McNAIRY COUNTY AIRPORT AUTHORITY

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

JUNE 30, 2009

McNAIRY COUNTY AIRPORT AUTHORITY
June 30, 2009

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McNAIRY COUNTY AIRPORT AUTHORITY
Roster of Board of Directors
June 30, 2009

Robert E. Sibley, Chairman

Maurice F. Hamm

Troy Moore

Ted Moore

Mike Smelser

FINANCIAL SECTION

RONNIE L. CLAY
Certified Public Accountant
740 Johnson's Crossroad
Jacks Creek, TN 38347

INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Board of Directors
McNairy County Airport Authority
Selmer, TN

We have audited the accompanying financial statements of the McNairy County Airport Authority, a component unit of McNairy County, TN, as listed in the table of contents, as of and for the year ended June 30, 2009. These financial statements are the responsibility of McNairy County 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 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.

The financial statements present only McNairy County Airport Authority and are not intended to present fairly the financial position of McNairy County, Tennessee, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds in conformity with generally accepted accounting principles.

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

The management's discussion and analysis, on pages 6-7a, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2010, on our consideration of the McNairy 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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The accompanying information listed in the introductory section and in the other supplemental information section in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in the introductory section and in the other supplemental information section, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Ramis L Clay

Jacks Creek, TN
January 7, 2010

McNairy County Airport Authority
June 30, 2009
Management's Discussion and Analysis

Our discussion and analysis of the McNairy County Airport Authority's financial performance provides an overview of the Authority's financial activities for the year ended June 30, 2009. Please read it in conjunction with the Authority's financial statements, which begin on page 8.

USING THIS ANNUAL REPORT

This annual report consists of a series of fund financial statements. These financial statements provide information about the activities and operations of the Authority.

The Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Fund Net Assets, and the Statement of Cash Flows

Our analysis of the Authority begins on page 6. One of the most important questions asked about the Authority's finances is, "Is the Authority better off or worse off as a result of the year's activities?" The Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Fund Net Assets, and the Statement of Cash Flows report information about the Authority's activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report the Authority's net assets, changes in net assets, and cash flows. You can think of the Authority's net assets - the difference between assets and liabilities - as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating.

THE AUTHORITY'S CONDENSED FINANCIAL INFORMATION

The Authority's activities are reported using a proprietary (business-type) fund. For the years ended June 30, 2008 and 2009, net assets changed as follows:

	June 30, 2008	June 30, 2009
Beginning net assets	1,849,498	1,786,195
Increase (decrease) in net assets	(63,303)	43,068
Prior period adjustment		
Ending net assets	1,786,195	1,829,263
Percentage increase	-3.42%	2.41%

The ending net assets for 2009 are presented in three categories in the Statement of Net Assets as follows:

Invested in capital assets, net of related debt	1,709,588
Restricted for capital asset acquisition	63,000
Urestricted	56,675
Total	1,829,263

Unrestricted net assets represents the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The following schedules present a summary of revenue and expenses for the year ended June 30, 2009, and the amount and percentage of increases and decreases in relation to the prior year.

	June 30, 2008 Amount	June 30, 2009 Amount	Increase (Decrease) From 2008 FYE	Percent Increase (Decrease)
Operating revenue	114,727.35	122,824.85	8,097.50	7.06%
Non-operating revenue	73,652.41	74,645.78	993.37	1.35%
Expenses	251,683.19	258,204.64	6,521.45	2.59%

BUDGETARY HIGHLIGHTS

Total operating revenue was over budget by $59,525, mainly because fuel sales were not budgeted. Total operating expenses were over budget by $144,756 because fuel purchases, utilities, and depreciation were not budgeted. Several other line item expenses were over budget and the budget was not amended to cover these expenses.

CAPITAL ASSETS

At June 30, 2009, the Authority had $1,948,793 invested in capital assets, net of accumulated depreciation. A schedule of these assets follows.

Schedule of Additions and Retirements to Property and Equipment

	Balance 6/30/2008	Additions this year	Balance 6/30/2009	Accumulated depreciation	Net
Land	91,330.79		91,330.79		91,330.79
Depreciable assets:					
Hangars	597,206.86		597,206.86	(401,235.76)	195,971.10
Furniture, fixtures,			0.00		0.00
& equip.	144,305.09	63,916.60	208,221.69	(110,079.59)	98,142.10
Vehicles	14,880.50		14,880.50	(14,880.50)	0.00
Fences	50,603.37		50,603.37	(50,070.67)	532.70
Runway extension	777,410.12		777,410.12	(415,912.42)	361,497.70
Office building	196,237.63		196,237.63	(32,706.82)	163,530.81
Improv. other than					
bldgs.	1,103,055.96		1,103,055.96	(121,918.11)	981,137.85
Constr. in prog.,					
land & T-hangars	4,400.00	52,250.00	56,650.00		56,650.00
Totals	2,979,430.32	116,166.60	3,095,596.92	(1,146,803.87)	1,948,793.05

LONG-TERM DEBT

At June 30, 2009, the Authority was indebted to Bancorpsouth of Selmer, TN, in the amount of $196,606.60. During the year, principal payments totaled $4,529.83, and interest expense was $16,685.61. The note is secured by real property of the Authority, and is payable in quarterly installments of $5,303.86, with an interest rate of 8.25%.

The Authority is also indebted to McNairy County Industrial Development Board in the amount of $42,598.55. The original loan was $58,467.00, payable in 40 quarterly installments, at an interest rate of 3.00%. However, the Authority has been paying extra principal. Principal payments during the year totaled $15,868.45 and interest paid was $131.55.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

We do not anticipate any economic factors which would have a material effect on operations for the next fiscal year ending June 30, 2010.

McNAIRY COUNTY AIRPORT AUTHORITY
Statement of Net Assets
Proprietary Fund
June 30, 2009

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	21,435.40
Accounts Receivable		6,736.21
Inventories		21,921.85
Prepaid Insurance		3,849.31
Grant funds receivable		1,000.00
Other receivables		7,180.19
Total Current Assets	$	62,122.96
Non-current Assets:		
Capital assets:		
Land		91,330.79
Hangars		597,206.86
Furniture, fixtures, & equipment		208,221.69
Vehicles		14,880.50
Fences		50,603.37
Runway Extension		777,410.12
Office Building		196,237.63
Improvements other than bldgs.		1,103,055.96
Construction in progress		56,650.00
		3,095,596.92
Less: Accumulated depreciation		(1,146,803.87)
Total capital assets		1,948,793.05
Restricted assets:		
Local match funds on deposit with grantor		63,000.00
Total non-current assets		2,011,793.05
Total Assets		2,073,916.01
LIABILITIES		
Current Liabilities:		
Accounts Payable		1,377.31
Accrued Interest Payable		2,977.38
Taxes Payable		1,093.50
Current portion of long-term debt		10,827.67
Total current liabilities		16,275.86
Long-term debt:		
Notes Payable		228,377.48
Total Liabilities		244,653.34
NET ASSETS		
Invested in capital assets, net of related debt		1,709,587.90
Restricted for capital asset acquisition		63,000.00
Unrestricted		56,674.77
Total Net Assets	$	1,829,262.67

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

McNAIRY COUNTY AIRPORT AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2009

Operating Revenues:	
Fuel sales	$ 45,767.19
Hangar & office rent	74,518.65
Miscellaneous	2,539.01
Total Operating Revenues	$ 122,824.85
Operating Expenses, before depreciation	145,451.96
Depreciation	112,752.68
Total Operating Expenses	258,204.64
Net Operating Income (Loss)	(135,379.79)
Non-operating Revenues (Expenses):	
State grants	8,090.91
Grant matching funds paid to state	
County donations	78,990.87
City and other donations	2,700.00
Gain on sale of assets	1,470.00
Interest income	97.10
Interest expense	(16,703.10)
Net Non-operating Revenues (Expenses)	74,645.78
Net Income (Loss) Before Capital Grants	(60,734.01)
Capital Grants:	
Federal funds	58,351.60
Local matching funds included in federal grant funds	(700.00)
State funds	62,150.00
Local matching funds included in state grant funds	(16,000.00)
Net Capital Grants	103,801.60
Increase (decrease) in net assets	43,067.59
Net assets, beginning of year	1,786,195.08
Less prior period adjustment	
Net assets, end of year	$ 1,829,262.67

The accompanying notes are an integral part of these statements.

McNAIRY COUNTY AIRPORT AUTHORITY
Statement of Cash Flows
For the year ended June 30, 2009

Cash flows from operating activities:	
Cash received from customers	113,326.31
Cash payments for goods and services	(87,108.34)
Cash payments to employees	(51,427.53)
Net cash provided (used) by operating activities	(25,209.56)
Cash flows from non-capital financing activities:	
Grants received	8,090.91
Other donations	81,690.87
Short-term note principal paid	
Interest paid on short-term note	
Net cash provided (used) by non-capital financing activities	89,781.78
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(121,316.60)
Principal paid on notes payable	(20,398.28)
Interest paid on notes payable	(16,817.16)
Grant matching funds paid to state	(74,200.00)
Note proceeds	58,467.00
Grant funds received	119,501.60
Sale of assets	2,700.00
Net cash provided (used) by capital and related financing activities	(52,063.44)
Cash flows from investment activities:	
Interest income	97.10
Net increase (decrease) in cash and cash equivalents	12,605.88
Cash and cash equivalents, beginning of year	8,829.52
Cash and cash equivalents, end of year	21,435.40
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(135,379.79)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	112,752.68
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	(3,622.45)
Decrease (increase) in inventories	6,841.69
Decrease (increase) in prepaid expenses	1,859.30
Increase (decrease) in accounts payable	(6,808.16)
Increase (decrease) in accrued expenses	(852.83)
Increase (decrease) in deferred revenue	
Net cash provided (used) by operating activities	(25,209.56)

The accompanying notes are an integral part of these statements.

NOTE 1 - GENERAL INFORMATION

A. GASB Conformity

The financial statements included herein are prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). Enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Enterprise funds have the option of consistently following or not following Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989. McNairy County Airport Authority selected the option of not following the pronouncements subsequent to November 30, 1989.

B. Financial Reporting Entity

The McNairy County Airport is a component unit of McNairy County, Tennessee, and is governed by a board of directors appointed by the county government. The McNairy County Airport Authority is responsible for financing, developing, and operating the county's public airport. The county approves the operating budget of the Airport Authority and has provided regular operating subsidies to the Authority in the past.

C. Fund Accounting

The accounts of the McNairy County Airport Authority are organized on the basis of funds. The operations of funds are accounted for with a separate set of self-balancing accounts that comprise their assets, liabilities, fund equity, revenues, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The accounts in the financial statements of McNairy County Airport Authority fall under one broad category of funds known as proprietary funds. Proprietary funds are accounted for on the flow of economic resources measurement focus. The McNairy County Airport Authority applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

The McNairy County Airport Authority's proprietary fund is of the type known as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The statement of revenues, expenses, and changes in fund net assets reports revenues from the sale of goods and/or services as "Operating revenue", while revenues from donations and grants, other than capital grants, and interest income are reported as "Non-operating revenues".

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Basis of accounting refers to when revenues and 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.

Revenues and expenses are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

B. Cash Flows

For purposes of the statement of cash flows, the Authority considers all short-term highly liquid investments (including restricted assets) that are readily convertible to known amounts of cash and matures within three months from the date of acquisition, to be cash equivalents. The Authority had no highly liquid investments at June 30, 2009.

C. 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.

D. Concentrations

The Authority operates within a limited geographic area. Also, the Authority is subject to a concentration regarding revenue, as it receives a significant amount of support from state and local governments.

NOTE 3 - ASSETS AND LIABILITIES

A. Cash and Investments

Cash and cash equivalents at June 30, 2009, consisted of the following:

Pettty cash	214.91
On deposit with:	
Bancorpsouth	19,785.23
Home Banking Co.	1,435.26
Total	21,435.40

The Authority's deposits at year-end and throughout the year were adequately covered by federal depository insurance. There were no restrictions on these funds. The McNairy County Airport Authority values all investments at cost. At June 30, 2009, the Authority had no investments. The Authority has no policy regarding deposits and the types of investments authorized.

B. Inventories

Inventories of fuels, oil, and pilot supplies of the Authority are recorded at the lower of cost or market on a first-in, first-out basis. Inventories of office and other operational supplies/ materials were deemed to be immaterial and were not inventoried.

C. Fixed Assets

Expenditures which materially increase values or capacities or extend useful lives of property, plant, and equipment are capitalized, while expenditures for maintenance and repairs are charged to operations as incurred. Gains or losses from the sale of property, plant, and equipment are reflected in non-operating revenues on the Statement of Revenues, Expenses, and Changes in Fund Net Assets, and the asset accounts and related accumulated depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations, or contributed capital for those assets which are acquired or constructed using grants or contributions specifically obtained for those purposes. These depreciable fixed assets are being depreciated on the straight-line basis over their estimated useful lives. Any related interest cost incurred in acquiring or preparing a fixed asset for use is included in the basis of the asset.

The Authority follows a policy of capitalizing all equipment or other assets purchased with a cost of $100 or more. Construction period interest is capitalized and included as a portion of the cost of any asset constructed. Depreciation is expensed on the straight-line method over the projected useful life of the asset to the Authority. Various assets are depreciated over 40 year, 25 year, 10 year, and 5 year periods.

Schedule of Additions and Retirements to Property and Equipment

	Balance 6/30/2008	Additions this year	Balance 6/30/2009	Accumulated depreciation	Net
Land	91,330.79		91,330.79		91,330.79
Depreciable assets:					
Hangars	597,206.86		597,206.86	(401,235.76)	195,971.10
Furniture, fixtures, & equip.	144,305.09	63,916.60	208,221.69	(110,079.59)	98,142.10
Vehicles	14,880.50		14,880.50	(14,880.50)	0.00
Fences	50,603.37		50,603.37	(50,070.67)	532.70
Runway extension	777,410.12		777,410.12	(415,912.42)	361,497.70
Office building	196,237.63		196,237.63	(32,706.82)	163,530.81
Improv. other than bldgs.	1,103,055.96		1,103,055.96	(121,918.11)	981,137.85
Constr. in prog., land & T-hang	4,400.00	52,250.00	56,650.00		56,650.00
Totals	2,979,430.32	116,166.60	3,095,596.92	(1,146,803.87)	1,948,793.05

D. Long-term Debt

At June 30, 2009, the McNairy County Airport Authority was indebted to Bancorpsouth of Selmer, TN, in the amount of $196,606.60. The note bears interest at 8.25%, and is secured by real property of the Authority. The note is payable in quarterly installments of $5,303.86. Following is a schedule of principal and interest due by fiscal years.

FYE	Principal	Interest
6/30/2010	5,251.93	15,963.51
6/30/2011	5,698.79	15,516.65
6/30/2012	6,183.70	15,031.74
6/30/2013	6,709.86	14,505.58
6/30/2014	7,280.78	13,934.66
6/30/2015	7,900.29	13,315.15
6/30/2016	8,572.50	12,642.94
6/30/2017	9,301.92	11,913.52
6/30/2018	10,093.39	11,122.05
6/30/2019	10,952.22	10,263.22
6/30/2020	11,884.12	9,331.32
6/30/2021	12,895.30	8,320.14
6/30/2022	13,992.53	7,222.91
6/30/2023	15,183.13	6,032.31
6/30/2024	16,475.03	4,740.41
6/30/2025	17,876.85	3,338.59
6/30/2026	19,397.95	1,817.49
6/30/2027	10,956.31	298.31
Totals	$196,606.60	$175,310.50

Balance, 6/30/08	201,136.43
Principal payments	(4,529.83)
Balance, 6/30/09	196,606.60
Current portion	5,251.93
Interest paid this year	16,685.61

McNairy County Airport Authority is also indebted to McNairy County Industrial Development Board in the amount of $42,598.55. The original loan amount was $58,467.00 at an interest rate of 3.00%, payable in 40 quarterly installments. However, the Authority has been paying extra on principal, resulting in the principal balance at June 30, 2009, of $42,598.55. Principal and interest requirements to maturity are as follows:

Fiscal year	Principal	Interest
6-30-10	5,575.74	1,213.50
6-30-11	5,744.90	1,044.34
6-30-12	5,919.20	870.04
6-30-13	6,098.79	690.45
6-30-14	6,283.81	505.43
6-30-15	6,474.46	314.78
6-30-16	6,501.65	118.35
Totals	42,598.55	4,756.89

Original loan amount	58,467.00
Principal paid	(15,868.45)
Balance, 6/30/09	42,598.55
Interest paid this year	131.55

E. Segment information for proprietary fund:

Property, plant, and equipment additions	116,166.60
Net working capital	45,847.10

NOTE 4 - RISK MANAGEMENT - CLAIMS AND JUDGMENTS

The Airport Authority provides coverage for significant losses through commercial insurance. This insurance covers general liability, property damage, and workers' compensation.

There have been no significant reductions in insurance coverage, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 5 - RESTRICTED ASSETS

Restricted assets of $63,000.00 reported on the Statement of Net Assets represents local match funds on deposit with the grantors. This money is designated for the purchase of capital assets.

NOTE 6 - RELATED PARTY TRANSACTIONS

The Authority paid the airport manager $1,000.00 for fuel system repairs which would have cost considerably more elsewhere.

OTHER SUPPLEMENTAL INFORMATION

McNairy County Airport Authority
Budgetary Comparison of Operating Revenues & Expenses
For the Year Ended June 30, 2009

	Actual	Budget	Favorable (Unfavorable) Variance
Operating Revenues:			
Fuel sales	45,767.19		45,767.19
Hangar & office rent	74,518.65	63,300.00	11,218.65
Miscellaneous	2,539.01		2,539.01
Total Operating Revenue	122,824.85	63,300.00	59,524.85
Operating Expenses:			
Cost of Goods Sold	39,313.21	539.29	(38,773.92)
Bad Debts	5,876.09		(5,876.09)
Contract Labor		500.00	500.00
Uniforms		150.00	150.00
Inspections	1,000.00	1,700.00	700.00
Customer Relations	1,004.35	1,500.00	495.65
Vehicle Expense	1,203.24	2,225.00	1,021.76
Repairs & Maintenance	10,513.65	12,290.00	1,776.35
Janitorial & Cleaning Supplies	1,566.77	675.00	(891.77)
Insurance	11,261.95	8,700.00	(2,561.95)
Utilities	9,713.03		(9,713.03)
Postage	186.08	200.00	13.92
Office Supplies	772.17	1,900.00	1,127.83
Telephone	4,133.34	3,516.00	(617.34)
Dues & Subscriptions	298.00	350.00	52.00
Taxes & Licenses	40.00	4,050.00	4,010.00
Professional Services	4,587.50	4,500.00	(87.50)
Advertising	757.29	100.00	(657.29)
Credit Card Fees	832.77	1,700.00	867.23
Miscellaneous	15.93		(15.93)
Depreciation	112,752.68		(112,752.68)
Meetings, conferences, & travel	907.35	1,133.00	225.65
Payroll expenses	51,427.53	65,490.00	14,062.47
Security	41.71	230.00	188.29
NDB		2,000.00	2,000.00
Total Operating Expenses	258,204.64	113,448.29	(144,756.35)
Net Income from Operations	(135,379.79)	(50,148.29)	(85,231.50)

The accompanying notes are an integral part of these statements.

McNairy County Airport Authority
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2009

Grantor/Program Description	Federal CFDA #	Grant Number	Receivable 6/30/2007	Receipts State	Receipts Federal	Expend. State	Expend. Federal	Receivable 6/30/2008
State Dept. of Transportation								
Maintenance operating grant	N/A	Z-09213414		3,814.34		3,814.34		0.00
		Z-08021615	0.00	4,276.57		4,276.57		0.00
								0.00
T-Hangar project	20.106	Z-09213963	0.00		51,000.00		52,000.00	1,000.00
Equipment grant (tractor & equip.)	N/A	Z-09213978	0.00	62,150.00		62,150.00		0.00
Self-serve fuel system	Not avail.	Z-08200785	0.00		6,351.60		6,351.60	0.00
TOTALS			0.00	70,240.91	57,351.60	70,240.91	58,351.60	1,000.00

The accompanying notes are an integral part of these statements.

RONNIE L. CLAY
Certified Public Accountant
740 Johnson's Crossroad
Jacks Creek, TN 38347

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*

The Board of Directors
McNairy County Airport Authority
Selmer, TN

We have audited the financial statements of the McNairy County Airport Authority, a component unit of McNairy County, TN, as of and for the year ended June 30, 2009, and have issued our report thereon dated January 7, 2010. 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 McNairy County 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 McNairy County Airport Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the McNairy County 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 McNairy County 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 McNairy County Airport Authority's financial statements that is more than inconsequential will not be prevented or detected by the McNairy County Airport Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. The significant deficiency is described in the accompanying schedule of findings as item #09-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the McNairy County 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, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McNairy County 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 as item #09-1.

McNairy County Airport Authority's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit McNairy County Airport Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, and the Comptroller of the Treasury of the State of Tennessee, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Jacks Creek, TN
January 7, 2010

RONNIE L. CLAY
Certified Public Accountant
740 Johnson's Crossroad
Jacks Creek, TN 38347

Report on Internal Control and Compliance - Schedule of Findings

#09-1: Budgetary matters

Some expense items were not budgeted and several line items were over budget. The budget was not amended to cover these items, resulting in expenditures in total being over budget. State law requires that funds be appropriated by the governing body.

Recommendation:

All line items should be included in the budget, and the budget should be amended to cover all expenses.

Management's response:

We agree, and will try to do this in the future.

Disposition of prior year's findings:

#08-1: Budgetary matters

No action taken.