

**McNAIRY COUNTY AIRPORT AUTHORITY**  
**FINANCIAL STATEMENTS AND AUDITOR'S REPORTS**

**JUNE 30, 2010**

**McNAIRY COUNTY AIRPORT AUTHORITY**  
**June 30, 2010**

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**McNAIRY COUNTY AIRPORT AUTHORITY**  
**Roster of Board of Directors**  
**June 30, 2010**

Robert E. Sibley, Chairman

Maurice F. Hamm

Troy Moore

Ted Moore

Mike Smelser

**FINANCIAL SECTION**

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

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

Board of Directors  
McNairy County Airport Authority  
Selmer, TN

We have audited the accompanying financial statements of the McNairy County Airport Authority, a component unit of McNairy County, TN, as listed in the table of contents, as of and for the year ended June 30, 2010. These financial statements are the responsibility of McNairy County Airport Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the McNairy County Airport Authority and the results of its operations and its cash flows for the year ended June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, on pages 6-7a, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2011, on our consideration of the McNairy County Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

A handwritten signature in black ink, appearing to read "Ronnie L. Clay". The signature is written in a cursive style with a large, stylized initial "R".

Jacks Creek, TN  
June 10, 2011

**McNairy County Airport Authority**  
**June 30, 2010**  
**Management's Discussion and Analysis**

Our discussion and analysis of the McNairy County Airport Authority's financial performance provides an overview of the Authority's financial activities for the year ended June 30, 2010. Please read it in conjunction with the Authority's financial statements, which begin on page 8.

**USING THIS ANNUAL REPORT**

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

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

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

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

**THE AUTHORITY'S CONDENSED FINANCIAL INFORMATION**

The Authority's activities are reported using a proprietary (business-type) fund. For the years ended June 30, 2009 and 2010, net assets changed as follows:

	June 30, 2009	June 30, 2010
Beginning net assets	1,786,195	1,829,263
Increase (decrease) in net assets	43,068	394,621 **
Prior period adjustment		
Ending net assets	1,829,263	2,223,884
Percentage increase	2.41%	21.57%

\*\*The 2010 increase is the result of federal capital grants received for hangar construction.

**McNairy County Airport Authority**  
**June 30, 2010**  
**Management's Discussion and Analysis (cont'd)**

The ending net assets for 2010 are presented in three categories in the Statement of Net Assets as follows:

Invested in capital assets, net of related debt	2,129,716
Restricted for capital asset acquisition	46,300
Unrestricted	47,868
<b>Total</b>	<b>2,223,884</b>

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

The following schedules present a summary of revenue and expenses for the year ended June 30, 2010, and the amount and percentage of increases and decreases in relation to the prior year.

	June 30, 2009 Amount	June 30, 2010 Amount	Increase (Decrease) From 2008 FYE	Percent Increase (Decrease)
Operating revenue	122,824.85	127,589.18	4,764.33	3.88%
Non-operating revenue	74,645.78	56,941.14	(17,704.64)	-23.72%
Expenses	258,204.64	278,283.93	20,079.29	7.78%

**BUDGETARY HIGHLIGHTS**

Total operating revenue was over budget by \$64,289, mainly because fuel sales were not budgeted. Total operating expenses were over budget by \$164,836 because fuel purchases, utilities, and depreciation were not budgeted. Several other line item expenses were over budget and the budget was not amended to cover these expenses.

**McNairy County Airport Authority**  
**June 30, 2010**  
**Management's Discussion and Analysis (cont'd)**

**CAPITAL ASSETS**

At June 30, 2010, the Authority had \$2,368,349.58 invested in capital assets, net of accumulated depreciation. A schedule of these assets follows.

<b>Schedule of Additions and Retirements to Property and Equipment</b>					
	Balance 6/30/2009	Additions this year	Balance 6/30/2010	Accumulated depreciation	Net
Land	91,330.79		91,330.79		91,330.79
Depreciable assets:					
Hangars	597,206.86	549,398.50	1,146,605.36	(434,281.03)	712,324.33
Furniture, fixtures, & equip.	208,221.69	569.99	208,791.68	(122,821.42)	85,970.26
Vehicles	14,880.50		14,880.50	(14,880.50)	0.00
Fences	50,603.37		50,603.37	(50,283.56)	319.81
Runway extension	777,410.12		777,410.12	(446,896.56)	330,513.56
Office building	196,237.63		196,237.63	(37,612.76)	158,624.87
Improv. other than bldgs.	1,103,055.96		1,103,055.96	(166,040.00)	937,015.96
Constr. in prog., land & T-hangars	56,650.00	(4,400.00)	52,250.00		52,250.00
<b>Totals</b>	<b>3,095,596.92</b>	<b>545,568.49</b>	<b>3,641,165.41</b>	<b>(1,272,815.83)</b>	<b>2,368,349.58</b>

**LONG-TERM DEBT**

At June 30, 2010, the Authority was indebted to Bancorpsouth of Selmer, TN, in the amount of \$190,783.41. During the year, principal payments totaled \$5,823.19, and interest expense was \$15,392.25. The note is secured by real property of the Authority, and is payable in quarterly installments of \$5,303.86, with an interest rate of 6.38%.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

We do not anticipate any economic factors which would have a material effect on operations for the next fiscal year ending June 30, 2011.

**McNAIRY COUNTY AIRPORT AUTHORITY**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2010**

**ASSETS**

**Current Assets:**

Cash and Cash Equivalents	\$ 19,788.72
Inventories	27,889.88
Prepaid Insurance	7,199.42
Grant funds receivable	47,850.00
Other receivables	1,276.51

<b>Total Current Assets</b>	<b>\$ 104,004.53</b>
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**Non-current Assets:**

**Capital assets:**

Land	91,330.79
Hangars	1,146,605.36
Furniture, fixtures, & equipment	208,791.68
Vehicles	14,880.50
Fences	50,603.37
Runway Extension	777,410.12
Office Building	196,237.63
Improvements other than bldgs.	1,103,055.96
Construction in progress	52,250.00

	3,641,165.41
Less: Accumulated depreciation	(1,272,815.83)

<b>Total capital assets</b>	<b>2,368,349.58</b>
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**Restricted assets:**

Local match funds on deposit with grantor	46,300.00
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<b>Total non-current assets</b>	<b>2,414,649.58</b>
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<b>Total Assets</b>	<b>2,518,654.11</b>
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**LIABILITIES**

**Current Liabilities:**

Accounts Payable	53,123.22
Accrued Interest Payable	2,264.75
Taxes Payable	399.04
Current portion of long-term debt	9,262.13
Deferred revenue (to be recognized within 12 mo.)	5,449.52

<b>Total current liabilities</b>	<b>70,498.66</b>
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**Long-term liabilities:**

Long-term debt:	
Notes Payable	181,521.28
Other long-term liabilities:	
Deferred Revenue (to be recognized after 12 mo.)	42,750.00

<b>Total long-term liabilities</b>	<b>224,271.28</b>
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<b>Total Liabilities</b>	<b>294,769.94</b>
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**NET ASSETS**

Invested in capital assets, net of related debt	2,129,716.17
Restricted for capital asset acquisition	46,300.00
Unrestricted	47,868.00

<b>Total Net Assets</b>	<b>\$ 2,223,884.17</b>
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The accompanying notes are an integral part of these financial statements.

**McNAIRY COUNTY AIRPORT AUTHORITY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**For the Year Ended June 30, 2010**

<b>Operating Revenues:</b>	
Fuel sales	\$ 49,042.80
Hangar & office rent	77,698.91
Miscellaneous	847.47
Total Operating Revenues	<u>\$ 127,589.18</u>
<b>Operating Expenses, before depreciation</b>	<b>152,271.97</b>
Depreciation	126,011.96
Total Operating Expenses	<u>278,283.93</u>
Net Operating Income (Loss)	<u>(150,694.75)</u>
<b>Non-operating Revenues (Expenses):</b>	
State grants	8,125.96
Grant matching funds paid to state	
County donations	64,000.00
City and other donations	
Gain on sale of assets	
Interest income	81.14
Interest expense	(15,265.96)
Net Non-operating Revenues (Expenses)	<u>56,941.14</u>
<b>Net Income (Loss) Before Capital Grants</b>	<b>(93,753.61)</b>
<b>Capital Grants:</b>	
Federal funds	487,498.50
Local matching funds included in federal grant funds	
State funds	876.61
Local matching funds included in state grant funds	
Net Capital Grants	<u>488,375.11</u>
<b>Increase (decrease) in net assets</b>	<b>394,621.50</b>
<b>Net assets, beginning of year</b>	<b>1,829,262.67</b>
<b>Less prior period adjustment</b>	
<b>Net assets, end of year</b>	<u><u>\$ 2,223,884.17</u></u>

The accompanying notes are an integral part of these statements.

**McNAIRY COUNTY AIRPORT AUTHORITY**  
**Statement of Cash Flows**  
**For the year ended June 30, 2010**

<b><u>Cash flows from operating activities:</u></b>	
Cash received from customers	188,428.59
Cash payments for goods and services	(99,651.51)
Cash payments to employees	(57,737.15)
	31,039.93
Net cash provided (used) by operating activities	31,039.93
<b><u>Cash flows from non-capital financing activities:</u></b>	
Grants received	8,125.96
Other donations	64,000.00
Short-term note principal paid	
Interest paid on short-term note	
	72,125.96
Net cash provided (used) by non-capital financing activities	72,125.96
<b><u>Cash flows from capital and related financing activities:</u></b>	
Acquisition and construction of capital assets	(498,718.49)
Principal paid on notes payable	(48,421.74)
Interest paid on notes payable	(15,978.59)
Grant matching funds paid to state	(40,800.00)
Grant matching funds returned by state	57,500.00
Grant funds received	441,525.11
Sale of assets	
	(104,893.71)
Net cash provided (used) by capital and related financing activities	(104,893.71)
<b><u>Cash flows from investment activities:</u></b>	
Interest income	81.14
	81.14
Net increase (decrease) in cash and cash equivalents	(1,646.68)
Cash and cash equivalents, beginning of year	21,435.40
	19,788.72
Cash and cash equivalents, end of year	
<b><u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u></b>	
Operating income (loss)	(150,694.75)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	126,011.96
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	12,639.89
Decrease (increase) in inventories	(5,968.03)
Decrease (increase) in prepaid expenses	(3,350.11)
Increase (decrease) in accounts payable	4,895.91
Increase (decrease) in accrued expenses	(694.46)
Increase (decrease) in deferred revenue	48,199.52
	31,039.93
Net cash provided (used) by operating activities	

The accompanying notes are an integral part of these statements.

**McNAIRY COUNTY AIRPORT AUTHORITY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 - GENERAL INFORMATION**

**A. GASB Conformity**

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

**B. Financial Reporting Entity**

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

**C. Fund Accounting**

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

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

**McNAIRY COUNTY AIRPORT AUTHORITY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**A. Basis of Accounting**

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

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

**B. Cash Flows**

For purposes of the statement of cash flows, the Authority considers all short-term highly liquid investments (including restricted assets) that are readily convertible to known amounts of cash and matures within three months from the date of acquisition, to be cash equivalents. The Authority had no highly liquid investments at June 30, 2010.

**C. Estimates**

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

**D. Concentrations**

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

**NOTE 3 - ASSETS AND LIABILITIES**

**A. Cash and Investments**

Cash and cash equivalents at June 30, 2010, consisted of the following:

Petty cash	214.91
On deposit with:	
Bancorpsouth	18,493.29
Home Banking Co.	1,080.52
Total	<u>19,788.72</u>

**McNAIRY COUNTY AIRPORT AUTHORITY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

The Authority's deposits at year-end and throughout the year were adequately covered by federal depository insurance, or collateralized by the Tennessee bank collateral pool. There were no restrictions on these funds. The McNairy County Airport Authority values all investments at cost. At June 30, 2010, the Authority had no investments. The Authority has no policy regarding deposits and the types of investments authorized.

**B. Inventories**

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

**C. Fixed Assets**

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

The Authority follows a policy of capitalizing all equipment or other assets purchased with a cost of \$100 or more. Construction period interest is capitalized and included as a portion of the cost of any asset constructed. Depreciation is expensed on the straight-line method over the projected useful life of the asset to the Authority. Various assets are depreciated over 40 year, 25 year, 15 year, 10 year, and 5 year periods.

**Schedule of Additions and Retirements to Property and Equipment**

	Balance 6/30/2009	Additions this year	Balance 6/30/2010	Accumulated depreciation	Net
Land	91,330.79		91,330.79		91,330.79
Depreciable assets:					
Hangars	597,206.86	549,398.50	1,146,605.36	(434,281.03)	712,324.33
Furniture, fixtures, & equip.	208,221.69	569.99	208,791.68	(122,821.42)	85,970.26
Vehicles	14,880.50		14,880.50	(14,880.50)	0.00
Fences	50,603.37		50,603.37	(50,283.56)	319.81
Runway extension	777,410.12		777,410.12	(446,896.56)	330,513.56
Office building	196,237.63		196,237.63	(37,612.76)	158,624.87
Improv. other than bldgs.	1,103,055.96		1,103,055.96	(166,040.00)	937,015.96
Constr. in prog., land & T-hang	56,650.00	(4,400.00)	52,250.00		52,250.00
Totals	3,095,596.92	545,568.49	3,641,165.41	(1,272,815.83)	2,368,349.58

**McNAIRY COUNTY AIRPORT AUTHORITY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**D. Long-term Debt**

At June 30, 2010, the McNairy County Airport Authority was indebted to Bancorpsouth of Selmer, TN, in the amount of \$190,783.41. The note bears interest at 6.38%, and is secured by real property of the Authority. The note is payable in quarterly installments of \$5,303.86. Following is a schedule of principal and interest due by fiscal years.

<b>FYE</b>	<b>Principal</b>	<b>Interest</b>
6/30/2011	9,262.13	11,953.31
6/30/2012	9,867.35	11,348.09
6/30/2013	10,512.11	10,703.33
6/30/2014	11,198.99	10,016.45
6/30/2015	11,930.77	9,284.67
6/30/2016	12,710.36	8,505.08
6/30/2017	13,540.88	7,674.56
6/30/2018	14,425.68	6,789.76
6/30/2019	15,368.30	5,847.14
6/30/2020	16,372.50	4,842.94
6/30/2021	17,442.33	3,773.11
6/30/2022	18,582.05	2,633.39
6/30/2023	19,796.26	1,419.18
6/30/2024	9,773.70	229.68
<b>Totals</b>	<b>\$190,783.41</b>	<b>\$95,020.69</b>
Balance, 6/30/09	196,606.60	
Principal payments	(5,823.19)	
	190,783.41	
Balance, 6/30/10	190,783.41	
Current portion	9,262.13	
Interest paid this year	15,392.25	

**McNAIRY COUNTY AIRPORT AUTHORITY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**E. Segment information for proprietary fund:**

Property, plant, and equipment additions	545,568.49
Net working capital	33,505.87

**NOTE 4 - RISK MANAGEMENT - CLAIMS AND JUDGMENTS**

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

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

**NOTE 5 - RESTRICTED ASSETS**

Restricted assets of \$46,300.00 reported on the Statement of Net Assets represents local match funds on deposit with the grantors. This money is designated for the purchase or construction of capital assets.

**NOTE 6 - SUBSEQUENT EVENTS**

I evaluated events and transactions subsequent to June 30, 2010, and through August 15, 2011, and found nothing requiring disclosure.

**OTHER SUPPLEMENTAL INFORMATION**

**McNairy County Airport Authority**  
**Budgetary Comparison of Operating Revenues & Expenses**  
**For the Year Ended June 30, 2010**

	Actual	Budget	Favorable (Unfavorable) Variance
<b>Operating Revenues:</b>			
Fuel sales	49,042.80		49,042.80
Hangar & office rent	77,698.91	63,300.00	14,398.91
Miscellaneous	847.47		847.47
<b>Total Operating Revenue</b>	<b>127,589.18</b>	<b>63,300.00</b>	<b>64,289.18</b>
<b>Operating Expenses:</b>			
Cost of Goods Sold	47,073.08	539.29	(46,533.79)
Bad Debts			0.00
Contract Labor		500.00	500.00
Uniforms	348.79	150.00	(198.79)
Inspections	840.00	1,700.00	860.00
Customer Relations	986.15	1,500.00	513.85
Vehicle Expense	1,026.21	2,225.00	1,198.79
Repairs & Maintenance	6,594.98	12,290.00	5,695.02
Janitorial & Cleaning Supplies	1,687.46	675.00	(1,012.46)
Insurance	13,146.59	8,700.00	(4,446.59)
Utilities	9,090.89		(9,090.89)
Postage	215.46	200.00	(15.46)
Office Supplies	547.35	1,900.00	1,352.65
Telephone	4,946.05	3,516.00	(1,430.05)
Dues & Subscriptions	334.00	350.00	16.00
Taxes & Licenses		4,050.00	4,050.00
Professional Services	5,363.75	4,500.00	(863.75)
Advertising	244.50	100.00	(144.50)
Credit Card Fees	1,099.47	1,700.00	600.53
Miscellaneous	25.36		(25.36)
Depreciation	126,011.96		(126,011.96)
Meetings, conferences, & travel	964.73	1,133.00	168.27
Payroll expenses	57,737.15	65,490.00	7,752.85
Security		230.00	230.00
NDB		2,000.00	2,000.00
<b>Total Operating Expenses</b>	<b>278,283.93</b>	<b>113,448.29</b>	<b>(164,835.64)</b>
<b>Net Income from Operations</b>	<b>(150,694.75)</b>	<b>(50,148.29)</b>	<b>(100,546.46)</b>

The accompanying notes are an integral part of these statements.

McNairy County Airport Authority  
 Schedule of Expenditures of Federal and State Awards  
 For the Year Ended June 30, 2010

Grantor/Program Description	Federal CFDA #	Grant Number	Receivable 6/30/2009	Receipts State	Receipts Federal	Expend. State	Expend. Federal	Receivable 6/30/2010
State Dept. of Transportation Maintenance operating grant	N/A	Z-09213414	0.00	4,798.54		4,798.54		0.00
Equipment grant (tractor & equip.)	N/A	DG-10-28727-00 Z-09213978	0.00	3,327.42		3,327.42		0.00
T-Hangar project	20.106	Z-09213963	1,000.00		440,648.50		439,648.50	0.00
Box hangar project	20.106	DG-10-29290-00					47,850.00	47,850.00
<b>TOTALS</b>			<u>1,000.00</u>	<u>9,002.57</u>	<u>440,648.50</u>	<u>9,002.57</u>	<u>487,498.50</u>	<u>47,850.00</u>

The accompanying notes are an integral part of these statements.

**INTERNAL CONTROL AND COMPLIANCE**

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

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

The Board of Directors  
McNairy County Airport Authority  
Selmer, TN

We have audited the financial statements of the McNairy County Airport Authority, a component unit of McNairy County, TN, as of and for the year ended June 30, 2010, and have issued our report thereon dated June 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the McNairy County Airport Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the McNairy County Airport Authority's financial statements that is more than inconsequential will not be prevented or detected by the McNairy County Airport Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. The significant deficiency is described in the accompanying schedule of findings as item #10-1.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that

might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McNairy County Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item #10-1.

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

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



Jacks Creek, TN  
June 10, 2011

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

**Report on Internal Control and Compliance - Schedule of Findings**

**#10-1: Budgetary matters**

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

**Recommendation:**

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

**Management's response:**

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

**Disposition of prior year's findings:**

**#09-1: Budgetary matters**

No action taken.