

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY

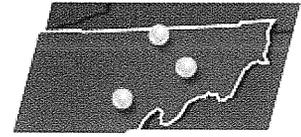
FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2008

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
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June 30, 2008

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Greenville - Greene County Airport Authority
Greenville, Tennessee

We have audited the accompanying financial statements of the governmental activities and the major fund of the Greenville - Greene County Airport Authority (the "Authority") as of and for the year ended June 30, 2008, which collectively comprise the Greenville - Greene County Airport Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these basic 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 the 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 respective financial position of the governmental activities and the major fund of the Greenville - Greene County Airport Authority as of June 30, 2008, and the changes in financial position 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 April 20, 2009, on our consideration of the Greenville - Greene County 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 on pages 3 through 6 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 Greeneville – Greene County Airport Authority's basic financial statements. The supplementary section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary section 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 as a whole.

Blackburn, Childers + Steagall, PLC
BLACKBURN, CHILDERS & STEAGALL, PLC

April 20, 2009

GREENEVILLE-GREENE COUNTY AIRPORT AUTHORITY
Management's Discussion and Analysis
June 30, 2008

This section of the Greenville-Greene County Airport Authority's annual financial report presents a narrative overview and analysis of the Authority's financial performance for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The assets of the Airport Authority exceeded its liabilities at the close of the most recent fiscal year by \$3.0 million (net assets). Of this amount, \$389,255 may be used to meet the Authority's ongoing obligations to citizens and creditors (unrestricted net assets).
- During the year, the Airport generated \$575,890 from operations and other revenues. This compares with \$250,230 of operational expenses.
- At the close of the current fiscal year, the Airport's general fund reported a fund balance of \$406,323 an increase of \$111,996 in comparison with the prior year. The full balance is available for spending at the Airport's discretion (unreserved fund balance).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Airport Authority's financial statements. The basic financial statements consist of these parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Airport's finances in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the Airport's net assets changed during the most recent fiscal year. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

Fund financial statements. The fund financial statements provide more detailed information about the Airport's only governmental fund. The focus of this fund is on (1) how cash and other financial assets that can readily be converted to cash were received and used and (2) what remains at the end of the fiscal year for future spending.

Notes to the financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The additional information contained in these notes is essential to a full understanding of the information provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements discussed above, the report also presents supplementary information about the Airport's state grant activity for the current fiscal year.

GREENEVILLE-GREENE COUNTY AIRPORT AUTHORITY
Management's Discussion and Analysis
June 30, 2008

Financial Analysis of the Airport Authority as a Whole

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Airport Authority, assets exceeded liabilities by \$3.0 million at the close of the most recent fiscal year. The largest portion of the Airport's net assets (87 percent) reflects its investment in capital assets. Because capital assets are used to provide services to citizens, the assets are not available for future spending.

The remaining balance of \$389,255 may be used to meet the Airport's ongoing obligations. At the end of the fiscal year, the Airport Authority is able to report positive balances in all categories of net assets.

Greeneville - Greene County Airport Authority's Net Assets
(in thousands)

	2008	2007
Current and Other Assets	\$ 451	316
Capital Assets	3,824	3,687
Total Assets	4,275	4,003
Long-Term Debt	1,155	1,235
Other Liabilities	48	21
Total Liabilities	1,203	1,256
Invested in Capital Assets, Net of Related Debt	2,683	2,453
Unrestricted	389	294
Total Net Assets	\$ 3,072	2,747

The Airport's net assets increased by \$325,660 thousand during the fiscal year. The following is a summary of financial activities for the Airport during the fiscal year ended June 30, 2008:

GREENEVILLE-GREENE COUNTY AIRPORT AUTHORITY
Management's Discussion and Analysis
June 30, 2008

Greenville - Greene County Airport Authority's Changes in Net Assets
(in thousands)

	2008	2007
Revenues		
Program revenues		
Charges for Services	\$ 239	237
Grants	250	106
General Revenues		
Intergovernmental Revenues	86	108
Total Revenues	575	451
Expenses		
Airport Operations	187	154
Interest on Long-Term Debt	63	58
Total Expenses	250	212
Change in Net Assets	325	239
Net Assets, Beginning of Period	2,747	2,508
Net Assets, End of Period	\$ 3,072	2,747

Financial Analysis of the Airport Authority's Funds

Governmental funds focus on providing information on the near-term flow of resources and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of the Airport's net resources available for spending at the end of the fiscal year.

The general fund is the only operating fund of the Airport Authority. At the end of the current fiscal year, unreserved fund balance was \$406,323, an increase of \$111,996 from the prior year.

Capital Assets and Debt Administration

Capital Assets

At the end of this year, the Airport Authority had \$3.8 million (net of accumulated depreciation) invested in capital assets. This investment includes land, buildings and improvements, and equipment. The table below shows the investment in capital assets for the current and previous fiscal year.

GREENEVILLE-GREENE COUNTY AIRPORT AUTHORITY
Management's Discussion and Analysis
June 30, 2008

Greenville - Greene County Airport Authority's Capital Assets
(in thousands)

	2008	2007
Land	\$ 1,039	1,039
Buildings and Improvements	3,936	3,936
Other Fixed Assets	252	229
Construction In Progress	227	-
Less Accumulated Depreciation	(1,630)	(1,517)
	\$ 3,824	3,687

Debt

At year-end the Airport had \$1.1 million on long-term debt outstanding, a decrease of 6.4% from last year.

Greenville - Greene County Airport Authority's Long-Term Debt
(in thousands)

	2008	2007
Capital Outlay Note	\$ 95	115
General Obligation Bonds	1,060	1,120
Total Long-Term Debt	\$ 1,155	1,235

Requests for Information

This financial report is designed to provide a general overview of Greenville-Greene County 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 information should be addressed to the Town of Greenville, Recorder's Office, 200 North College Street, Greenville, Tennessee 37745.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2008

	<u>Total Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 389,241
Accounts Receivable	650
Grants Receivable	44,584
Prepaid Expenses	2,990
Bond Issue Costs	14,131
Capital Assets	
Land	1,038,791
Construction in Progress	227,384
Buildings and Improvements	3,935,897
Other Fixed Assets	252,400
Less: Accumulated Depreciation	<u>(1,630,390)</u>
TOTAL ASSETS	<u><u>4,275,678</u></u>
LIABILITIES	
Accounts Payable	23,759
Accrued Interest	17,068
Accrued Liabilities	7,383
Long-Term Liabilities	
Due within one year	82,000
Due within more than one year	<u>1,073,000</u>
TOTAL LIABILITIES	<u><u>1,203,210</u></u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,683,213
Unrestricted	<u>389,255</u>
TOTAL NET ASSETS	<u><u>\$ 3,072,468</u></u>

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

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>	
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>Total</u>
<u>PRIMARY GOVERNMENT</u>					
GOVERNMENTAL ACTIVITIES					
Airport Operations	\$ 187,173	239,549	250,120	302,496	302,496
Interest on Long-Term Debt	63,057	-	-	(63,057)	(63,057)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 250,230	239,549	250,120	239,439	239,439
GENERAL REVENUES					
Fuel Taxes				22,221	22,221
Intergovernmental Revenues				64,000	64,000
TOTAL GENERAL REVENUES				86,221	86,221
CHANGE IN NET ASSETS				325,660	325,660
NET ASSETS - BEGINNING				2,746,808	2,746,808
NET ASSETS - ENDING				\$ 3,072,468	3,072,468

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

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2008

	Total General Fund
ASSETS	
Cash and Cash Equivalents	\$ 389,241
Accounts Receivable	650
Grants Receivable	44,584
Prepaid Expenses	2,990
TOTAL ASSETS	\$ 437,465
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 23,759
Accrued Liabilities	7,383
TOTAL LIABILITIES	31,142
 FUND BALANCES	
Unreserved	406,323
TOTAL FUND BALANCES	406,323
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$5,454,472 and the accumulated depreciation is \$1,630,390.	3,824,082
Bond issue costs are treated as an expenditure when paid in governmental funds. They are considered an asset for full accrual purposes and amortized over the life of the debt.	14,131
Accrued interest is not due and payable in the current period and, therefore, is not reported as a liability in the funds.	(17,068)
Long-term liabilities, including both bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,155,000)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 3,072,468

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

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND
 For the Fiscal Year Ended June 30, 2008

	Total General Fund
REVENUES	
Charges for Sales and Services	\$ 239,549
Intergovernmental Revenues	64,000
Grants and Contributions	250,120
Flow Tax on Fuel	22,221
TOTAL REVENUES	575,890
EXPENDITURES	
Airport Operations	75,657
Debt Service	137,715
Capital Projects	250,522
TOTAL EXPENDITURES	463,894
NET CHANGE IN FUND BALANCE	111,996
FUND BALANCE, JULY 1, 2007	294,327
FUND BALANCE, JUNE 30, 2008	\$ 406,323

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

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balance - Total Governmental Funds	\$ 111,996
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay \$250,522 exceeded depreciation of \$113,923 in the current period.</p>	136,599
<p>Governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>	(881)
<p>Interest expense reported in the Statement of Activities does not require the use of current financial resources. Therefore it is not reported as an expenditure in the governmental funds.</p>	(2,054)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>	<u>80,000</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 325,660</u></u>

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

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Greeneville - Greene County Airport Authority (the “Authority”) is a joint venture of the Town of Greeneville, Tennessee (the “Town”) and Greene County, Tennessee (the “County”). The Authority was chartered in 1980 to develop and operate aviation facilities to service the Town and the County and is dependent upon ongoing funding from them.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule included: (1) accumulated unpaid sick pay, which is not accrued; and (2) principal and interest on general obligation long-term debt, which is recognized when due.

The financial statements of the have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Basic Financial Statements – Government-Wide Statements

The Authority’s basic financial statements include both the government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority’s major fund). The Authority has only one fund, the General Fund.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Government-Wide Statements (Continued)

In the government-wide Statement of Net Assets, the governmental activities are reported on the full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets, as applicable. When both unrestricted and restricted fund resources are available for use, it is the Authority's policy to use restricted resources first.

The government-wide Statement of Activities reports both the gross and net costs of the Authority's function. The function is also supported by the general government revenues (use taxes, certain intergovernmental revenues, fees and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. Program revenues must be directly associated with the function. Program revenues include 1) charges to customers who use or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions for operation or capital requirements of a particular function or program. Taxes and other items not identifiable with a program are reported as general revenues.

The net cost (by function) is normally covered by general revenue (use taxes, intergovernmental revenues, interest income, etc.)

This government-wide focus is more on the sustainability of the Authority as an entity and the changes in the Authority's net assets resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Authority are reported in the General fund in the fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund is reported by generic classification within the financial statements.

Governmental Fund

The Governmental Fund is used by the Authority. The focus of the governmental fund measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of the financial resources) rather than upon net income. The General Fund is the general operating fund of the Authority. All financial resources are accounted for in the General Fund.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

The Authority is not required to operate within an approved budget. However, budgets are used internally for managerial purposes.

Cash and Cash Equivalents

The Authority considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Estimates

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

Capital Assets

Capital assets, which include land, land improvements, buildings and equipment, are reported in the government-wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition, construction, respectively, with expected useful lives of greater than one year. Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

Land Improvements	30 – 40 years
Buildings	40 years
Equipment	5 – 25 years

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS

The Town of Greeneville is responsible for receiving and disbursing funds of the Authority. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized as follows:

DEPOSITS: All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Town of Greeneville. Deposits with savings and loan associations must be collateralized by one of the following methods: 1) by an amount equal to 110% of the face amount of uninsured deposits if the collateral is of the same character as that required for other financial institutions; 2) by an irrevocable letter of credit issued by the Federal Home Loan Bank; or 3) by providing notes secured by first mortgages or first deeds of trust upon residential real property located in Tennessee. The promissory notes must be in an amount equal to 150% of the amount of uninsured deposits.

INVESTMENTS: State statutes authorize the Town to invest in treasury bonds, notes or bills of the United States; nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies; other evidence of deposit at State and Federal chartered banks and Savings and Loan Associations, obligations of the United States or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; the State of Tennessee Local Government Investment Pool; obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority. Specifically, the LGIP was established under Tennessee Code Annotated Title 9, Chapter 4, Part 7. This investment pool is established for the use of idle funds of local governments located within the State of Tennessee. These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The LGIP invests in time deposits, such as certificates of deposit, commercial paper, United States of America agency securities, repurchase agreements, and United States of America treasuries. By law, the LGIP is required to maintain a 90-day or less weighted-average-maturity. The fair value of shares held in the LGIP is the same as the value of the LGIP shares. The TN LGIP has not been rated by a nationally recognized statistical rating organization.

The Authority does not have a policy for interest rate risk or other credit risk other than pledging securities for amounts in excess of FDIC coverage.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Authority's deposits are held in the Town's general operating bank account. At June 30, 2008, the carrying amount of the Authority's deposits was \$389,241. The Authority's bank balance at June 30, 2008, was fully covered by FDIC insurance and through the bank's participation in the Tennessee Collateral Pool.

NOTE 3 – LEASE AGREEMENTS

A portion of the airport facilities was leased to a transportation company for a twenty-five year period ending July 27, 2006. The lease was renewed June 1, 2006 for a ten year period beginning July 28, 2006. The lessee has an exclusive option to renew this agreement for two consecutive periods. Another lease agreement was entered in January 2005 for a three year period with monthly payments of \$1,300. This was renewed for another three years in January 2008 with the monthly payment increasing to \$1,435. The following is a schedule of future minimum lease payments due to the Authority as of June 30, 2008:

2009	\$ 125,462
2010	125,462
2011	116,852
2012	108,242
2013	108,242
2014 - 2016	<u>324,728</u>
	<u>\$ 908,988</u>

NOTE 4 – LONG-TERM DEBT

The Town issued \$1,310,000 in General Obligation Bonds on September 1, 2003 for the purpose of providing funds to finance the acquisition, construction, equipping, installing and improvement of the airport facilities, and more particularly, the construction of additional aircraft hangar facilities at the Authority. Additionally the bonds were issued to refund on a current basis the Town's outstanding Airport Bonds. The Town loaned the proceeds of the Bonds to the Authority.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4 – LONG-TERM DEBT (CONTINUED)

The Authority will provide the Town with the funds required to retire the bonds and pay interest from the proceeds of the lease on airport property.

Long-term debt at June 30, 2008, consisted of the following:

\$1,310,000 General Obligation Bonds, Series 2003 (Airport Improvement Project) due in annual installments of \$50,000 to \$90,000 through September 1, 2023; interest variable from 2.5% to 5.1%, payable semi-annually.	\$ 1,060,000
General Obligation capital outlay note, series 2000, dated April 21, 2000, due in annual installments of \$13,000 to \$26,000 through April 1, 2012; interest at 5.65%, payable semi-annually.	<u>95,000</u>
	1,155,000
Less: Amounts due within one year	<u>(82,000)</u>
Total Long-Term Debt	<u><u>\$ 1,073,000</u></u>

The following is a summary of changes in long-term debt for the year ended June 30, 2008:

	Primary Government			Ending Balance	Amounts Due Within One Year
	Beginning Balance	Additions	Reductions		
Governmental Activities					
General Obligation Bonds	\$ 1,120,000	-	60,000	1,060,000	60,000
Capital Outlay Note	115,000	-	20,000	95,000	22,000
Governmental Activities					
Long-Term Debt	<u>\$ 1,235,000</u>	<u>0</u>	<u>80,000</u>	<u>1,155,000</u>	<u>82,000</u>

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4 – LONG-TERM DEBT (CONTINUED)

Future maturities of long-term debt at June 30, 2008 are as follows:

Year Ended <u>June 30</u>	Governmental Activities			
	General Obligation Bonds		Capital Outlay Notes	
	Principal	Interest	Principal	Interest
2009	\$ 60,000	46,324	22,000	5,367
2010	50,000	44,656	23,000	4,125
2011	50,000	42,944	24,000	2,825
2012	55,000	40,971	26,000	1,469
2013	55,000	38,771	-	-
2014-2018	310,000	156,030	-	-
2019-2023	390,000	73,604	-	-
2024	90,000	2,295	-	-
	\$ 1,060,000	445,595	95,000	13,786

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental Activities Capital Assets, Not being Depreciated:				
Land	\$ 1,038,791	-	-	1,038,791
Construction in Progress	-	227,384	-	227,384
Total Capital Assets, Not Being Depreciated	<u>1,038,791</u>	<u>227,384</u>	<u>0</u>	<u>1,266,175</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	3,935,897	-	-	3,935,897
Other Fixed Assets	229,262	23,138	-	252,400
Total Capital Assets, Being Depreciated	<u>4,165,159</u>	<u>23,138</u>	<u>0</u>	<u>4,188,297</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,308,580)	(108,364)	-	(1,416,944)
Other Fixed Assets	(207,887)	(5,559)	-	(213,446)
Total Accumulated Depreciation	<u>(1,516,467)</u>	<u>(113,923)</u>	<u>0</u>	<u>(1,630,390)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,648,692</u>	<u>(90,785)</u>	<u>0</u>	<u>2,557,907</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,687,483</u>	<u>136,599</u>	<u>0</u>	<u>3,824,082</u>

Depreciation was Charged as Follows:

General Government	<u>\$ 113,923</u>
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GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 6 – FIXED BASE OPERATIONS

Fixed base operations are conducted by an unrelated contractor under a written agreement with the Authority dated April 1, 1994, which provides, among other things, for the payment of royalties on aviation fuel sales and monthly rental payments by the contractor to the authority. Total paid for the year was \$12,168.

NOTE 7 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority's risks of loss are covered by a commercial package insurance policy carried by the Town. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

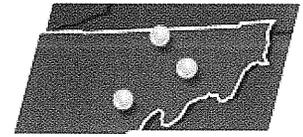
SECTION II
SUPPLEMENTARY INFORMATION

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
SCHEDULE OF GRANT ACTIVITY
For the Fiscal Year Ended June 30, 2008

<u>Program Name</u>	<u>State Grant Number</u>	<u>Grantor Agency</u>	<u>Balance July 1, 2007</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Adjustments</u>	<u>Balance June 30, 2008</u>
Airport Maintenance Program	Z-07-035590	State of Tennessee Department of Transportation	\$ 13,500	6,690	-	6,810	-
Airport Maintenance Program	Z-07-037539	State of Tennessee Department of Transportation	49,560	49,560	-	-	-
Airport Maintenance Program	Z-07-037597	State of Tennessee Department of Transportation	-	203,624	227,384	-	23,760
Airport Maintenance Program	Z-07-037587	State of Tennessee Department of Transportation	-	5,796	5,796	-	-
Airport Maintenance Program	Z-08-200717	State of Tennessee Department of Transportation	-	-	20,824	-	20,824
Airport Maintenance Program	Z-08-021581	State of Tennessee Department of Transportation	-	2,926	2,926	-	-
			<u>\$ 63,060</u>	<u>268,596</u>	<u>256,930</u>	<u>6,810</u>	<u>44,584</u>

See Independent Auditors' Report.

SECTION III
INTERNAL CONTROL AND COMPLIANCE



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*

To the Board of Directors
Greeneville - Greene County Airport Authority
Greeneville, Tennessee

We have audited the financial statements of the governmental activities and the major fund of the Greeneville - Greene County Airport Authority (the "Authority") as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 20, 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 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the 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 and another deficiency that we consider to be a material weakness.

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. These include 2008-01 and 2008-02.

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 entity'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 item 2008-02 to be a material weakness.

As part of obtaining reasonable assurance about whether the Authority's basic 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's written response to the significant deficiencies and material weaknesses identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Authority, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Blackburn, Childers + Steagall, PLC
BLACKBURN, CHILDERS & STEAGALL, PLC

April 20, 2009

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2008

Current Year Findings

2008-01: Significant Deficiency - Agreement

Condition: A written agreement was not located for the arrangement with the Town.

Criteria: To provide a more clear understanding of accounting functions, reporting requirements, policies and procedures that are to be followed, a detailed and written agreement with the Town should be developed. This agreement should designate what the Town's responsibilities are for reporting, what purchasing and bid procedures are to be followed and the timing of reporting should be defined.

Effect: The effect of this deficiency creates an area of uncertainty as to the procedures that are to be followed.

Recommendation: We recommend the Town's attorney work in conjunction with the Town and the Authority to develop a detailed and written agreement. This agreement should designate what the Town's responsibilities are for reporting, what purchasing and bid procedures are to be followed and the timing of reporting should be defined.

Management's Response: The Town of Greeneville has served as fiscal agent for the Greeneville - Greene County Airport Authority for many years without a comprehensive written agreement and without significant misunderstanding or conflict; however, as priorities permit, we will work with the Town of Greeneville to develop a comprehensive written agreement for our operations.

2008-02: Material Weakness: Adjustments and Reporting

Condition: Several material audit adjustments were necessary to properly state account balances. These entries include accounts payable, accounts receivable and net assets. Additional audit entries were required to properly record the government-wide presentation including capital assets and debt.

Criteria: General ledger accounts should be timely reviewed, reconciled to the corresponding subsidiary reports and adjusted. Timely and accurate financial reports should be prepared and submitted to the Board for review and approval.

Effect: The effect of this weakness creates the possibility that misstatements may not be timely noted or corrected.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2008

Current Year Findings (Continued)

Recommendation: A reconciliation of accounts payable from the general ledger to the outstanding accounts payable register should be prepared to determine that all additions to, and payments of, accounts payable are correctly recorded and to determine whether there are any disputed items.

These reconciliations and adjustments will ensure meaningful and accurate financial statements. Balance sheet reconciliations quickly identify errors and needed corrections. If reconciliations are performed infrequently, errors and adjustments can occur, resulting in the need for significant corrections when the reconciliations are performed. Any reconciling differences should be corrected before the books are closed for the month end.

We recommend a procedure be in place for making routine, monthly and year-end adjustments. The procedures should require that supporting documentation be maintained for all entries and transfers including indication of appropriate review and approval.

Management's Response: We recognized the Governmental Auditing Standards Board (GASB) has made significant changes in financial reporting, and that independent auditors are no longer allowed to make adjusting entries of the type the Airport Authority previously relied on others to make. With appropriate assistance and instruction from you as our current auditors, we believe that material audit entries of this type will not be required in future audits.

Prior Year Findings Implemented:

June 30, 2007 Report, Page 16: Segregation of Duties.