

CLARKSVILLE-MONTGOMERY COUNTY

REGIONAL AIRPORT AUTHORITY

AUDITED FINANCIAL STATEMENTS

AND OTHER INFORMATION

JUNE 30, 2009

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of the Clarksville-Montgomery County Regional Airport Authority (Airport Authority) as of and for the year ended June 30, 2009, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Airport Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Airport Authority as of June 30, 2009, and the changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2009, on our consideration of the Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport Authority's basic financial statements. The accompanying information listed as other information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stone Rudolph & Henry, PLC

December 3, 2009

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2009

The following Management's Discussion and Analysis (MD&A) of the Clarksville-Montgomery County Regional Airport Authority's (Authority) financial performance provides an introduction to the financial statements for the years ended June 30, 2009, and 2008. The information contained in this MD&A should be used in conjunction with the information contained in the Authority's financial statements for the period.

Background

In 1997 the Clarksville Airport Joint Committee (CAJC) approached the mayors of the City of Clarksville and Montgomery County with the idea of creating a regional airport authority. Subsequently, both municipalities passed resolutions authorizing the Clarksville-Montgomery County Regional Airport Authority and provided it with all the rights, privileges, and authority of the CAJC. The Authority then petitioned the State of Tennessee and received its state charter.

In 1998, the Authority purchased a mobile home park adjacent to the airport which included twelve mobile homes that were subsequently sold. In late 2009, the infrastructure experienced major failures and upon further investigation, the Authority determined that major capital expenditures on infrastructure would be necessary to comply with current codes and for continued operations. Rent collections declined to an unprofitable level as well. Due to these factors, the Authority entered into consultation with both the City of Clarksville and Montgomery County and concluded the park was no longer a viable business. The Authority decided to cease operations and began decommissioning the park in the first quarter of the fiscal year ending June 30, 2010.

Overview of the Financial Statements

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

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

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

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

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009

Summaries of the Airport Authority *Statements of Net Assets* are presented in Table 1. The Airport Authority had a decrease in current assets of \$378,606 in 2009. Total liabilities decreased from \$837,354 in 2008 to \$789,882 in 2009.

Table 1				
Clarksville-Montgomery County Regional Airport Authority				
Airport Authority				
Condensed Statements of Net Assets				
June 30, 2009 and 2008				
ASSETS	2009	2008	Dollar Change	Total Percent Change
Current Assets	211,869	300,008	(88,139)	-29.4%
Restricted Assets	89,255	375,225	(285,970)	-76.2%
Capital Assets (Net)	<u>6,042,031</u>	<u>5,485,916</u>	<u>556,115</u>	10.1%
TOTAL ASSETS	<u>6,343,155</u>	<u>6,161,149</u>	<u>182,006</u>	3.0%
LIABILITIES AND NET ASSETS				
Current Liabilities	228,727	637,044	(408,317)	-64.1%
Long-Term Debt	<u>561,155</u>	<u>200,311</u>	<u>360,844</u>	180.1%
TOTAL LIABILITIES	<u>789,882</u>	<u>837,355</u>	<u>(47,473)</u>	-5.7%
Invested in Capital Assets, Net of Related Debt	5,965,808	5,396,955	568,853	10.5%
Restricted	89,255	375,225	(285,970)	-76.2%
Unrestricted	<u>(501,790)</u>	<u>(448,386)</u>	<u>(53,404)</u>	11.9%
NET ASSETS	<u>5,553,273</u>	<u>5,323,794</u>	<u>229,479</u>	4.3%
TOTAL LIABILITIES AND NET ASSETS	<u>6,343,155</u>	<u>6,161,149</u>	<u>182,006</u>	3.0%

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009

Summaries of the Mobile Home *Statements of Net Assets* are presented in Table 2. The Mobile Home Park had an increase in current assets of \$9,574. Total Liabilities decreased from \$144,992 in 2008 to \$122,602 in 2009.

Table 2				
Clarksville-Montgomery County Regional Airport Authority				
Mobile Home Park				
Condensed Statements of Net Assets				
June 30, 2009 and 2008				
ASSETS	2009	2008	Dollar Change	Total Percent Change
Current Assets	27,295	36,869	(9,574)	-26.0%
Capital Assets (Net)	<u>858,084</u>	<u>872,229</u>	<u>(14,145)</u>	-1.6%
TOTAL ASSETS	<u>885,379</u>	<u>909,098</u>	<u>(23,719)</u>	-2.6%
LIABILITIES AND NET ASSETS				
Current Liabilities	<u>122,602</u>	<u>144,992</u>	<u>(22,390)</u>	-15.4%
TOTAL LIABILITIES	<u>122,602</u>	<u>144,992</u>	<u>(22,390)</u>	-15.4%
Invested in Capital Assets, Net of Related Debt	737,092	727,237	9,855	1.4%
Unrestricted	<u>25,685</u>	<u>36,869</u>	<u>(11,184)</u>	-30.3%
NET ASSETS	<u>762,777</u>	<u>764,106</u>	<u>(1,329)</u>	-0.2%
TOTAL LIABILITIES AND NET ASSETS	<u>885,379</u>	<u>909,098</u>	<u>(23,719)</u>	-2.6%

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009

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

Summaries of the *Statements of Revenue, Expenses, and Changes in Net Assets* for the Airport Authority are detailed below in Table 3. Revenue for the Airport Authority is generated from monthly building rental and monthly allocations from both the City of Clarksville and Montgomery County. As shown in Table 3, the Airport Authority had operating revenues in the amount of \$242,884 for 2009. Operating expenses decreased from \$669,997 in 2008 to \$415,340 in 2009.

Table 3				
Clarksville-Montgomery County Regional Airport Authority				
Airport Authority				
Condensed Statements of Revenues, Expenses,				
and Changes in Net Assets				
June 30, 2009 and 2008				
	2009	2008	Dollar Change	Total Percent Change
Operating Revenues	242,884	178,571	64,313	36.0%
Operating Expenses	<u>415,340</u>	<u>669,977</u>	<u>(254,637)</u>	-38.0%
Operating Income (Loss)	(172,456)	(491,406)	318,950	64.9%
Nonoperating Income (Expense)	<u>(5,696)</u>	<u>(5,166)</u>	<u>(530)</u>	10.3%
Income (Loss) Before Contributions and Transfers	<u>(178,152)</u>	<u>(496,572)</u>	318,420	64.1%
Contributions	367,631	2,391,865	(2,024,234)	-84.6%
Interfund Transfers	<u>40,000</u>	<u>-0-</u>	<u>40,000</u>	N/A
Change in Net Assets	229,479	1,895,293	(1,665,814)	-87.9%
Net Assets - Beginning	<u>5,323,794</u>	<u>3,428,501</u>	<u>1,895,293</u>	55.3%
Net Assets - Ending	<u>5,553,273</u>	<u>5,323,794</u>	<u>229,479</u>	4.3%

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009

Summaries of the *Statements of Revenues, Expenses, and Changes in Net Assets* for the Mobile Home Park are detailed below in Table 4. Revenue for the Mobile Home Park is generated from land rental. As shown in Table 4, the Mobile Home Park had operating revenues in the amount of \$92,713 for 2009. Total expenses increased from \$51,513 in 2008 to \$54,231 in 2009.

Table 4				
Clarksville-Montgomery County Regional Airport Authority				
Mobile Home Park				
Condensed Statements of Revenues, Expenses,				
and Changes in Net Assets				
June 30, 2009 and 2008				
	2009	2008	Dollar Change	Total Percent Change
Operating Revenues	92,713	84,520	8,193	9.7%
Interest Income	<u>189</u>	<u>65</u>	<u>124</u>	190.8%
Total Revenues	<u>92,902</u>	<u>84,585</u>	<u>8,317</u>	9.8%
Operating Expenses	39,735	36,366	3,369	9.3%
Administrative and General	351	278	73	26.3%
Interest Expense	-0-	725	(725)	-100.0%
Depreciation and Amortization	<u>14,145</u>	<u>14,144</u>	<u>1</u>	0.0%
Total Expenses	<u>54,231</u>	<u>51,513</u>	<u>2,718</u>	5.3%
Income Before Transfers	38,671	33,072	5,599	16.9%
Interfund Transfers	<u>(40,000)</u>	<u>-0-</u>	<u>(40,000)</u>	N/A
Change in Net Assets	(1,329)	33,072	(34,401)	-104.0%
Net Assets - Beginning	<u>764,106</u>	<u>731,034</u>	<u>33,072</u>	4.5%
Net Assets - Ending	<u>762,777</u>	<u>764,106</u>	<u>(1,329)</u>	-0.2%

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009

The *Statements of Cash Flows* reports the net changes in cash resulting from operating, investing, and financing activities. It provides information on a company's liquidity, financial flexibility and operating capacity. As shown in Table 5, cash is generated by the operating activities of the Airport Authority. The Airport Authority had a net decrease in cash of \$263,847 from fiscal year 2008 to fiscal year 2009.

Table 5		
Clarksville-Montgomery County Regional Airport Authority		
Airport Authority		
Condensed Statements of Cash Flows		
June 30, 2009 and 2008		
	2009	2008
Cash Flows from Operating Activities	(4,455)	(55,648)
Cash Flows from Noncapital Financing Activities	50,000	10,000
Cash Flows from Capital and Related Financing Activities	(309,392)	417,195
Cash Flows from Investing Activities	-0-	-0-
Net Increase (Decrease) in Cash and Cash Equivalents	(263,847)	371,547
Cash and Cash Equivalents - Beginning	<u>375,225</u>	<u>3,678</u>
Cash and Cash Equivalents - Ending	<u>111,378</u>	<u>375,225</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009

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

Table 6		
Clarksville-Montgomery County Regional Airport Authority		
Mobile Home Park		
Condensed Statements of Cash Flows		
June 30, 2009 and 2008		
	2009	2008
Cash Flows from Operating Activities	57,480	63,742
Cash Flows from Noncapital Financing Activities	(40,000)	-0-
Cash Flows from Capital and Related Financing Activities	(24,000)	(43,453)
Cash Flows from Investing Activities	189	65
Net Increase (Decrease) in Cash and Cash Equivalents	(6,331)	20,354
Cash and Cash Equivalents - Beginning	<u>33,207</u>	<u>12,853</u>
Cash and Cash Equivalents - Ending	<u>26,876</u>	<u>33,207</u>

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

The Directory of Officials represents the members of the Clarksville-Montgomery County Regional Airport Authority as it existed as of June 30, 2009.

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

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009

Capital Assets and Debt Administration

At the end of 2009, the Airport Authority had net capital assets of \$6,042,031. This is an increase of 9% from 2008. Total airport assets are listed below. Construction Work in Progress decreased \$2,390,944 due to the capitalization of completed federal airport projects. Please see Table 7 for an analysis of net capital assets. The Mobile Home Park had a decrease in net capital assets of \$14,145. Please see Table 8 on the following page.

Table 7				
Clarksville-Montgomery County Regional Airport Authority				
Airport Authority				
Capital Assets				
June 30, 2009 and 2008				
	2009	2008	Dollar	Total
			Change	Percent
			Change	Change
Buildings and Airport Facilities	9,727,337	6,624,524	3,102,813	46.8%
Vehicles and Equipment	92,547	92,547	-0-	0.0%
Land and Land Improvements	870,355	861,805	8,550	1.0%
Construction Work in Progress	51,322	2,442,266	(2,390,944)	-97.9%
Total Capital Assets	10,741,561	10,021,142	720,419	7.2%
Less Accumulated Depreciation	(4,699,530)	(4,535,226)	(164,304)	3.6%
Net Capital Assets	6,042,031	5,485,916	556,115	10.1%

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009

Table 8				
Clarksville-Montgomery County Regional Airport Authority				
Mobile Home Park				
Capital Assets				
June 30, 2009 and 2008				
	2009	2008	Dollar	Total
			Change	Percent
				Change
Land	748,414	748,414	-0-	0%
Equipment	5,620	5,620	-0-	0%
Water System and Improvements	<u>217,874</u>	<u>217,874</u>	<u>-0-</u>	0%
Total Capital Assets	971,908	971,908	-0-	0%
Less Accumulated Depreciation	<u>113,824</u>	<u>99,679</u>	<u>14,145</u>	14.2%
Net Capital Assets	<u>858,084</u>	<u>872,229</u>	<u>(14,145)</u>	-1.6%

Long-Term Debt

At June 30, 2008, the Airport Authority had a note payable outstanding to the City with a balance of \$120,992. In a resolution dated July 20, 2005, the Authority resolved to repay this debt to the City and began paying monthly loan payments in the amount of \$2,000.

Analysis of Financial Position

The financial position of the Authority improved in 2009 as compared to the previous year and reflects the results of proactive actions taken and informed decisions made by current board members and management. The current Authority has regained the confidence of local municipalities by its actions. As a result, local municipalities have continued to provide a predictable and substantial level of financial support. The stability of the board and current management has also resulted in the Authority being in a favorable position to seek and obtain additional capital funds through FAA Airport Improvement Projects grant funding. Additionally, the board and management are aggressively researching other means to upgrade the quality of the facility and/or generate revenue to make the Authority more self-sustaining.

The opening of a new ten unit T-hanger, funded by a combination of local and FAA grants, has resulted in increased revenue potential for storage of small general aviation aircraft. This income will provide an additional revenue stream without incurring any additional debt service.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009

Analysis of Financial Position (Cont'd)

The Authority has also renegotiated and entered into more beneficial lease contracts for hangar space and office space. An increase in funding was also provided by the City and County governments.

Contacting the Authority's Financial Management

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

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS

	<u>Airport Authority</u>	<u>Mobile Home Park</u>	<u>Totals</u>
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents			
Unrestricted	\$ 22,123	\$ 26,876	\$ 48,999
Restricted	89,255	-	89,255
Accounts Receivable	851	419	1,270
Due From Mobile Home Park	1,610	-	1,610
Matching Funds on Deposit	129,641	-	129,641
Grants Receivable	57,644	-	57,644
Total Current Assets	301,124	27,295	328,419
<u>CAPITAL ASSETS</u>			
Buildings and Airport Facilities	9,727,337	-	9,727,337
Vehicles and Equipment	92,547	5,620	98,167
Land and Land Improvements	870,355	966,288	1,836,643
Construction In Progress	51,322	-	51,322
Total Capital Assets	10,741,561	971,908	11,713,469
Less: Accumulated Depreciation	4,699,530	113,824	4,813,354
Net Capital Assets	6,042,031	858,084	6,900,115
Total Assets	\$ 6,343,155	\$ 885,379	\$ 7,228,534

LIABILITIES AND NET ASSETS

	<u>Airport Authority</u>	<u>Mobile Home Park</u>	<u>Totals</u>
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 184,574	\$ -	\$ 184,574
Current Portion of Notes Payable	16,161	120,992	137,153
Due To Airport Authority	-	1,610	1,610
Accrued Payroll	6,565	-	6,565
Current Portion of Unearned Lease Revenue	21,427	-	21,427
Total Current Liabilities	228,727	122,602	351,329
<u>LONG-TERM LIABILITIES</u>			
Unearned Lease Revenue - less Current Portion	501,093	-	501,093
Notes Payable - less Current Portion	60,062	-	60,062
Total Long-Term Liabilities	561,155	-	561,155
Total Liabilities	789,882	122,602	912,484
<u>NET ASSETS (DEFICIT)</u>			
Invested in Capital Assets, Net of Related Debt	5,965,808	737,092	6,702,900
Restricted - Expendable	89,255	-	89,255
Unrestricted	(501,790)	25,685	(476,105)
Total Net Assets	5,553,273	762,777	6,316,050
Total Liabilities and Net Assets	\$ 6,343,155	\$ 885,379	\$ 7,228,534

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

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009

	<u>Airport Authority</u>	<u>Mobile Home Park</u>	<u>Totals</u>
<u>OPERATING REVENUE</u>			
City and County Funding	\$ 146,417	\$ -	\$ 146,417
Lease Income:			
Terminal Facilities	41,456	-	41,456
Hangar Facilities, Net of Bad Debts	43,071	-	43,071
Fuel Flowage Fees	4,640	-	4,640
Farm Land	6,250	-	6,250
Mobile Home Park Rent and Fees, Net of Bad Debts	-	92,463	92,463
Miscellaneous	1,050	250	1,300
Total Operating Income	<u>242,884</u>	<u>92,713</u>	<u>335,597</u>
<u>OPERATING EXPENSES</u>			
Cleaning and Pest Control	871	-	871
Depreciation	164,304	14,145	178,449
Dues and Fees	725	40	765
Facilities Maintenance	30,747	3,250	33,997
Insurance	10,876	939	11,815
Miscellaneous	2,778	856	3,634
Office Supplies and Postage	3,715	351	4,066
Payroll Taxes	9,280	-	9,280
Professional Fees	39,347	8,628	47,975
Property Taxes	-	9,219	9,219
Salaries and Personnel Services	118,538	-	118,538
Utilities	34,159	16,803	50,962
Total Operating Expenses	<u>415,340</u>	<u>54,231</u>	<u>469,571</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(172,456)</u>	<u>38,482</u>	<u>(133,974)</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (CONT'D)
YEAR ENDED JUNE 30, 2009

	<u>Airport Authority</u>	<u>Mobile Home Park</u>	<u>Totals</u>
<u>NONOPERATING INCOME (EXPENSE)</u>			
Interest Income	-	189	189
Interest Expense	(5,696)	-	(5,696)
Total Nonoperating Income (Expense)	<u>(5,696)</u>	<u>189</u>	<u>(5,507)</u>
<u>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</u>			
	<u>(178,152)</u>	<u>38,671</u>	<u>(139,481)</u>
State Grants	10,000	-	10,000
Federal Grants	228,467	-	228,467
Local Grants	129,164	-	129,164
Total Contributions	<u>367,631</u>	<u>-</u>	<u>367,631</u>
Interfund Transfers In	40,000	-	40,000
Interfund Transfers (Out)	<u>-</u>	<u>(40,000)</u>	<u>(40,000)</u>
<u>CHANGE IN NET ASSETS</u>	229,479	(1,329)	228,150
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>5,323,794</u>	<u>764,106</u>	<u>6,087,900</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 5,553,273</u>	<u>\$ 762,777</u>	<u>\$ 6,316,050</u>

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

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009

	<u>Airport Authority</u>	<u>Mobile Home Park</u>	<u>Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash Received from Customers and Governments	\$ 244,006	\$ 92,956	\$ 336,962
Cash Paid to Employees	(114,353)	-	(114,353)
Cash Paid to Suppliers	(134,108)	(35,476)	(169,584)
Net Cash Provided by (Used In) Operating Activities	<u>(4,455)</u>	<u>57,480</u>	<u>53,025</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
State Operating Grants	10,000	-	10,000
Transfers in	40,000	-	40,000
Transfers (out)	-	(40,000)	(40,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>50,000</u>	<u>(40,000)</u>	<u>10,000</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Local Capital Grants	129,164	-	129,164
Federal Capital Grants	326,359	-	326,359
Purchase of Land	(8,550)	-	(8,550)
Payments on Long-Term Debt	(12,738)	(24,000)	(36,738)
Payments for Improvements	(737,931)	-	(737,931)
Interest on Capital Related Debt	(5,696)	-	(5,696)
Net Cash Used in Capital and Related Financing Activities	<u>(309,392)</u>	<u>(24,000)</u>	<u>(333,392)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest Received	-	189	189
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	<u>(263,847)</u>	<u>(6,331)</u>	<u>(270,178)</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>375,225</u>	<u>33,207</u>	<u>408,432</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 111,378</u>	<u>\$ 26,876</u>	<u>\$ 138,254</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS (CONT'D)
YEAR ENDED JUNE 30, 2009

	Airport Authority	Mobile Home Park	Totals
<u>RECONCILIATION OF OPERATING INCOME</u>			
<u>(LOSS) TO NET CASH PROVIDED BY</u>			
<u>(USED IN) OPERATING ACTIVITIES</u>			
Operating Income (Loss)	\$ (172,456)	\$ 38,482	\$ (133,974)
Adjustments to Reconcile Operating Income			
(Loss) to Net Cash Provided by Operating Activities:			
Depreciation	164,304	14,145	178,449
Changes in Current and Deferred Items:			
Accounts Receivable	13,977	243	14,220
Notes Receivable	-	3,000	3,000
Due from Mobile Home Park	(1,610)	-	(1,610)
Due to Airport	-	1,610	1,610
Accrued Expense	4,185	-	4,185
Unearned Lease Revenue	(12,855)	-	(12,855)
Net Cash Provided by Operating Activities	\$ (4,455)	\$ 57,480	\$ 53,025

Noncash capital and related financing transactions during the year ended June 30, 2009, consisted of the recording of a building valued at \$400,000 as a capital asset with a corresponding credit to unearned lease revenue (see Notes 5 and 6).

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

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

B. Measurement Focus/Basis of Accounting

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

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

C. Funding

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

(1) Lease of Facilities

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

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

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

C. Funding (Cont'd)

(2) Operations Subsidies

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

(3) Grants

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

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

D. Capital Assets and Depreciation

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

A portion of the real estate occupied by the mobile home park was purchased using government funding. If sold, reimbursement to certain grantor agencies will be required unless the income is reinvested in the Airport Authority.

E. Cash and Cash Equivalents

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

F. Use of Estimates

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

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

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

G. Operating Revenues and Expenses

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

H. Interfund Transfers

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

I. Concentrations of Credit Risk

Financial instruments that potentially subject the Airport Authority to significant concentrations of credit risk consist principally of cash and accounts receivable. The Airport Authority is exposed to concentration of credit risk by placing its deposits in financial institutions. The Airport Authority has mitigated this risk because the bank balance in excess of the FDIC limit is collateralized by the State of Tennessee bank collateral pool. With respect to accounts receivable, credit risk is dispersed across a small number of businesses and individuals which are geographically concentrated in Montgomery County and no collateral is required.

J. Date of Management's Review

Subsequent events have been evaluated through December 3, 2009, which is the date the financial statements were available to be issued.

2. Cash and Cash Equivalents

The Airport Authority maintains checking and liquid investment accounts for both the Airport Authority and the Mobile Home Park. Credit risk is managed by restricting cash and cash equivalents to deposits with federally insured institutions which must be approved by the board of commissioners. Investments and other deposits are restricted by state law to deposits with financial institutions and certain obligations guaranteed by the United States government. At June 30, 2009, cash and cash equivalents included bank balances of \$162,158, all of which was insured by the FDIC or the State of Tennessee Collateral Pool. Both cash and cash equivalents are carried at cost which approximated fair value at June 30, 2009. At June 30, 2009, restricted cash included \$89,255 received from grantors for capital projects.

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

3. Receivables

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

Following is a schedule of receivables at June 30, 2009:

	<u>Airport Authority</u>	<u>Mobile Home Park</u>
<u>Accounts Receivable</u>		
Rental	\$ -	\$ 419
City of Clarksville	851	-
Total Accounts Receivable	<u>\$ 851</u>	<u>\$ 419</u>
	<u>Airport Authority</u>	<u>Mobile Home Home Park</u>
<u>Grants Receivable</u>		
Tennessee Department of Transportation:		
TAD Project #99-555-1186-04	\$ 10,000	\$ -
TAD Project #63-555-0429-04	12,064	-
TAD Project #63-555-0434-04	35,580	-
Total Grants Receivable	<u>\$ 57,644</u>	<u>\$ -</u>

4. Capital Assets

A summary of changes in capital assets follows:

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
<u>Airport Authority</u>				
Airport Facilities	\$ 6,624,524	\$ 3,102,813	\$ -	\$ 9,727,337
Vehicles and Equipment	92,547	-	-	92,547
Land and Land Improvements	861,805	8,550	-	870,355
Construction in Progress	2,442,266	311,869	2,702,813	51,322
Total Capital Assets	<u>\$ 10,021,142</u>	<u>\$ 3,423,232</u>	<u>\$ 2,702,813</u>	<u>\$ 10,741,561</u>
<u>Mobile Home Park</u>				
Land	\$ 748,414	\$ -	\$ -	\$ 748,414
Equipment	5,620	-	-	5,620
Water System and Improvements	217,874	-	-	217,874
Total Capital Assets	<u>\$ 971,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 971,908</u>

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

4. Capital Assets (Cont'd)

A summary of changes in accumulated depreciation on capital assets follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>Airport Authority</u>				
Airport Facilities	\$ 4,462,252	\$ 158,340	\$ -	\$ 4,620,592
Vehicles and Equipment	72,974	5,964	-	78,938
Total Accumulated Depreciation on Capital Assets	<u>\$ 4,535,226</u>	<u>\$ 164,304</u>	<u>\$ -</u>	<u>\$ 4,699,530</u>
<u>Mobile Home Park</u>				
Equipment	\$ 2,989	\$ 929	\$ -	\$ 3,918
Water System and Improvements	96,690	13,216	-	109,906
Total Accumulated Depreciation on Capital Assets	<u>\$ 99,679</u>	<u>\$ 14,145</u>	<u>\$ -</u>	<u>\$ 113,824</u>

Fuel farm equipment totaling \$166,482 was pledged as collateral for debt at June 30, 2009. Land and land improvements and construction in progress are not depreciated or amortized. Of the net increase of \$720,419 for capital assets during fiscal year 2009, approximately \$184,574 had been capitalized but was still included in accounts payable at June 30, 2009. No capital assets were idle or considered to be impaired.

5. Unearned Revenue

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

	<u>Balance</u> <u>July 1, 2008</u>	<u>New</u> <u>Leases</u>	<u>Revenue</u> <u>Recognized</u>	<u>Balance</u> <u>June 30, 2009</u>
Lease described in Note 6:				
Robert O. Wyatt	\$ 9,631	\$ -	\$ 2,222	\$ 7,409
Dr. Ronald E. Whitford	125,744	-	7,776	117,968
CAMB, LLC	-	400,000	2,857	397,143
	<u>\$ 135,375</u>	<u>\$ 400,000</u>	<u>\$ 12,855</u>	<u>522,520</u>
Less: portion to be recognized as lease income in next year				<u>21,427</u>
Long-term unearned revenue				<u>\$ 501,093</u>

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

6. Lease Contracts

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

- A. On September 15, 2008, the Airport Authority entered a fixed base operator lease contract with Montgomery County Aero, Inc. for use of the hangar facilities, office space, and unimproved land of the airport. The Lessee has constructed two buildings on the land, one with an estimated cost of \$60,000 and the other \$40,000. The annual rent at June 30, 2009, was \$45,354, or \$3,779 per month. The Lessee also pays a monthly fuel flow fee in the amount of six cents for every gallon of aviation gasoline and jet fuel sold. This lease expires on February 10, 2011, with one option to extend the lease for five years. Land with improvements will be surrendered to the Airport Authority at termination of the contract.
- B. Effective August 1, 2006, the Airport Authority entered a month-to-month lease contract with Air-Tenn Aviation for office space in the Terminal Building. Rent was \$73 per month. Effective December 1, 2007, Volunteer Aviation took over this lease.
- C. Effective August 1, 2006, the Airport Authority entered a month-to-month lease contract with Air-Tenn Aviation for office space in the Terminal Building. Rent was \$120 per month. Effective March 1, 2008, USPO, LLC took over this lease.
- D. Effective March 17, 2005, the Airport Authority entered into a lease contract with Gilliam Farms for maintaining 90 acres of real estate adjoining the Airport. The rent for tract #1 is \$5,250 per year and for tract #2 is \$1,050 per year. The term of this lease is five years.
- E. Effective January 26, 2006, the Airport Authority entered into a lease contract with Bi-County Solid Waste Management System for use of airport property for the location of a convenience drop station for waste. The rent is \$200 per month. The term of this lease is five years.
- F. Effective May 2, 2006, the Airport Authority entered into a lease contract with Waste Industries of Tennessee, LLC for use of airport property for the storage of empty waste containers. On May 1, 2008, the lease was renewed for a one year period for \$640 per month. On May 1, 2009, the lease was renewed for a one year period for \$900 per month.
- G. Effective September 20, 2006, the Airport Authority entered into a lease contract with Dr. Ronald Whitford for certain unimproved land on the airport. The Lessee pays an annual rent of \$1,050 and has constructed a building on the land with an estimated cost of \$140,000. The term of the contract is for 18 years, and the contract is subject to renewal for two additional periods of five years and seven years. Land with improvements will be surrendered to the Airport Authority at termination of the contract.

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

6. Lease Contracts (Cont'd)

- H. Effective June 30, 2008, the Airport Authority entered into a lease contract with 1st Class Fixins for an on-site restaurant. The rent for this space is \$650 per month, with a discount of \$400 per month for performing cleaning responsibilities. The term of this lease is one year. Effective June 30, 2009, the lease term changed to a month-to-month basis.
- I. Effective May 28, 2008, the Airport Authority entered into a lease contract with CAMB, LLC, for certain unimproved land on the airport. The Lessee pays an annual rent of \$2,280, subject to changes in inflation every five years, and has constructed a building on the land with an estimated cost of \$400,000. The term of the contract is for 35 years after the occupancy date, ending on March 31, 2044, and the contract is subject to renewal for an additional period of five years. Land with improvements will be surrendered to the Airport Authority at termination of the contract.
- J. Effective September 1, 2008, the Airport Authority began leasing hangars on a newly-constructed 10-unit hangar. All lease contracts are on a month-to-month basis for \$225 per month. As of June 30, 2009, there were six tenants.

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

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2010	\$ 56,448
2011	33,077
2012	3,330
2013	3,330
2014	3,330
2015 and Beyond	<u>77,543</u>
Total	<u>\$ 177,058</u>

7. Notes Payable

On September 22, 1998, the Airport Authority borrowed a total of \$800,000 from the City of Clarksville for the purchase of the mobile home park. One note for \$80,000 bears an interest rate equal to the rate paid by the Tennessee Local Government Investment Pool and matured on September 22, 1999. The other note for \$720,000 bears no interest and was due December 22, 1998. This note anticipated 90% state funding for purchase of the mobile home park. However, the grant from the State of Tennessee totaled only \$522,218 and when paid to the City of Clarksville on June 29, 1999, left a note balance of \$197,782. The two notes were a combined liability of \$277,782. During 2003, the City retained appropriations in the amount of \$33,333 as payment of principal and interest due on the combined notes. In a resolution dated July 20, 2005, the Airport Authority resolved to repay this debt to the City in increments of \$20,000 - \$24,000 per year. The balance remaining on the notes at June 30, 2009 was \$120,992.

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

7. Notes Payable (Cont'd)

On September 5, 2003, a note with Legends Bank in the amount of \$150,000 secured by fuel farm equipment was executed for a term of 60 months with an interest rate of 5.25% and payments of \$1,617 per month. On September 15, 2008, this note was refinanced for a term of 60 months with an interest rate of 5.25% and payments of \$1,643. The balance at June 30, 2009 was \$76,223.

Following are the changes in notes payable:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Estimated Amount Due Year Ending June 30, 2010
Notes Payable	\$ 233,953	\$ -	\$ 36,738	\$ 197,215	\$ 137,153

Following is the debt maturity schedule:

Due through June 30,	Principal Payments	Interest Payments
2010	\$ 137,153	\$ 3,549
2011	17,030	2,680
2012	17,947	1,764
2013	18,912	799
2014	6,173	43
Total	197,215	\$ 8,835
Current portion	(137,153)	
Long-term portion	\$ 60,062	

Cash payments for interest totaled \$5,696 during the year ended June 30, 2009.

8. Contributed Capital

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

9. Related Party Transactions

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

Mr. Charles Hand and Mr. Gary Mathews were appointed to the Airport Authority's board of commissioners in July 2007. Those individuals are members of CAMB, LLC, which leases land from the Airport Authority pursuant to an agreement dated May 28, 2008 (see Note 6).

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

10. Contingencies

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

On September 4, 2008, a suit filed by Montgomery County Aero, Inc. and 5D, Inc., alleging contractual violations by the Airport Authority, was settled for \$35,000 with the plaintiffs releasing the Airport Authority from any further liability.

11. Interfund Transfers

During the fiscal year ended June 30, 2009, the Mobile Home Park transferred \$40,000 to the Airport Authority to assist with the expenses associated with the suit discussed in Note 10 and to provide local matching funds for certain grant projects.

12. Subsequent Events

Operation of the Mobile Home Park was discontinued on August 21, 2009. All improvements were abandoned and will be disposed of during the fiscal year ending June 30, 2010. The net book value of the abandoned improvements totaling approximately \$107,000 was recognized as a charge to earnings.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
DIRECTORY OF OFFICIALS (UNAUDITED)
JUNE 30, 2009

Board of Commissioners

Dr. Ronald Whitford	Chairman
Gary Mathews	Vice-Chairman
Jerry Clark	Secretary/Treasurer
James Halford	Authority Member
Charles Hand	Authority Member

CLARKSVILLE MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL ASSISTANCE
 YEAR ENDED JUNE 30, 2009

Federal Grantor/Program Title	Tennessee Aeronautics Division Project Number	Grant Number Or Pass Through Grantor's Contract Number	Federal CFDA Number	Accrued Receivable July 1, 2008	Receipts	Expenditures	Accrued Receivable June 30, 2009
<u>Tennessee Department of Transportation</u>							
Passed Through State of Tennessee Department of Transportation	99-555-1167-04 99-555-1186-04	Z-08-02-1565-00 Z-09-21-3364-00	- -	\$ 10,000 -	\$ 10,000 -	\$ - 10,000	\$ - 10,000
Total Tennessee Department of Transportation				10,000	10,000	10,000	10,000
<u>Federal Aviation Administration</u>							
Passed Through State of Tennessee Department of Transportation	63-555-0120-04 63-555-0123-04 63-555-0429-04 63-555-0727-04 63-555-0128-04 63-555-0733-04 63-555-0434-04	Z-06-02-9424-00 Z-07-03-7635-00 Z-07-03-7637-00 Z-07-03-7638-00 Z-07-03-7639-00 Z-08-20-0678-00 Z-08-20-0800-00	20.106 20.106 20.106 20.106 20.106 20.106 20.106	75,190 72,461 6,277 4,981 14,640 26,993 -	105,349 220,530 9,240 7,707 14,640 27,461 11,077	30,159 148,069 15,027 2,726 - 468 46,657	- - 12,064 - - - 35,580
Total Federal Aviation Administration				200,542	396,004	243,106	47,644
Total Federal and State Awards				\$ 210,542	\$ 406,004	\$ 253,106	\$ 57,644

NOTE - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance summarizes the expenditures under the programs of the federal and state governments for the year ended June 30, 2009. The schedule is presented using the accrual basis of accounting.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the accompanying financial statements of the business-type activities of the Clarksville-Montgomery County Regional Airport Authority (Airport Authority) as of and for the year ended June 30, 2009, which collectively comprise the Airport Authority's basic financial statements and have issued our report thereon dated December 3, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Airport Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Airport Authority's financial statements that is more than inconsequential will not be prevented or detected by the Airport Authority's internal control. We consider the deficiencies described on the following page as items 09-01, 09-02, 09-03, 09-04 and 09-05 to be significant deficiencies in internal control over financial reporting. The Airport Authority did not resolve prior year findings number 08-01, 08-02, 08-03 and 08-04. The

findings recurred in the current year and are reported as findings 09-01, 09-02, 09-03 and 09-04, respectively.

09-01 (Recurring finding) Segregation of Duties: The Airport Authority lacks proper segregation of duties within its accounting department. The same personnel who receive and deposit checks or cash also reconcile the bank account. In addition, personnel performing the bank reconciliations are also authorized to sign checks.

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

Management Response: Separation of duties is difficult to achieve with our limited personnel resources. In accordance with a letter for the Comptroller of the Treasury of the State of Tennessee dated January 31, 2008, the board of commissioners has reviewed the costs and benefits of hiring additional personnel to properly segregate duties with the accounting department and have deemed the costs to outweigh the benefits. Therefore, we have implemented a dual signature requirement for check writing to compensate, in addition to board of commissioner approval. Written receipts are prepared for all rental income received.

09-02 (Recurring finding) Management Oversight of Financial Reporting: We noted a lack of management oversight over financial reporting which includes the preparation of the financial statements and footnote disclosures in conformity with generally accepted accounting principles (GAAP). Nineteen adjusting entries and six reclassification entries were required for the financial statements to be presented in conformity with GAAP.

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

Management Response: In accordance with a letter for the Comptroller of the Treasury of the State of Tennessee dated January 31, 2008, a cost-benefit analysis of the financial reporting process deemed it cost-prohibitive to obtain third-party assistance to prepare financial statements and footnotes in accordance with generally accepted accounting principles prior to the independent audit. The majority of the adjusting and reclassification entries related to the reversal of prior year and accrual of current year grant receivables, grant disbursements to contractors, and capitalization of grant related projects. Management typically maintains the financial records of the Airport on a cash basis of accounting and a conversion to the accrual basis of accounting is required for the financial statements to be presented in conformity with GAAP.

09-03 (Recurring finding) Control Operating Effectiveness Deficiencies: We noted operating effectiveness deficiencies in the following controls:

1. Five of the ten checks selected for testing did not have documentation of board member approval.
2. Review of the bank reconciliations was not documented.
3. Review of the monthly financial statements by the manager was not documented.

4. Two of the five grant-related disbursements selected for testing did not have the Chairman's review documented.

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

1. Documenting the board member's approval of checks.
2. Documenting the review of the bank reconciliations.
3. Documenting the review of the monthly financial statements.
4. Documenting the Chairman's review of grant-related disbursements.

Management Response: Procedures currently in place include documenting the Authority's approval of checks and documenting the Authority's approval of monthly financial statements by resolution at monthly meetings. An Airport representative must now sign along with the consultant, engineer, and TDOT representative for grant-related disbursements as per Authority and Chairman's policy. Although all invoices and bank reconciliations have been reviewed and approved in the past, a new policy which includes written documentation was implemented in January 2009 per recommendation of the 2008 audit report.

- 09-04 (Recurring finding) Pass-through Activity: Eleven instances were noted in which two business entities were allowed to use the Airport Authority's debit card to make purchases for which the Airport Authority had no business interest. By using the Airport Authority's name and debit card, the entities were able to make purchases without paying state and local sales taxes. Subsequent reimbursements were received for all but \$115.59 of these transactions. One of these entities, CAMB, LLC, is owned by two members of the board of commissioners and the other entity, Montgomery County Aero, Inc., is owned by an individual who has a contractual relationship with the Airport Authority for aircraft maintenance services and who was also reportedly acting as an agent of CAMB, LLC.

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

Management Response: The eleven instances found relating to pass-through activity were found in the previous audit for fiscal year 2008 and were corrected prior to being noted in the current audit. The Authority became aware of the pass-through activity as it was occurring and stopped the transactions. The activity in question was developed between Robert Wyatt, the Contractor for the Lifelight Facility and our previous manager, Pat Ryan without any involvement from the owners of CAMB, LLC, or pre-approval, as required, by the board of commissioners. There was a misconception held by both Wyatt and Ryan that the construction of the Lifelight Hanger was sales tax-exempt and could use the airport to purchase materials that would otherwise have been taxable. It was a mistake for the transactions to have occurred, and a violation of policy for Ryan to have allowed it to happen without the board's approval. The eleven transactions occurred within a very short time frame before being discovered by the Authority.

The Authority became aware of and determined that the facility was not sales tax exempt and advised Mr. Wyatt to reimburse the Authority as well as pay the sales taxes avoided by the eleven transactions. The Authority was reimbursed for all the payments made in the fiscal year ended June 30, 2009, except the final payment of \$115.59 that was made by Wyatt in July 2009.

This last \$115.59 payment occurred just after the close of the fiscal year covered by this audit period.

Further financial controls are in place that requires approval of all invoices prior to payment by the Authority and two signatures on all checks. Under the present rules and procedures, this action could not happen.

09-05 Financial Policies and Procedures: The Airport Authority operates under various financial policies and procedures which have evolved over the years in response to changes in management and the board of commissioners. Many of these policies and procedures are unwritten and documentation of formal approval by the board is lacking.

Recommendation: We recommend that the board of commissioners formulate and formally adopt a comprehensive set of written financial policies and procedures for use by management.

Management Response: There are two kinds of expenditures transacted by the Authority. They are "normal operating expenses" and "capital project expenses." The following are the procedures that are used for each:

Normal Operating Expenses:

- An invoice for an operating item is presented to the board of commissioners.
- Each expenditure resulting in a check must be accompanied by an invoice.
- The designated Authority member(Chairman unless he is unavailable) reviews both the check and the proposed invoice.
- If approved by the designated Authority member, the check is signed by the Authority member and our bookkeeper.
- Financial reports containing operating expenses are e-mailed to the board members for review prior to each meeting of the Authority
- Financial reports containing operating expenses are approved at the next Authority meeting

Capital Expenditures and Projects:

The procedures below are generally included in the Contract for Construction for each capital project, but if not the procedures are still followed as below:

- A certified pay request form is submitted by the contractor (vendor) to the consultant (engineer or architect) for approval. The form is pre-approved and must comply with the terms of the Capital Project Contract.
- The consultant (engineer or architect) approves, modifies or rejects the request and if rejected, the process begins again at the first step.
- The approved pay request then is transmitted to the Authority for approval where it is reviewed by the Authority member who is responsible for the project.
- Upon approval by the Authority member responsible for the project, the request follows one of the following routes:
 - State of Tennessee:
 - Approved request is transmitted to TDOT representative and a request for funds is approved by TDOT.
 - TDOT processes the request and funds are transmitted to the Authority.

- Local Funds:
 - Approved request for funds is transmitted to the City of Clarksville and Montgomery County.
 - City of Clarksville and Montgomery County funds are received and deposited into Authority account.
- The Authority makes payment by check to the contractor (vendor) with two signatures following our normal operating procedures.
 - A deposit is made into a retainage account if retainage is part of the contract.
- Financial reports containing capital expenses are e-mailed to the board members for review prior to each meeting of the Authority.
- Financial reports containing capital expenses are approved at the next Authority meeting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09-2, 09-3 and 09-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Airport Authority resolved prior year finding 08-06 related to compliance by performing the specific tasks outlined in our report dated January 16, 2009.

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

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

Stone Rudolph & Henry, PLC

December 3, 2009