Lessee pays an annual rent of \$1.00 per year and has constructed a building on the land with an estimated cost of \$40,000. The term of the contract is for 18 years, and the contract is subject to renegotiation for two additional periods of five years each. Land with improvements will be surrendered to the Airport Authority at termination of the contract. Effective August 1, 2006, the lease term was changed to a month-to-month basis.
- E. Effective August 1, 2006, the Airport Authority entered a month-to-month lease contract with Air-Tenn Aviation for office space in the Terminal Building. Rent was \$73 per month. Effective December 1, 2007, Volunteer Aviation took over this lease.
- F. Effective August 1, 2006, the Airport Authority entered a month-to-month lease contract with Air-Tenn Aviation for office space in the Terminal Building. Rent was \$120 per month. Effective March 1, 2008, USPO, LLC took over this lease.
- G. Effective March 17, 2005, the Airport Authority entered into a lease contract with Gilliam Farms for maintaining 90 acres of real estate adjoining the Airport. The rent for tract #1 is \$5,250 per year and for tract #2 is \$1,050 per year. The term of this lease is five years.
- H. Effective January 26, 2006, the Airport Authority entered into a lease contract with Bi-County Solid Waste Management System for use of airport property for the location of a convenience drop station for waste. The rent is \$200 per month. The term of this lease is five years.
- I. Effective May 2, 2006, the Airport Authority entered into a lease contract with Waste Industries of Tennessee, LLC for use of airport property for the storage of empty waste containers. On May 1, 2007, the lease was renewed for a one year period for \$627 per month. On May 1, 2008, the lease was renewed for a one year period for \$640 per month.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

6. Lease Contracts (Cont'd)

- J. Effective September 20, 2006, the Airport Authority entered into a lease contract with Dr. Ronald E. Whitford for certain unimproved land on the airport. The Lessee pays an annual rent of \$1,050 and has constructed a building on the land with an estimated cost of \$140,000. The term of the contract is for 18 years, and the contract is subject to renewal for two additional periods of five years and seven years. Land with improvements will be surrendered to the Airport Authority at termination of the contract.
- K. Effective June 30, 2008, the Airport Authority entered into a lease contract with 1st Class Fixin for an on-site restaurant. The rent for this space is \$650 per month, with a discount of \$400 per month for performing cleaning responsibilities. The term of this lease is one year.
- L. Effective May 28, 2008, the Airport Authority entered into a lease contract with CAMB, LLC, for certain unimproved land on the airport. The Lessee pays an annual rent of \$2,280, subject to changes in inflation every five years, and will construct a hangar on the land. The term of the contract is for 35 years, and the contract is subject to renewal for an additional period of five years. Land with improvements will be surrendered to the Airport Authority at termination of the contract.

Future cash flows from lease contracts are expected to be as follows:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2009	\$ 21,431
2010	10,194
2011	4,731
2012	3,330
2013	3,330
2014 and Beyond	<u>77,073</u>
Total	<u>\$ 120,089</u>

7. Notes Payable

On September 22, 1998, the Airport Authority borrowed a total of \$800,000 from the City of Clarksville for the purchase of the mobile home park. One note is for \$80,000, bears an interest rate equal to the rate paid by the Tennessee Local Government Investment Pool, and matured on September 22, 1999. The other note for \$720,000 bears no interest and was due December 22, 1998. This note anticipated 90% state funding for purchase of the mobile home park. However, the grant from the State of Tennessee totaled only \$522,218 and when paid to the City of Clarksville on June 29, 1999, left a note balance of \$197,782. The two notes were a combined liability of \$277,782. During 2003, the City retained appropriations in the amount of \$33,333 as payment of principal and interest due on the combined notes. In a resolution dated July 20, 2005, the Airport Authority resolved to repay this debt to the City in increments of \$20,000 - \$24,000 per year. The balance remaining on the notes at June 30, 2008 was \$144,992.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

7. Notes Payable (Cont'd)

On September 5, 2003, a note with Legends Bank in the amount of \$150,000 secured by fuel farm equipment was executed for a term of 60 months with an interest rate of 5.25% and payments of \$1,617 per month. On September 15, 2008, this note was refinanced for a term of 60 months with an interest rate of 5.25% and payments of \$1,643. The balance at June 30, 2008 was \$88,961.

Following are the changes in notes payable:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Estimated Amount Due Year Ending June 30, 2009
Notes Payable	\$ 290,924	\$ -	\$ 56,971	\$ 233,953	\$ 159,019

Following is the debt maturity schedule:

Due through June 30,	Principal Payments	Interest Payments
2009	\$ 159,019	\$ 3,205
2010	16,161	3,549
2011	17,030	2,680
2012	17,947	1,764
2013	18,912	799
2014	4,884	43
Total	\$ 233,953	\$ 12,040
Current Portion	(159,019)	
Long-Term Portion	\$ 74,934	

Cash payments for interest totaled \$5,891 during the year ended June 30, 2008.

8. Contributed Capital

Many of the capital construction or acquisition projects of the Airport Authority were funded substantially by government grants. Contributed capital has been estimated for some of these prior-year amounts.

9. Related Party Transactions

Dr. Ronald E. Whitford was appointed to the Airport Authority's Board of Commissioners in July 2007, and was subsequently elected its chairman. He also leases land from the Airport Authority pursuant to an agreement dated September 20, 2006 (see Note 6).

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

9. Related Party Transactions (Cont'd)

Charles Hand and Gary Mathews were appointed to the Airport Authority's Board of Commissioners in July 2007. Those individuals are members of a limited liability company which leases land from the Airport Authority pursuant to an agreement dated May 28, 2008 (see Note 6).

10. Contingencies

The Airport Authority's exposure to property loss and general liability is handled through the purchase of commercial insurance. Insurance coverage was adequate to cover settlements for the past three fiscal years.

At June 30, 2008, the Airport Authority and certain former members of the board of commissioners and management were defendants in various suits filed by Montgomery County Aero, Inc. and 5D, Inc. alleging contractual violations. On September 4, 2008, the suit against the Airport Authority was settled for \$35,000 with the plaintiffs releasing the Airport Authority from any further liability.

11. Prior-Period Adjustment

A prior-period adjustment was recorded to correct a \$50,776 over-accrual of grant receivables and grant revenues as of and for the year ended June 30, 2007. This entry resulted from erroneously accruing the full amount of the grant expenditures instead of the percentage subject to reimbursement pursuant to the individual grant agreements.

12. Subsequent Events

During the third and fourth quarters of 2008, financial markets in both the United States and abroad experienced a material decline in investment values. Several of the largest mortgage and insurance companies, as well as commercial and investment banks, failed during this market upheaval. The United States government has taken legislative and fiscal measures to restore consumer and investor confidence in the markets, but the impact of those actions cannot yet be measured. The effects of these matters, if any, on the Airport Authority's ability to collect outstanding receivables and on its funding sources are not yet known. Accordingly, these statements do not include any adjustments relating to the afore-mentioned matters.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
DIRECTORY OF OFFICIALS (UNAUDITED)
JUNE 30, 2008

Board of Commissioners

Dr. Ronald Whitford	Chairman
Lt. Gen. Hubert G. Smith (USA, Ret.)	Vice-Chairman
Jerry Clark	Secretary/Treasurer
Charles Hand	Authority Member
Gary Mathews	Authority Member

CLARKSVILLE MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2008

Federal Grantor/Program Title	Tennessee Aeronautics Division Project Number	Grant Number Or Pass Through Grantor's Contract Number	Federal CFDA Number	Accrued Receivable July 1, 2007	Receipts	Expenditures	Accrued Receivable June 30, 2008
<u>Tennessee Department of Transportation</u>							
Passed Through State of Tennessee Department of Transportation	99-555-1167-04 99-555-1156-04	Z-08-02-1565-00 Z-07-03-5575-00	- -	\$ - 10,000	- 10,000	\$ 10,000 -	\$ 10,000 -
Total Tennessee Department of Transportation							
<u>Federal Aviation Administration</u>							
Passed Through State of Tennessee Department of Transportation	63-555-0124-04 63-555-0120-04 63-555-0722-04 63-555-0123-04 63-555-0726-04 63-555-0429-04 63-555-0727-04 63-555-0128-04 63-555-0733-04	Z-07-03-7555-00 Z-06-02-9424-00 Z-07-03-7633-00 Z-07-03-7635-00 Z-07-03-7636-00 Z-07-03-7637-00 Z-07-03-7638-00 Z-07-03-7639-00 Z-08-20-0678-00	20.106 20.106 20.106 20.106 20.106 20.106 20.106 20.106 20.106	321,314 33,148 17,100 17,705 9,900 3,662 28,251 2,244 -	333,364 459,052 17,100 615,686 9,900 65,510 64,967 683,092 3,150	12,050 501,094 - 670,442 - 68,125 41,697 695,488 30,143	- 75,190 - 72,461 - 6,277 4,981 14,640 26,993
Total Federal Aviation Administration							
Total Federal and State Awards							
				\$ 433,324	2,251,821	2,019,039	200,542
				\$ 443,324	\$ 2,261,821	\$ 2,029,039	\$ 210,542

NOTE - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Airport Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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*

Board of Commissioners
Clarksville-Montgomery County
Regional Airport Authority
Clarksville, Tennessee

We have audited the accompanying financial statements of Clarksville-Montgomery County Regional Airport Authority (Airport Authority) as of and for the year ended June 30, 2008, which collectively comprise the Airport Authority's basic financial statements and have issued our report thereon dated January 16, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Airport Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Airport Authority's financial statements that is more than inconsequential will not be prevented or detected by the Airport Authority's internal control. We consider the deficiencies described on the following page as items 08-01, 08-02, 08-03, 08-04, and 08-05 to be significant deficiencies in internal control over financial reporting.

08-01 (Recurring finding) Segregation of Duties: The Airport Authority lacks proper segregation of duties within its accounting department. The same personnel who receive and deposit checks or cash also reconcile the bank account. In addition, personnel performing the bank reconciliations can also sign checks.

Recommendation: We recommend that the Airport Authority designate another individual to receive checks and/or cash and to prepare a daily log-in sheet for all incoming funds, and that the duties of performing the bank reconciliation and signing checks be strictly segregated from receiving funds or writing checks.

Management Response: Separation of duties is difficult to achieve with our limited personnel resources. We have implemented a dual signature requirement for check writing to compensate, in addition to Authority member approval. Written receipts are prepared for all rental income received.

08-02 (Recurring finding) Management Oversight of Financial Reporting: We noted a lack of management oversight over financial reporting which includes the preparation of the financial statements and footnote disclosures in conformity with generally accepted accounting principles (GAAP). Nineteen adjusting entries and twelve reclassification entries were required for the financial statements to be presented in conformity with GAAP.

Recommendation: We recommend that management implement review procedures to ensure that the financial statements are prepared in conformity with generally accepted accounting principles.

Management Response: A cost-benefit analysis of the financial reporting process deemed it cost-prohibitive to obtain third-party assistance to prepare financial statements and footnotes in accordance with generally accepted accounting principles prior to the independent audit.

08-03 Control Operating Effectiveness Deficiencies: We noted operating effectiveness deficiencies in the following controls:

1. Review of the monthly accounts receivable summary for American Village was not documented.
2. Manager review of invoices for the Airport Authority and American Village was not documented.
3. Three of the ten checks selected for testing did not have documentation of Board member approval.
4. Manager review of new payroll rates was not documented.
5. Board approval of cost of living increase in wages was not documented.
6. Review of the bank reconciliations was not documented.
7. Review of the monthly financial statements by the manager and Vice-Chairman was not documented.
8. Three of the five grant-related disbursements selected for testing did not have the Manager's review documented.
9. One of the five grant-related disbursements selected for testing did not have the Chairman's review documented.

Recommendation: We recommend that management implement procedures to ensure that each control is operating with sufficient effectiveness by:

1. Documenting the review of the monthly accounts receivable summary for American Village.
2. Documenting the Manager's review of invoices.
3. Documenting the Board member's approval of checks.
4. Documenting the Manager's review of new payroll rates.
5. Documenting the Board's approval of all changes in wages.
6. Documenting the review of the bank reconciliations.
7. Documenting the review of the monthly financial statements.
8. Documenting the Manager's review of grant-related disbursements.
9. Documenting the Chairman's review of grant-related disbursements.

Management Response: Procedures currently in place include documenting the Authority's approval of checks and documenting the Authority's approval of monthly financial statements by resolution at monthly meetings. Manager must now sign along with consultant, engineer, and TDOT for grant-related disbursements as per Authority and Chairman's policy. Although all invoices, payroll rates, wage changes, and bank reconciliations have been reviewed and approved in the past, a new policy which includes written documentation has been implemented.

08-04 Control Design Deficiencies: We noted the following design deficiencies during our test of controls:

1. The accounts receivable summaries for the Airport Authority were not reviewed.

Recommendation: We recommend management implement procedures to ensure all items noted above are properly reviewed.

Management Response: The review of monthly accounts receivable summaries will be documented.

08-05 Pass-through Activity: One instance was noted subsequent to June 30, 2008, in which three checks totaling \$135,184 were issued on behalf of, and a simultaneous reimbursement was received from, an entity owned by two members of the board of commissioners in connection with a transaction for which the Airport had no business interest. The transaction related to the entity's payment to a contractor for construction of a building on land that the Authority leases to the entity. The individual who requested that the transaction be processed by the Authority has a contractual relationship with the Authority for aircraft maintenance services and was also reportedly acting as an agent of the entity owned by the two commissioners.

Recommendation: The Authority should not process transactions on behalf of other parties or otherwise involve itself in transactions for which the Authority has no business interest.

Management Response: A new policy has been adopted to prohibit non Airport-related transactions.

The Airport Authority did not resolve prior year findings number 07-01 and 07-02. The findings recurred in the current year and are reported as findings 08-01 and 08-02, respectively.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Airport Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-2, 08-3, 08-4, and 08-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport Authority's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 08-07, 08-08, 08-09, and 08-10.

08-06 Audit Filing Deadline: The Airport Authority's annual audit was not completed by December 31, 2008, as required by the State of Tennessee.

Recommendation: We recommend that the Airport Authority's year-end closing procedures be reviewed and revised as necessary to ensure a timely start and completion of the annual audit by the required date.

Management Response: All information was not available in a timely manner to complete the audit by the state deadline. Future audits will ensure compliance.

The Airport Authority's responses to the findings identified in our audit are described above and on the previous pages and are also included in the accompanying schedule of findings and questioned costs. We did not audit the Airport Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners, the Montgomery County Commission, the Clarksville City Council, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Stone Rudolph & Henry, PLC

January 16, 2009



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

Board of Commissioners
Clarksville-Montgomery County
Regional Airport Authority
Clarksville, Tennessee

Compliance

We have audited the compliance of the Clarksville-Montgomery County Regional Airport Authority (the Airport Authority) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Airport Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on the Airport Authority's compliance based on our audit.

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 of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Airport Authority's compliance with those requirements.

As described in item 08-10 in the accompanying schedule of findings and questioned costs, the Airport Authority did not comply with requirements regarding the Davis-Bacon Act that are applicable to each of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the Airport Authority to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Airport Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-7, 08-8 and 08-9.

Internal Control over Compliance

The management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Airport Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Airport Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Airport Authority's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 08-9 and 08-10 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 08-9 and 08-10 to be material weaknesses.

The Airport Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Airport Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners, the Montgomery County Commission, the Clarksville City Council, the State of Tennessee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stone Rudolph & Henry, PLC

January 16, 2009

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report dated January 16, 2009, expressed an unqualified opinion on the financial statements of the Airport Authority.
2. Five significant deficiencies, of which four are considered material weaknesses, relating to the audit of the financial statements were reported in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated January 16, 2009.
3. One instance related to compliance was reported in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated January 16, 2009.
4. No instance related to other matters was reported in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated January 16, 2009.
5. Two significant deficiencies and material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 dated January 16, 2009.
6. The auditor's report dated January 16, 2009, on compliance for the major federal award programs of the Airport Authority expressed a qualified opinion on all major federal programs.
7. Audit findings relating to major programs that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
8. The programs tested as major programs were:

Program	CFDA No.
10-Unit T Hangar Capital Project	20.106
Taxiway Extension Capital Project	20.106
Rehabilitation Runway Capital Project	20.106

8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. The Airport Authority did not qualify as a low-risk auditee.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
YEAR ENDED JUNE 30, 2008

SECTION II - FINANCIAL STATEMENT FINDINGS

RELATED TO INTERNAL CONTROL

08-01 Condition: The Airport Authority lacks proper segregation of duties within its accounting department. The same personnel who receive and deposit checks or cash also reconcile the bank account. In addition, personnel performing the bank reconciliations can also sign checks.

Criteria: A proper segregation of duties includes separating the duties of reconciliation, signing checks, and receiving and depositing cash.

Effect: An environment exists where personnel could potentially perpetrate and conceal fraud.

Recommendation: We recommend that the Airport Authority designate another individual to receive checks and/or cash and to prepare a daily log-in sheet for all incoming funds, and that the duties of performing the bank reconciliation and signing checks be strictly segregated from receiving funds or writing checks.

Response: Separation of duties is difficult to achieve with our limited personnel resources. We have implemented a dual signature requirement for check writing to compensate, in addition to Authority member approval. Written receipts are prepared for all rental income received.

08-02 Condition: The Airport Authority has a lack of management oversight over financial reporting which includes the preparation of the financial statements and footnote disclosures in conformity with generally accepted accounting principles (GAAP).

Criteria: Proper management oversight over financial reporting should include the preparation of the financial statements and footnote disclosures in conformity with GAAP.

Effect: The financial statements and footnote disclosures may not be in conformity with GAAP.

Recommendation: We recommend that management implement review procedures to ensure that the financial statements are prepared in conformity with generally accepted accounting principles.

Response: A cost-benefit analysis of the financial reporting process deemed it cost-prohibitive to obtain third-party assistance to prepare financial statements and footnotes in accordance with generally accepted accounting principles prior to the independent audit.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
YEAR ENDED JUNE 30, 2008

08-03 Condition: The Airport Authority had operating effectiveness deficiencies in the following controls: 1) the review of the monthly accounts receivable summary for American Village was not documented; 2) the Manager review of invoices for the Airport Authority and American Village was not documented; 3) three of the ten checks selected for testing did not have documentation of Board member approval; 4) Manager review of new payroll rates was not documented; 5) Board approval of cost of living increase in wages was not documented; 6) the review of the bank reconciliations was not documented; 7) the review of the monthly financial statements by the Manager and Vice-Chairman was not documented; 8) three of the five grant-related disbursements selected for testing did not have the Manager's review documented; and 9) one of the five grant-related disbursements selected for testing did not have the Chairman's review documented.

Criteria: Internal control procedures should be operating effectively.

Effect: An environment exists where errors and fraud could occur due to deficiencies in internal controls' operating effectiveness.

Recommendation: We recommend that management implement procedures to ensure that each control is operating with sufficient effectiveness by: 1) documenting the review of the monthly accounts receivable summary for American Village; 2) documenting the Manager's review of invoices; 3) documenting the Board member's approval of checks; 4) documenting the Manager's review of new payroll rates; 5) documenting the Board's approval of all changes in wages; 6) documenting the review of the bank reconciliations; 7) documenting the review of the monthly financial statements; 8) documenting the Manager's review of grant-related disbursements; and 9) documenting the Chairman's review of grant-related disbursements.

Response: Procedures currently in place include documenting the Authority's approval of checks and documenting the Authority's approval of monthly financial statements by resolution at monthly meetings. Manager must now sign along with consultant, engineer, and TDOT for grant-related disbursements as per Authority and Chairman's policy. Although all invoices, payroll rates, wage changes, and bank reconciliations have been reviewed and approved in the past, a new policy which includes written documentation has implemented.

08-04 Condition: The Airport Authority had the following design deficiencies: 1) the accounts receivable summaries for the Airport Authority were not reviewed.

Criteria: Internal control procedures should be designed efficiently and effectively.

Effect: An environment exists where errors or fraud could occur due to deficiencies in the design of internal controls.

Recommendation: We recommend management implement procedures to ensure all items noted above are properly reviewed.

Response: The review of monthly accounts receivable summaries will be documented.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
YEAR ENDED JUNE 30, 2008

08-05 Condition: Subsequent to June 30, 2008, the Airport Authority accepted a payment from a related entity and made disbursements unrelated to the Airport Authority's business function.

Criteria: Only transactions that relate to the Airport Authority should be processed.

Effect: Processing unrelated transactions utilizes Airport Authority resources and increases the likelihood of accounting and reporting errors.

Recommendation: We recommend that procedures be implemented to prohibit transactions that are unrelated to the Airport Authority.

Response: A new policy has been adopted to prohibit any future non Airport-related transactions.

RELATED TO COMPLIANCE

08-06 Condition: The Airport Authority's annual audit was not completed by December 31, 2008, as required by the State of Tennessee.

Criteria: All governmental audits should be completed and submitted to the State of Tennessee within six months of the fiscal year end.

Effect: The Airport Authority did not meet the state audit deadline.

Recommendation: We recommend that the Airport Authority's year-end closing procedures be reviewed and revised as necessary to ensure a timely start and completion of the annual audit by the required date.

Response: All information was not available in a timely manner to complete the audit by the state deadline. Future audits will ensure compliance.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

RELATED TO INTERNAL CONTROL

08-07 Condition: Two invoices were paid 30 days or more after receiving the funds from the pass-through entity. One invoice related to the Runway Lighting project, CFDA #20.106, Grant #63-555-0124-04 (December 1, 2006 - November 30, 2011), and the second invoice related to the Auto Access project, CFDA #20.106, Grant #63-555-0429-04 (December 1, 2006 - November 30, 2011). Each of these programs was passed through the Tennessee Department of Transportation from the Federal Aviation Administration and was a nonmajor program.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
YEAR ENDED JUNE 30, 2008

Criteria: All funds received for payment of invoices should be paid within a timely manner.

Effect: Funds not spent in a timely manner could be misappropriated or facilitate negative relations with the contractor(s) that is (are) owed the funds.

Recommendation: We recommend that the Airport Authority disburse grant funds received for payment of invoices within 30 days of receiving the funds.

Response: Timely payments have been and continue to be made unless monetary conflicts with TDOT have to be resolved as in the case stated above.

08-08 Condition: Two requests for reimbursement on a reimbursable grant were made prior to making payment to the vendor. This related to the Tree Obstruction Removal project, CFDA #20.106, Grant #63-555-0733-04 (January 1, 2008 - September 30, 2012) for liabilities incurred during the fiscal year ended June 30, 2008. The payments were passed through the Tennessee Department of Transportation from the Federal Aviation Administration. The Tree Obstruction Removal project was a nonmajor program.

Criteria: All expenditures related to reimbursement grants should be paid before requesting reimbursement from the pass-through entity.

Effect: Requests made prior to payment may not include valid incurred liabilities.

Recommendation: We recommend that the Airport Authority pay expenses related to reimbursable grants before requesting reimbursement.

Response: In the above-stated situation, the two requests were related to the same project which was deemed by TDOT to be a reimbursable grant. The Authority did subsequently pay all incurred expenses and received the appropriate reimbursement amount from TDOT.

08-09 Condition: The Airport Authority did not follow its prescribed internal control procedures by having the Chairman of the Board approve all grant-related disbursements. Eighty percent of disbursements tested did not have documentation of approval by the Chairman. These disbursements included disbursements from each of the three major programs and four nonmajor programs. The major programs are listed on page 36. Each of the major programs has periods of availability from December 1, 2006, to November 30, 2011. The nonmajor programs included the Auto Access project, CFDA #20.106, Grant #63-555-0429-04 (December 1, 2006 - November 30, 2011); the Engineering for Runway Intersection project, CFDA #20.106, Grant #63-555-0727-04 (December 1, 2006 - November 30, 2011); the Tree Obstruction Removal project, CFDA #20.106, Grant #63-555-0733-04 (January 1, 2008 - September 30, 2012); and the Runway Lighting project, CFDA #20.106, Grant #63-555-0124-04 (December 1, 2006 - November 30, 2011). Each of these programs was passed through the Tennessee Department of Transportation from the Federal Aviation Administration.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
YEAR ENDED JUNE 30, 2008

Criteria: Internal control procedures should be followed regarding disbursement of grant funds.

Effect: Grant disbursements made without following internal control procedures have the potential to contain errors or fraud.

Recommendation: We recommend that the Airport Authority follow its prescribed internal control procedures regarding approval of grant-related disbursements.

Response: Internal control procedures have been followed by the Authority in grant-related disbursements by written approval of checks and adoption of monthly financials.

08-10 Condition: Verification of payment of prevailing wage rates by construction contractors was not performed for all major programs listed on page 36 as well as the following nonmajor programs: the Auto Access project, CFDA #20.106, Grant #63-555-0429-04 (December 1, 2006 - November 30, 2011); the Engineering for Runway Intersection project, CFDA #20.106, Grant #63-555-0727-04 (December 1, 2006 - November 30, 2011); the Tree Obstruction Removal project, CFDA #20.106, Grant #63-555-0733-04 (January 1, 2008 - September 30, 2012); and the Runway Lighting project, CFDA #20.106, Grant #63-555-0124-04 (December 1, 2006 - November 30, 2011). Each of the major programs has periods of availability from December 1, 2006, through November 30, 2011. Each of these programs, both major and nonmajor, was passed through the Tennessee Department of Transportation from the Federal Aviation Administration.

Criteria: All contractors should submit weekly employee payroll records to a designated entity or individual for verification that the wage rates are in compliance with the Davis-Bacon Act.

Effect: Wages made by contractors could be lower than the prevailing wage rates required by the Davis-Bacon Act.

Recommendation: We recommend that the Airport Authority designate an individual who will verify that weekly payroll records submitted by all contractors are in compliance with the Davis-Bacon Act.

Response: The Airport has requested the project consultant to review the weekly certified payroll reports for the prime contractor. Weekly certified payroll on federally funded projects will be supplied to the consultant engineer by the prime contractor.