

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**JACKSON, TENNESSEE**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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## **INTRODUCTORY SECTION**

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY  
DIRECTORY  
JUNE 30, 2009**

**BOARD MEMBERS**

Hoyt Hayes, Jr.  
Delita Thompson-Johnson  
Bill Sipes  
Bill Douglas  
Bill Maniss

**MANAGEMENT TEAM**

Steve Smith, Executive Director  
Cindy Melton, Accountant

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Alexander Thompson Arnold PLLC  
Jackson, Tennessee

**FINANCIAL SECTION**



Certified Public Accountants

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Independent Auditor's Report

Jackson-Madison County Airport Authority  
McKellar-Sipes Regional Airport  
Jackson, Tennessee

We have audited the accompanying financial statements of the governmental activities, each major fund and the budgetary comparison for the general fund, of Jackson-Madison County Airport Authority, Jackson, Tennessee (the Authority), as of June 30, 2009, and for the year then ended June 30, 2009, which collectively comprise the 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 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 respective financial position of the governmental activities, each major fund and the budgetary comparison for the general fund, as of June 30, 2009, and the respective 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 October 9, 2009, on our consideration of the 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.

The management's discussion and analysis on pages 4 through 7 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.

Dyersburg, TN  
Fulton, KY  
Henderson, TN  
Jackson, TN  
Martin, TN

McKenzie, TN  
Milan, TN  
Murray, KY  
Paris, TN  
Trenton, TN  
Union City, TN

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The financial information listed in the Table of Contents as other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.



Certified Public Accountants

Jackson, Tennessee  
October 9, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Jackson-Madison County Airport Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2009. All amounts, unless otherwise indicated, are expressed in actual dollars. Comparative analyses of key elements of total governmental funds have not been provided.

### FINANCIAL HIGHLIGHTS

Management believes the Authority's financial condition is strong. The Authority is well within its more stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets at year-end were \$6.14 million and exceeded liabilities in the amount of \$6.09 million (i.e. net assets).
- Net assets decreased \$336 thousand during the current year.
- Operating revenues were \$604 thousand, while operating expenses were \$950 thousand which resulted in an operating loss of \$336 thousand.

### OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's strategic plan, budget, bond resolutions and other management tools were used for this analysis. The Financial Statements are made up of three sections: 1) the introductory section, 2) the financial section, and 3) the internal control and compliance section. The introductory section includes the Authority's directory. The financial section includes the MD&A, the independent auditor's report, and the financial statements with accompanying notes. The internal control and compliance section includes the report on internal control and compliance.

### REQUIRED FINANCIAL STATEMENTS

Due to the Authority being composed of only two governmental funds, a consolidated format has been used to present the fund statements and the government-wide statements with the reconciliation included as an additional column. The following statements are included in the financial statements of the Authority:

The *Statement of Net Assets and Governmental Fund Balance Sheet* includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Authority.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* presents the results of the business activities over the course of the fiscal year and information as to how the net assets and fund balances changed during the year. All changes in net assets and fund balances are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Authority's operations and can be used to determine whether the Authority has successfully recovered all of its costs. This statement also measures the Authority's profitability and credit worthiness.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual* presents the results of activities over the course of the fiscal year in comparison with the original and final budget. An additional column is presented showing the differences between the final budget and the actual expenditures for the year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Statement of Net Assets** - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$6.10 million at the close of the most recent fiscal year. A portion of the Authority's net assets (93.58%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1A  
**CONDENSED STATEMENT OF NET ASSETS**

	June 30, 2009	June 30, 2008
Current and other assets	\$ 441,727	\$ 396,718
Capital assets	5,700,786	6,076,667
Total assets	\$ 6,142,513	\$ 6,473,385
Other liabilities	\$ 50,659	\$ 45,668
Invested in capital assets	\$ 5,700,786	\$ 6,076,667
Unrestricted	391,068	351,050
Total net assets	\$ 6,091,854	\$ 6,427,717

**Statement of Activities** – Expenses in the governmental activities column exceeded revenues by \$336 thousand. Revenues decreased during the year due to the fact that the Authority received less grant money from state and federal governments, while expenses increased which resulted in an overall decrease of \$336 thousand in the Authority's net assets.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)**

Table 2A

**CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS**

	June 30, 2009	June 30, 2008
Operating revenues	\$ 603,913	\$ 1,461,849
Non-operating revenues	10,060	7,020
Total revenues	613,973	1,468,869
Operating expenditures	949,836	947,200
Total expenses	949,836	947,200
Change in net assets	(335,863)	521,669
Beginning net assets	6,427,717	5,906,048
Ending net assets	\$ 6,091,854	\$ 6,427,717

**COMMENTS ON FUND FINANCIAL STATEMENTS**

The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental fund** – The focus of the Authority's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements.

In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Revenue and other financing sources in the general fund decreased from last year by approximately \$13 thousand. The most significant changes in revenues and other financing sources in the general fund were:

- A \$13 thousand decrease in intergovernmental revenues.

Expenditures and other financing uses in the general fund decreased from last year by approximately \$12 thousand. The most significant changes in expenditures and other financing uses in the general fund were:

- A \$5 thousand increase in maintenance and utilities expenses.
- A \$24 thousand decrease in administration expenses.

A budget comparison statement has been provided to demonstrate compliance with the budget.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

### GENERAL FUND BUDGETARY HIGHLIGHTS

#### *Final Budgeted and Actual Amounts*

Actual revenues and other financing sources were less than the final budgeted amounts by approximately \$27 thousand. Significant variances are as follows:

- Security-TSA was less than final budgeted amounts by approximately \$18 thousand.
- Expenditures were less than the budgeted amounts by approximately \$74 thousand in the current year. Significant variances were noted in all administrative departments where expenditures were less than budget amounts by \$52 thousand and also in maintenance and utilities where expenditures were less than budget amounts by \$13 thousand.

### CAPITAL ASSET AND DEBT ADMINISTRATION

*Capital Assets* - At the end of the fiscal year, the Authority had invested \$5.70 million in a variety of capital assets.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

There are no substantial changes anticipated for next year's budget.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Jackson-Madison County Airport Authority, 308 Grady Montgomery Drive, Jackson, TN 38301.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**  
 JUNE 30, 2009

ASSETS

	<u>Governmental Funds</u>			Adjustments Note 4A	Statement of Net Assets
	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>		
ASSETS					
Cash	\$ 178,255	\$ 85,848	\$ 264,103	\$ -	\$ 264,103
Receivables:					
Accounts	2,673	-	2,673	-	2,673
Intergovernmental	3,468	-	3,468	-	3,468
Grants	23,400	8,550	31,950	-	31,950
Due from other funds	80,101	-	80,101	(80,101)	-
Inventories	1,080	-	1,080	-	1,080
Deferred asset	-	-	-	138,453	138,453
Capital assets being depreciated (net of accumulated depreciation)					
Land improvements	-	-	-	300	300
Buildings	-	-	-	3,492,354	3,492,354
Infrastructure	-	-	-	1,473,277	1,473,277
Machinery and equipment	-	-	-	725,324	725,324
Capital assets not being depreciated					
Construction in progress	-	-	-	9,531	9,531
Total Assets	<u>\$ 288,977</u>	<u>\$ 94,398</u>	<u>\$ 383,375</u>	<u>\$ 5,759,138</u>	<u>\$ 6,142,513</u>

LIABILITIES AND FUND EQUITY/NET ASSETS

LIABILITIES					
Accounts payable	\$ 8,997	\$ 18,978	\$ 27,975	\$ -	\$ 27,975
Compensated absences payable	-	-	-	5,866	5,866
Refundable deposits	6,562	-	6,562	-	6,562
Due to other funds	-	80,101	80,101	(80,101)	-
Deferred revenues	10,256	-	10,256	-	10,256
Total Liabilities	<u>25,815</u>	<u>99,079</u>	<u>124,894</u>	<u>(74,235)</u>	<u>50,659</u>
FUND BALANCE/NET ASSETS					
Fund balance					
Undesignated	263,162	(4,681)	258,481	(258,481)	-
Total Liabilities and Fund Balance	<u>\$ 288,977</u>	<u>\$ 94,398</u>	<u>\$ 383,375</u>		
Net Assets					
Invested in capital assets				5,700,786	5,700,786
Unrestricted				391,068	391,068
Total Net Assets				<u>\$ 6,091,854</u>	<u>\$ 6,091,854</u>

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

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments Note 4B</u>	<u>Statement of Activities</u>
<b>EXPENDITURES/EXPENSES</b>					
<b>Current:</b>					
Fire protection	\$ 71,738	\$ -	\$ 71,738	\$ -	\$ 71,738
Maintenance and utilities	235,308	-	235,308	-	235,308
Administration	147,251	-	147,251	(4,895)	142,356
Control tower	15,826	-	15,826	-	15,826
Depreciation and amortization	-	-	-	480,755	480,755
Capital outlay	-	85,652	85,652	(81,798)	3,854
<b>Total Expenditures</b>	<b>\$ 470,123</b>	<b>\$ 85,652</b>	<b>\$ 555,775</b>	<b>\$ 394,062</b>	<b>\$ 949,837</b>
<b>PROGRAM REVENUES</b>					
Services and property use	\$ 285,312	\$ -	\$ 285,312	\$ -	\$ 285,312
<b>Net Program Expense</b>					<b>\$ 664,525</b>
<b>GENERAL REVENUES</b>					
Intergovernmental	\$ 243,520	\$ 75,082	\$ 318,602	\$ -	\$ 318,602
Other	(1,000)	11,060	10,060	-	10,060
<b>Total General Revenues and Transfers</b>	<b>\$ 242,520</b>	<b>\$ 86,142</b>	<b>\$ 328,662</b>	<b>\$ -</b>	<b>\$ 328,662</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (Under) Expenditures	57,709	490	58,199	(58,199)	-
<b>Change in Net Assets</b>					
	-	-	-	(335,863)	(335,863)
<b>FUND BALANCES/NET ASSETS, JULY 1</b>	<b>205,453</b>	<b>(5,171)</b>	<b>200,282</b>	<b>6,227,435</b>	<b>6,427,717</b>
<b>FUND BALANCES/NET ASSETS, JUNE 30</b>	<b>\$ 263,162</b>	<b>\$ (4,681)</b>	<b>\$ 258,481</b>	<b>\$ 5,833,373</b>	<b>\$ 6,091,854</b>

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

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance- Over (Under)
	Budget	Final		
<b>REVENUES</b>				
<b>Intergovernmental:</b>				
State maintenance grant	\$ 10,000	\$ 10,000	\$ 23,400	\$ 13,400
Operating subsidies - Madison County and City of Jackson	220,120	220,120	220,120	-
	<u>\$ 230,120</u>	<u>\$ 230,120</u>	<u>\$ 243,520</u>	<u>\$ 13,400</u>
<b>Services and Property Use:</b>				
<b>Space Rentals:</b>				
Regions Air	\$ 12,920	\$ 12,920	\$ -	\$ (12,920)
Hangar #1	9,900	9,900	9,900	-
Hangar #2	9,000	9,000	9,000	-
Hangar #3 and 4	34,040	34,040	34,040	-
Hangar #3A	23,300	23,300	23,306	6
Hangar #4 - Suite B	5,400	5,400	5,400	-
Flight school	8,250	8,250	8,250	-
Hangar #3	13,080	13,080	19,380	6,300
AFSS/AFSFO	54,350	54,350	75,903	21,553
Car rental service area	1,620	1,620	810	(810)
Rental offices - terminal	23,270	23,270	18,550	(4,720)
Fuel farm	2,500	2,500	2,500	-
Miscellaneous rent	5,100	5,100	3,900	(1,200)
	<u>\$ 202,730</u>	<u>\$ 202,730</u>	<u>\$ 210,939</u>	<u>\$ 8,209</u>
<b>Concessions:</b>				
Hertz	\$ 8,000	\$ 8,000	\$ 1,594	\$ (6,406)
Enterprise	1,000	1,000	1,101	101
	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 2,695</u>	<u>\$ (6,305)</u>
<b>Fuel Flowage:</b>				
U.S. Aviation Services	\$ 33,400	\$ 33,400	\$ 21,784	\$ (11,616)
United Foods	6,000	6,000	6,745	745
American Aviation	2,600	2,600	2,070	(530)
	<u>\$ 42,000</u>	<u>\$ 42,000</u>	<u>\$ 30,599</u>	<u>\$ (11,401)</u>
<b>Landing Fees:</b>				
Corporate Airlines	\$ 3,430	\$ 3,430	\$ -	\$ (3,430)

Continued

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE (Cont.)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance- Over (Under)
	Budget	Final		
<b>REVENUES (Cont.)</b>				
<b>Services and Property Use (Cont):</b>				
<b>Land Rentals</b>				
Agriculture	\$ 12,840	\$ 12,840	\$ 13,080	\$ 240
Freight surcharge	2,100	2,100	207	(1,893)
Golf course	3,600	3,600	3,600	-
BellSouth	200	200	200	-
	<u>\$ 18,740</u>	<u>\$ 18,740</u>	<u>\$ 17,087</u>	<u>\$ (1,653)</u>
<b>Reimbursements:</b>				
Joint use - Army National Guard	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Security - TSA	18,000	18,000	-	(18,000)
Maintenance - AFSS	8,200	8,200	13,212	5,012
Miscellaneous	600	600	780	180
	<u>\$ 36,800</u>	<u>\$ 36,800</u>	<u>\$ 23,992</u>	<u>\$ (12,808)</u>
	<u>\$ 312,700</u>	<u>\$ 312,700</u>	<u>\$ 285,312</u>	<u>\$ (27,388)</u>
<b>Other:</b>				
Vending and miscellaneous	\$ 500	\$ 500	\$ 316	\$ (184)
Interest	700	700	303	(397)
Bad debt	-	-	(1,619)	(1,619)
	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ (1,000)</u>	<u>\$ (2,200)</u>
<b>Total Revenues</b>	<u>\$ 544,020</u>	<u>\$ 544,020</u>	<u>\$ 527,832</u>	<u>\$ (16,188)</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
<b>Fire Protection:</b>				
Salaries	\$ 55,650	\$ 55,650	\$ 51,204	\$ (4,446)
Fringe benefits	2,800	2,800	-	(2,800)
Payroll taxes	5,200	5,200	4,781	(419)
Workmen's compensation	3,200	3,200	2,144	(1,056)
ARFF training and supplies	3,000	3,000	1,299	(1,701)
Fuel, oil and grease	3,500	3,500	5,808	2,308
Maintenance- fire equipment	5,000	5,000	6,183	1,183
Maintenance - passenger screening	500	500	319	(181)
	<u>\$ 78,850</u>	<u>\$ 78,850</u>	<u>\$ 71,738</u>	<u>\$ (7,112)</u>

Continued

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE (Cont.)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

EXPENDITURES (Cont.)	Budgeted Amounts		Actual	Variance-
	Budget	Final		Over (Under)
<b>Current:</b>				
<b>Maintenance and Utilities:</b>				
Salaries	\$ 92,230	\$ 92,230	\$ 78,671	\$ (13,559)
Fringe benefits	6,430	6,430	4,587	(1,843)
Payroll taxes	7,050	7,050	6,561	(489)
Workmen's compensation	3,900	3,900	5,742	1,842
Janitorial supplies	5,000	5,000	4,767	(233)
Fuel, oil and grease	12,000	12,000	8,480	(3,520)
Maintenance - AFSS	6,500	6,500	1,097	(5,403)
Maintenance - other	40,000	40,000	42,138	2,138
Maintenance - airfield	12,000	12,000	4,690	(7,310)
Maintenance - equipment	8,000	8,000	14,982	6,982
Outside lighting	4,000	4,000	7,156	3,156
Utilities	48,000	48,000	52,136	4,136
Maintenance equipment	3,500	3,500	4,301	801
	<u>\$ 248,610</u>	<u>\$ 248,610</u>	<u>\$ 235,308</u>	<u>\$ (13,302)</u>
<b>Administration:</b>				
Salaries	\$ 128,010	\$ 128,010	\$ 101,935	\$ (26,075)
Fringe benefits	7,780	7,780	3,009	(4,771)
Payroll taxes	8,840	8,840	6,392	(2,448)
Workmen's compensation	630	630	495	(135)
Dues and publications	7,500	7,500	5,096	(2,404)
Automobile expense	3,600	3,600	4,552	952
Office equipment	1,200	1,200	2,435	1,235
Administration	7,500	7,500	7,400	(100)
Legal and accounting	10,000	10,000	5,167	(4,833)
Office supplies and postage	3,500	3,500	2,579	(921)
Communications	7,500	7,500	6,731	(769)
Repairs and maintenance	1,500	1,500	164	(1,336)
Promotion	12,000	12,000	1,296	(10,704)
	<u>\$ 199,560</u>	<u>\$ 199,560</u>	<u>\$ 147,251</u>	<u>\$ (52,309)</u>

Continued

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE (Cont.)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Over (Under)</u>
	<u>Budget</u>	<u>Final</u>		
EXPENDITURES (Cont.)				
Current:				
Control Tower:				
Utilities	\$ 7,000	\$ 7,000	\$ 8,199	\$ 1,199
Maintenance and janitorial	5,000	5,000	3,197	(1,803)
Equipment purchases and repairs	4,000	4,000	4,430	430
Miscellaneous	1,000	1,000	-	1,000
	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ 15,826</u>	<u>\$ 826</u>
<u>Total Expenditures</u>	<u>\$ 544,020</u>	<u>\$ 544,020</u>	<u>\$ 470,123</u>	<u>\$ (71,897)</u>
<u>Excess Revenues Over Expenditures</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,709</u>	<u>\$ (88,085)</u>
FUND BALANCE, JULY 1			<u>\$ 205,453</u>	
FUND BALANCE, JUNE 30			<u>\$ 263,162</u>	

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

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY  
CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

REVENUES

Intergovernmental:	
Aeronautics Division	\$ 45,230
Grants - Federal Aviation Administration	29,852
	<u>\$ 75,082</u>
Other:	
Interest and miscellaneous	\$ 11,060
	<u>\$ 86,142</u>

EXPENDITURES

Capital Projects:	
State and local projects	\$ 61,332
FAA capital projects	12,316
Other capital projects	8,151
Miscellaneous local projects	3,853
<u>Total Expenditures</u>	<u>\$ 85,652</u>
<u>Excess of Revenues Over Expenditures</u>	\$ 490
FUND BALANCE (DEFICIT), JULY 1	<u>(5,171)</u>
FUND BALANCE (DEFICIT), JUNE 30	<u>\$ (4,681)</u>

See independent auditor's report.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 1 – ORGANIZATION**

The Jackson-Madison County Airport Authority (the Authority) is a governmental entity, which is a joint venture between the City of Jackson and Madison County, Tennessee. There are no other governmental units that are considered component units of the Authority.

The Authority was created by a joint resolution of the governing bodies of the City of Jackson and Madison County, being vested with the authority for the “planning, establishment, development, construction, enlargement, improvement, maintenance, equipment operation, regulation, protection and policing of McKellar-Sipes Regional Airport for and on behalf of Madison County and the City of Jackson.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Authority conform to generally accepted accounting principles applicable to government as defined in the *Statement of Governmental Accounting Standards Board (GASB)*. The following is a summary of the more significant accounting policies.

**A. Reporting Entity**

The funds related to the Authority included in this report are controlled by or dependent on the Authority’s Board. Control by or dependence on the Authority are determined on the basis of budget adoption, outstanding debt secured by revenues or general obligation of the Authority or the Authority’s obligation to fund any deficits that may occur.

On this basis, the following funds groups are included in this report:

Fund Types:

General Fund  
Capital Projects Fund

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statements of net assets and the statement of changes in net assets) and the governmental funds financial statements (i.e., the balance sheet and the statement of revenues, expenditures, and changes in fund balances) have been consolidated onto one report. The adjustments from the fund financial statements to the government-wide statements have been consolidated into the middle column of the reports for simplicity.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (Cont.)**  
JUNE 30, 2009

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont.)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Authority reports the following governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for the capital outlay and special projects of the Authority.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles. The Authority's reporting entity applies all relevant *Governmental Accounting Standards Board* (GASB) pronouncements and applicable *Financial Accounting Standards Board* (FASB) pronouncements and *Accounting Principle Board* (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The Authority's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Assets, Liabilities, and Net Assets or Equity**

***Budget and Budgetary Accounting***

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles. Some Capital Projects Fund expenditures are also budgeted in accordance with generally accepted accounting principles. However, project-length financial plans are also adopted for some other Capital Projects Funds expenditures.

***Deposits and Investments***

The Authority's cash and cash equivalents are considered to be cash on hand and demand deposits. All interest earned is allocated to the source from which the cash originated.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (Cont.)**  
**JUNE 30, 2009**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**D. Assets, Liabilities, and Net Assets or Equity (Cont.)**

***Capital Assets***

Capital assets, which include equipment and furniture, are included in the government-wide financial statements. The Authority land and building are titled to the City of Jackson and Madison County, and therefore are not included in the Authority's capital assets. Capital assets are defined by the Board as assets with an initial, individual (or group combined) cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Books are grouped by category, and depreciated by group. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Authority are depreciated using the straight line method over the following useful lives:

Land improvements	20 years
Buildings	10 - 40 years
Machinery and equipment	5 - 50 years

***Compensated Absences***

The Authority records as expenditures the vacation accrued during the year that would normally be liquidated with expendable available financial resources. The employees accumulate vacation days and in the event of termination employees are reimbursed for accumulated vacation up to a maximum of 30 days. The current portion of the accrued vacation at June 30, 2009 recorded in the General Fund is the amount that would normally be liquidated with expendable available financial resources. Accumulated annual leave at June 30, 2009 totaled \$5,866.

Full-time employees accrue sick leave up to a maximum accumulation of 120 days. However, no employees retain any vested interest in their unused sick leave upon termination of employment.

***Fund Equity***

Reserves represent those portions of fund equity not available for expenditure or legally segregated from specific future use. Designated fund balances represent tentative plans for future use of financial resources.

***Deferred Revenue***

Deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

***Interfund Transactions***

Interfund transactions are recorded as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (Cont.)**  
 JUNE 30, 2009

**NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

The Authority adopts annual operating budgets on a basis consistent with generally accepted accounting principles. The budgets constitute a legal spending restriction at the total fund level as established in the enabling legislation. The current operating budget details the Authority's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year.

**NOTE 4 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets**

Adjustments to the balance sheet of governmental funds to the statement of net assets include the following items:

When capital assets that are to be used in governmental activities are purchased, the costs of those assets are reported as expenditures in the governmental funds. However, the statement of net assets includes those capital assets among the assets of the Authority as a whole.

Cost of capital assets	\$9,007,187
Accumulated depreciation	<u>(3,306,401)</u>
	<u>\$ 5,700,786</u>

When long-term assets that benefit the governmental activities are acquired, the costs of those assets are reported as expenditures in the governmental funds. However, the statement of net assets includes those deferred assets among the assets of the Authority as a whole.

Deferred master plan expense	<u>\$ 138,453</u>
------------------------------	-------------------

Long-term liabilities applicable to the Authority's activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities are reported in the statement of net assets.

Compensated absences payable	<u>\$ 5,866</u>
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Elimination of internal balances

Internal balances	<u>\$ 80,101</u>
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**B. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities**

The net change in fund balances of governmental funds differs from the change in net assets for governmental activities. The difference arises primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (Cont.)**  
 JUNE 30, 2009

**NOTE 4 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**  
**(Cont.)**

**B. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities (Cont.)**

When capital assets that are to be used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital assets purchased	\$ 81,798
Depreciation and amortization expense	<u>(480,755)</u>
Difference	<u>\$ (398,957)</u>

Accrued compensated absences not expected to be liquidated with current resources are not reflected as an expenditure in the governmental funds.

Compensated absences at beginning of year	\$ (10,761)
Compensated absences at end of year	<u>5,866</u>
	<u><u>(\$ 4,895)</u></u>

**NOTE 5 – CASH AND INVESTMENTS**

***Custodial Credit Risk***

The Authority's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Authority's agent in the Authority's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Authority to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2009, all bank deposits were fully collateralized or insured.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (Cont.)**  
**JUNE 30, 2009**

**NOTE 6 - CAPITAL ASSETS**

Fixed assets acquired in the General Fund are expensed when purchased. The assets on the government-wide financial statements include only those that have met the Authority's capitalization policy. The City of Jackson and Madison County budget for Capital Outlay by the Authority, and pays directly for the items so budgeted. These items are also included in the Capital Asset account, if they meet the criteria. The land occupied by the Authority is owned by the City of Jackson and Madison County and is therefore not reflected in these financial statements. Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated				
Construction in process	\$ 66,349	\$ 61,331	\$ 118,149	\$ 9,531
Capital assets, being depreciated				
Land improvements	800	-	-	800
Buildings	5,519,926	8,151	-	5,528,077
Infrastructure	1,735,585	73,332	-	1,808,917
Machinery and equipment	1,586,788	57,133	-	1,643,921
Total capital assets, being depreciated	<u>8,843,099</u>	<u>138,616</u>	<u>-</u>	<u>8,981,715</u>
Total capital assets	8,909,448	199,947	118,149	8,991,246
Less: accumulated depreciation for:				
Land improvements	460	40	-	500
Buildings	1,806,621	229,102	-	2,035,723
Infrastructure	233,118	102,522	-	335,640
Machinery and equipment	792,582	126,015	-	918,597
Total depreciation	<u>2,832,781</u>	<u>457,679</u>	<u>-</u>	<u>3,290,460</u>
Governmental activities capital assets, net	<u>\$ 6,076,667</u>	<u>\$ (257,732)</u>	<u>\$ 118,149</u>	<u>\$ 5,700,786</u>

Amounts remaining in capital outlay in the governmental-wide column is for items that were not capitalized.

Depreciation expense for the year ended June 30, 2009 was \$457,679.

**NOTE 7 – DEFERRED ASSET**

Deferred assets are recorded in the amount of \$138,453 for the year ended June 30, 2009. This amount represents work that was done on the Master Plan Update. This deferred asset will be amortized over a useful life of 10 years in the amount of \$23,076 per year beginning in fiscal year 2009.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (Cont.)**  
 JUNE 30, 2009

**NOTE 8 – PENSION PLANS**

During the fiscal year ended June 30, 2009, certain employees of the Authority were members of the Tennessee Consolidated Retirement System. The Tennessee Consolidated Retirement System is a defined benefit retirement plan covering general employees and teachers of the state as well as employees of political subdivisions that have elected coverage. Benefits are determined by a formula using the high five-year average salary and years of service of each employee. Employees of the Authority are covered in the plan under Madison County's account.

Madison County makes all required employer contributions for the employees covered under the plan.

**NOTE 9 – REVENUE FROM OPERATING LEASES AND CONTRACTS**

A significant portion of the Authority's revenues come from operating leases on the Authority's property and various other concessions. All property under lease is owned jointly by the City of Jackson and Madison County. The Authority has future minimum revenues under operating leases as follows:

Year Ending June 30,	Minimum Lease Revenues
2010	\$ 85,903
2011	79,513
2012	79,513
2013	74,563
2014	69,613
2015	200
2016	200

The Authority has annual revenues of \$59,093 from leases cancelable by either party on thirty days notice.

The Authority also receives the following revenues from concession contracts:

<u>Concession</u>	<u>Revenue Base</u>
Automobile rentals	7.50% of gross rents
Fuel sales	\$0.085 per gallon sold

**NOTE 10 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2009, the Authority or Madison County purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

## **OTHER SUPPLEMENTARY INFORMATION**

The other supplementary information section of this report includes information not required to be included in the basic financial statements and is provided for the purpose of additional analysis.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS**  
JUNE 30, 2009

<u>Name</u>	<u>Position</u>	<u>Annual Salary</u>	<u>Amount of Bond</u>
Bill Douglas	Chairman	None	\$ 500,000
Delita Thompson-Johnson	Commissioner	None	500,000
Bill Sipes	Commissioner	None	500,000
Hoyt Hayes, Jr.	Commissioner	None	500,000
Bill Maniss	Commissioner	None	500,000

See the independent auditor's report.

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY**  
**STATE FINANCIAL ASSISTANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Grant or Program	Grant Number	(Receivable) Unspent 7/1/2008	Receipts	Expenditures	Deposits on Contract (1)	(Receivable) Unspent 6/30/2009
State:						
Tennessee Department of Transportation:						
Airport Improvements	57-555-0781-04	\$ -	\$ -	\$ 8,550	\$ -	\$ (8,550)
Airport Improvements	Z-08-200617-00	(14,801)	55,556	36,680	4,075	-
Airport Improvements	Z-08-02-1628-00	(10,000)	10,000	23,400	-	(23,400)
Total State Awards		<u>\$ (24,801)</u>	<u>\$ 65,556</u>	<u>\$ 68,630</u>	<u>\$ 4,075</u>	<u>\$ (31,950)</u>

(1) - Deposits on contracts consists of local match funds sent to the Tennessee Department of Transportation and held on deposit. These funds are returned to the Authority as grant drawdowns occur.

See the independent auditor's report.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Grant or Program	CFDA Number	Grant Number	(Receivable) Unspent 7/1/2008	Receipts	Expenditures	(Receivable) Unspent 6/30/2009
Federal:						
U.S. Department of Transportation						
Airport Improvements	20.106	DTFASO-08-00032	\$ -	\$ 18,151	\$ 18,151	\$ -
Airport Improvements	20.106	3-47-32-15-2005	-	11,701	11,701	-
Total Federal Awards			\$ -	\$ 29,852	\$ 29,852	\$ -

**Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of the Jackson-Madison County Airport Authority under programs of the federal government for the year ended June 30, 2009. The expenditures are presented using the modified accrual basis of accounting.

See the independent auditor's report.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



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**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***

Jackson-Madison County Airport Authority  
McKellar-Sipes Regional Airport  
Jackson, Tennessee

We have audited the accompanying financial statements of the governmental activities, each major fund and the budgetary comparison for the general fund, of the Jackson-Madison County Airport Authority, Jackson, Tennessee (the Authority), as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 9, 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 on the effectiveness of the Authority's internal control over financial reporting.

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 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 Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Dyersburg, TN  
Fulton, KY  
Henderson, TN  
Jackson, TN  
Martin, TN

McKenzie, TN  
Milan, TN  
Murray, KY  
Paris, TN  
Trenton, TN  
Union City, TN

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Authority in a separate letter dated October 9, 2009.

This report is intended solely for the information of the Board of Directors, management, and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Alexander Thompson". The signature is written in a cursive, flowing style.

Certified Public Accountants

Jackson, Tennessee  
October 9, 2009

**JACKSON-MADISON COUNTY AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS  
JUNE 30, 2009**

**FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

None