

**EVERETT-STEWART
REGIONAL AIRPORT**

FINANCIAL STATEMENTS

June 30, 2010

INTRODUCTORY SECTION

EVERETT-STEWART REGIONAL AIRPORT
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June 30, 2010

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**EVERETT-STEWART REGIONAL AIRPORT
DIRECTORY
June 30, 2010**

Obion County Mayor

Bennie McGuire

Weakley County Mayor

Houston Patrick

Board of Directors

Perry Barfield

Shawn Francisco

Allen C. "Chris" Gooch

Mike Holman

David James

Wayne McCreight

James H. Westbrook, Jr.

Key Management Employees

Jo Ann Speer - Manager

Independent Certified Public Accountant

Cowart Reese Sargent, CPAs

FINANCIAL SECTION



**COWART REESE
SARGENT**
Certified Public Accountants, P.C.

Offices: Jackson, TN | Martin, TN | Paris, TN

Principals:

Clark H. Cowart, CPA
John R. Reese, CPA, PFS
Fancher P. Sargent, CPA
T. Paul Anderson, CPA, CFE
Landra Sanders

Independent Auditor's Report

Board of Directors
Everett-Stewart Regional Airport
Union City, Tennessee

We have audited the accompanying financial statements of the governmental activities, the major fund, and the fund statement of budgetary comparison information of the Everett-Stewart Regional Airport (Airport), a joint venture between Obion County, Tennessee, and Weakley County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise the Airport's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Everett-Stewart Regional Airport. Our responsibility is to express an opinion 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.

As discussed in Note 1, the financial statements referred to above present only the fund comprising the Everett-Stewart Regional Airport and are not intended to present fairly position and results of operations of Obion County, Tennessee, or Weakley County, Tennessee, in conformity with accounting principles generally accepted in the United States of America.

The Airport has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Everett-Stewart Regional Airport as of June 30, 2010, and the respective changes in financial position and the general fund statement of budgetary comparison information 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 14, 2010, on our consideration of Everett-Stewart Regional Airport's internal control over financial reporting and 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 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 basic financial statements. The introductory section and the schedules of federal awards and state grants are presented for purposes of additional analysis and are not required to be part of the basic financial statements. The schedules of federal awards and state grants have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, reading "Conant Reese Sargent". The signature is written in a cursive style with a long, sweeping horizontal line extending to the right.

December 14, 2010

EVERETT-STEWART REGIONAL AIRPORT
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2010

ASSETS	General Fund	Adjustments (Note 2)	Statement of Net Assets
Cash	\$ 162,508	\$ -	\$ 162,508
Accounts Receivable, Net	12,260	-	12,260
Due From Grantor	9,234	-	9,234
Prepaid Local Matching Funds	232,583	-	232,583
Inventory	31,671	-	31,671
Capital Assets, Net of Accumulated Depreciation			
Land	-	914,693	914,693
Buildings	-	558,257	558,257
Infrastructure	-	1,915,310	1,915,310
Equipment and Vehicles	-	7,626	7,626
Work-In-Progress	-	1,765,905	1,765,905
Total Assets	448,256	5,161,791	5,610,047
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts Payable	57,302	-	57,302
Accrued Liabilities	134	-	134
Deferred Revenue	9,234	-	9,234
Total Liabilities	66,670	-	66,670
Fund Equity/Net Assets			
Unreserved Fund Equity	381,586	(381,586)	-
Total Liabilities And Fund Equity	\$ 448,256	(381,586)	
Net Assets			
Invested in Capital Assets		5,161,791	5,161,791
Unrestricted		381,586	381,586
Total net assets		\$ 5,161,791	\$ 5,543,377

EVERETT-STEWART REGIONAL AIRPORT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND EQUITY
Year Ended June 30, 2010

EXPENDITURES / EXPENSES	General Fund	Adjustments (Note 2)	Statement of Activities
Current			
Maintenance and Utilities	\$ 41,386	\$ -	\$ 41,386
Administration	157,681	-	157,681
Fuel Cost of Sales	267,763	-	267,763
Depreciation	-	177,243	177,243
Capital Outlay	<u>1,537,330</u>	<u>(1,537,330)</u>	<u>-</u>
Total Expenditures	2,004,160	(1,360,087)	644,073
PROGRAM REVENUES			
Charges For Services	442,604	-	442,604
Operating Grants and Contributions	150,000	-	150,000
Capital Grants and Contributions	<u>1,204,377</u>	<u>-</u>	<u>1,204,377</u>
Total Program Revenues	<u>1,796,981</u>	<u>-</u>	<u>1,796,981</u>
Net Program Revenues	(207,179)	1,360,087	1,152,908
GENERAL REVENUES			
Interest Earnings	4,210	-	4,210
Donations	4,549	-	4,549
Other Revenue	<u>14,046</u>	<u>-</u>	<u>14,046</u>
Total General Revenues	<u>22,805</u>	<u>-</u>	<u>22,805</u>
Excess of Revenues Over Expenditures	(184,374)		
Change in Net Assets		1,360,087	1,175,713
FUND BALANCE (DEFICIT) / NET ASSETS			
Beginning of the Year	<u>565,960</u>	<u>3,403,985</u>	<u>4,367,664</u>
End of the Year	<u>\$ 381,586</u>	<u>\$ 4,764,072</u>	<u>\$ 5,543,377</u>

EVERETT-STEWART REGIONAL AIRPORT
STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal Grant Revenue Through State	\$ 1,051,076	\$ 1,239,396	\$ 571,357	\$ (668,039)
State Grant Revenue	23,400	23,400	890,264	866,864
County Governmental Distribution	150,000	150,000	150,000	-
Other Contributions and Gifts	6,000	9,000	4,549	(4,451)
Rent Income	124,900	124,900	123,228	(1,672)
Interest Income	2,600	4,000	4,210	210
Sale of Gasoline	375,000	375,000	316,591	(58,409)
Sale of Supplies	-	-	730	730
Airport Fee	-	-	250	250
Sale of Property	5,000	7,500	983	(6,517)
Other Revenue	6,000	6,000	14,869	8,869
Total Revenues	<u>1,743,976</u>	<u>1,939,196</u>	<u>2,077,031</u>	<u>137,835</u>
Expenditures				
Airport Manager	43,260	43,260	43,260	-
Airport Manager Commissions	9,000	7,307	6,992	315
Other Salaries and Wages	40,850	39,475	39,472	3
Payroll Expenses	7,200	6,752	7,628	(876)
Other Fringe Benefits	-	1,110	-	1,110
Advertising	2,000	3,166	1,236	1,930
Audit	3,500	3,000	3,000	-
Telephone	6,000	7,700	5,781	1,919
Dues and Subscriptions	500	672	728	(56)
Legal Services	2,000	1,900	1,900	-
Licenses	755	450	4,012	(3,562)
Maintenance and Repair - Buildings	10,000	5,310	7,630	(2,320)
Maintenance and Repair - Equipment	6,000	1,700	4,143	(2,443)
Maintenance and Repair - Vehicles	1,000	735	985	(250)
Pest Control	200	200	905	(705)
Postage	500	425	413	12
Printing	510	527	278	249
Rentals	-	186	-	186
Travel	4,000	4,000	2,737	1,263
Mowing	15,841	22,341	19,477	2,864
Custodial Supplies	-	250	202	48
Utilities	24,200	20,250	21,348	(1,098)
Disposal Fees	2,000	2,000	-	2,000
Oil and Filters	1,500	900	594	306
Fuel	332,000	260,000	266,746	(6,746)
Office Supplies	2,500	2,500	1,820	680
Uniforms	1,000	-	-	-
Other Supplies and Materials	6,000	6,000	7,433	(1,433)
Insurance	8,630	9,966	8,552	1,414
Testing	1,300	1,100	307	793
Credit Card Fees	-	-	5,741	(5,741)
Miscellaneous	2,000	2,600	3,510	(910)
Airport Improvement	910,075	910,075	-	910,075
Appraisal for Runway Extension	340,606	-	-	-
Airport Layout Plan Project	1,000	1,300	1,299	1
Security Improvements Project	206,541	198,641	198,957	(316)
Lighted Windcone Project	28,204	21,699	21,699	-
Hangar Repair Project	-	-	215,150	(215,150)
Runway Ext D & B Phase	-	695,441	695,331	110
Beacon Tower	93,334	94,122	94,122	-
Fuel Farm Project	455,600	348,411	349,216	(805)
Refueling Ramp	-	63,744	63,744	-
Land Acquisition	-	-	537,700	(537,700)
Other Equipment	27,500	3,110	-	3,110
Total Expenditures	<u>2,597,106</u>	<u>2,792,325</u>	<u>2,644,048</u>	<u>148,277</u>
Excess Revenues Over (Under) Expenditures	<u>\$ (853,130)</u>	<u>\$ (853,129)</u>	<u>(567,017)</u>	<u>\$ 286,112</u>
Adjustments From Budgetary Basis to GAAP Basis:				
Convert Revenue From Cash Basis to Modified Accrual Basis			(257,244)	
Convert Expenditures From Cash Basis to Modified Accrual Basis			639,887	
Excess of Revenues Over Expenditures - GAAP Basis			<u>\$ (184,374)</u>	

See accompanying notes to financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

EVERETT-STEWART REGIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Everett-Stewart Regional Airport is a joint venture between Obion County, Tennessee, and Weakley County, Tennessee. In prior years, the Airport was considered a special revenue fund of Obion County, Tennessee, and was included in their audit report. On December 1, 2006, an inter-local agreement between Obion and Weakley Counties was enacted for the joint operation of the airport, as authorized by Tennessee Code Annotated §42-5-201, et. seq.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, in accordance with generally accepted accounting principles (GAAP) as defined in the Statements of Governmental Accounting Standards Board (GASB). Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available, when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Airport has determined a period of availability of 60 days after the end of the current fiscal period. Grant funds, where expenditure is the prime factor for determining eligibility, are recognized as revenue when the expenditure is made. Grant proceeds received after the 60-day period of availability are recorded as deferred revenue. Expenditures under the modified accrual basis of accounting are recorded when the related liability is incurred.

Since the Everett-Stewart Regional Airport is presented as a single governmental fund, the government-wide and fund financial statements have been combined. The statements present the general fund on a governmental basis and then show adjustments necessary to convert the fund information into the government-wide format.

Revenues from local sources consist primarily of rental income from land leased to farmers, hangar space rented to various individuals, and fuel sales. Proceeds from leased farm land are based on crop production; thus, they are recognized when received because they are not generally measurable until actually received. Hangar rental income and fuel sales are recognized when susceptible to accrual.

C. Assets, Liabilities and Fund Balance

Deposits and Investments

State statutes authorize the Airport to invest in certificates of deposit; obligations of the U.S. Treasury, agencies and instrumentalities; obligations by the U.S. government or its agencies; repurchase agreements, as approved by the state director of local finance; and the State's local government investment pool.

EVERETT-STEWART REGIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

C. Assets, Liabilities and Fund Balance (continued)

Accounts Receivable

Accounts receivable represent amounts due for fuel sales and hangar rent. Due from grantor includes amounts requested from the grantor for expenditures incurred prior to year end but not received.

Capital Assets

The capital assets acquired by Everett-Stewart Regional Airport are recorded as expenditures at the time of purchase, consistent with governmental fund accounting. Capitalized assets (those with an individual cost exceeding \$10,000) are then recorded as adjustments to the governmental fund balance sheet to arrive at the government-wide statement of net assets. The cost of capital assets includes capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets should be reported at their estimated fair value at the time of acquisition plus ancillary charges, if any. According to the inter-local agreement, ownership of the property and facilities of the Airport shall continue to be held solely by Obion County, Tennessee, including ownership of improvements made to the property and facilities.

Compensated Absences

The Airport's obligation for employees' rights to receive compensation for future absences, such as vacation, was not material as of June 30, 2010, and thus, is not recognized in the accompanying financial statements.

Fund Balance

Governmental funds report all funds that have not been restricted or designated as unreserved. The Airport elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

NOTE 2 - Reconciliation of Government-wide and Fund Financial Statements

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Adjustments on the Statement of Net Assets and Governmental Fund Balance Sheet were comprised of the following:

Governmental fund capital assets	\$ 9,225,793
Less: accumulated depreciation	<u>(4,064,002)</u>
Net adjustment to increase fund equity - total governmental funds to arrive at net assets - governmental activities	<u>\$ 5,161,791</u>

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The adjustments on the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Equity report these amounts individually.

EVERETT-STEWART REGIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 - Stewardship and Accountability

The Everett-Stewart Regional Airport is operated by a board consisting of 4 members appointed from Obion County and 3 members appointed by Weakley County. At least one appointee from each county shall be a county commissioner. Obion County and Weakley County will each contribute an equal amount annually, to be applied toward the annual operating budget of the Airport. A balanced annual operating budget must be approved by the governing bodies of both Weakley County and Obion County, and shared equally. No purchase or expenditure in excess of the sum allotted in the annual budget may be made by the Board without the approval of counties' legislative bodies. Unexpended appropriations lapse at the end of each year. The budgetary level of control is at the major category level. The Airport's budgetary basis of accounting is the cash basis, which is common for governmental funds. The differences between the budgetary basis and the modified accrual basis (GAAP) have been reconciled on the face of the budgetary comparison statement.

For the year ended June 30, 2010, Airport expenditures exceeded the appropriated amount for several line items. However, total expenditures did not exceed total appropriations.

NOTE 4 - Detailed Notes on Accounts

A. Deposits and Investments

Custodial Credit Risk - The Airport's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance of the Tennessee Bank Collateral Pool, by collateral held by the Airport's agent in the Airport's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Airport to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2010, all bank deposits were fully collateralized or insured.

EVERETT-STEWART REGIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

B. Capital Assets

	Beg Bal	Additions	Deletions	End Bal
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	376,993	537,700	-	914,693
Construction in Progress	1,224,111	1,537,330	(995,536)	1,765,905
Total	1,601,104	2,075,030	(995,536)	2,680,598
Capital Assets, Being Depreciated				
Buildings	893,166	-	-	893,166
Infrastructure	5,144,630	457,836	-	5,602,466
Equipment and Vehicles	49,563	-	-	49,563
Total	6,087,359	457,836	-	6,545,195
Less Accum Depr for:				
Buildings	301,983	32,926	-	334,909
Infrastructure	3,545,499	141,657	-	3,687,156
Equipment and Vehicles	39,277	2,660	-	41,937
Total	3,886,759	177,243	-	4,064,002
Net Capital Assets Being Depreciated	2,200,600	280,593	-	2,481,193
Governmental Activities Capital Assets - Net	3,801,704	2,355,623	(995,536)	5,161,791

**EVERETT-STEWART REGIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 5 - Other Information

A. Operating Leases

Farm Land - The Airport leases 545 acres of farm land to six area farmers. A new contract covering the period from January 2009 through December 2011 states that half of the annual rental is to be paid on March 1 and the remaining half on November 1 of each year. Total rental income under these contracts for the year ended June 30,2010, was \$75,774.

Land - The Airport entered into an agreement on May 18, 1999, to lease land to Vaughn Electric Company, Inc., for the construction of a private hanger. The term of the lease is twenty years with an option to renew the lease for an additional term of ten years. At the expiration of the lease agreement or the option period, the building will become the property of the Obion County Airport Commission. Payments for the lease received for the year ended June 30, 2010 were \$300. Future minimum lease payments for the remainder of the lease are \$300 per fiscal year.

Buildings - On September 14, 1992, the County of Obion, Tennessee, acting through the Obion County Airport Commission, entered into a general fixed base operator's lease agreement and contract with West Tennessee Aviation, Inc. The agreement was modified in May 2002, and terminated West Tennessee Aviation's right to operate as a general fixed base operator and their right to dispense fuel. The agreement allows the corporation to lease space in the maintenance hangar with lean-to until December 31, 2007, with the option to renew the lease for two terms of five years each. The lease was renewed on September 10, 2007 and extended until December 31, 2013. The monthly rent effective January 1, 2006, which did not change upon renewal, was \$1,400. Total rent income under this contract was \$16,800 for the year ended June 30,2010.

A lease was executed with Larry Russell of Russell's Flying Service to lease a portion of the north hanger for \$350 per month. The lease is in effect from January 1, 2009 to January 31, 2013, with an option to renew for an additional five years. Income under this lease for the year ended June 30, 2010, was \$4,200.

Effective June 1, 2006, the Airport entered into lease agreement with Cutting Edge for a period of 5 years with a monthly rental of \$100. Total rent received under this agreement for the year ended June 30, 2010, was \$1,200.

A lease was executed with Stoney Orton to lease office space for \$100 per month. The lease is in effect from October 1, 2008 to September 30, 2009. Income under this lease for the year ended June 30, 2010, was \$100.

Future annual minimum lease payments to be received under the operating leases described above for the next five fiscal years are:

Year ending June 30, 2011	\$22,400
Year ending June 30, 2012	21,300
Year ending June 30, 2013	21,300
Year ending June 30, 2014	10,800
Year ending June 30, 2015	-0-

**EVERETT-STEWART REGIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

B. Long-Term Agreements

The County of Obion, Tennessee, entered into a contract with the State of Tennessee on September 12, 1988, for the establishment and maintenance of an Automated Weather Observation System (AWOS) at Everett-Stewart Regional Airport. The State agreed to purchase, install and maintain the equipment necessary for the AWOS, and the County agreed to provide the site, electrical power source, electrical power service, telephone service installation and telephone service for a period of twenty years at no cost to the State.

The County of Obion, Tennessee, entered into a contract with the Federal Aviation Administration on March 10, 2000, for the installment and maintenance of an Instrument Landing System (ILS) at Everett Stewart Regional Airport. The FAA agreed to purchase, install and maintain the equipment necessary for the ILS, and the County agreed to provide the site.

C. Risk Management

The Airport is exposed to various risks related to general liability, property and casualty losses and workers' compensation. The Airport carries commercial insurance to limit its risks from liability. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. All other risks of loss are covered through the general policies of Obion County, as summarized below.

Property and Casualty Insurance - The County participates in the Local Government Property and Casualty Fund (LGPCF) which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The County pays an annual premium to the LGPCF for its general liability and property and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The County bills the Airport for its proportionate share of the premiums. The LGPCF reinsures through commercial insurance companies for claims in excess of a specified amount for each insured event.

Workers' Compensation Insurance - Obion County participates in the Local Government Workers' Compensation Fund (LWCF), a public entity risk pool established under the provisions of Section 2920-401, TCA, by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The County pays an annual premium to the LWCF for its workers' compensation insurance coverage. The LWCF is to be self-sustaining through member premiums. The County bills the Airport for its proportionate share of the premiums. The LWCF reinsures through commercial insurance companies for claims in excess of a specified amount.

General Liability Insurance - the Airport obtained this coverage as a separate policy from Obion County. The policy is with the U.S. Specialty Insurance Company through Ebco Aviation Underwriters, Inc. The annual premium is \$5,015.

NOTE 6 - Subsequent Events

Management has reviewed events through October 31, 2010, which is the earliest date that the financials were available for release.

SUPPLEMENTARY INFORMATION SECTION

EVERETT-STEWART REGIONAL AIRPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Agency or Pass-Through Number	Balance 07/01/09	Receipts	Expenditures	Balance 06/30/10
Federal Aviation Administration, Department of Transportation / Tennessee Dept of Transportation, Aeronautics Division /						
Fuel Farm Project	20.106	66-555-0145-04	(1,935)	345,378	343,443	-
less local match		Z-09-21-3955-00	-	34,344	34,344	-
			<u>(1,935)</u>	<u>311,034</u>	<u>309,099</u>	<u>-</u>
Runway Extension	20.106	66-555-0740-04	-	5,175	5,175	-
less local match		Z-08-20-0815-00	-	31	31	-
			<u>-</u>	<u>5,144</u>	<u>5,144</u>	<u>-</u>
Total Federal Assistance			<u>(1,935)</u>	<u>316,178</u>	<u>314,243</u>	<u>-</u>

NOTE: The accompanying schedule of expenditures of federal awards was prepared on the modified accrual basis of accounting. Numbers presented may differ from the financial statements by immaterial amounts due to timing differences and local matching funds.

**EVERETT-STEWART REGIONAL AIRPORT
SCHEDULE OF STATE GRANTS
For the year ended June 30, 2010**

<u>State Grantor / Program Title</u>	<u>Grant Number</u>	<u>Balance 07/01/09</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance 06/30/10</u>
Tennessee Dept of Transportation, Aeronautics Division /					
Airport Maintenance	99-555-1156-04 Z-08-02-1625	(8,570)	8,570 *	-	-
Airport Maintenance	99-555-1156-04 Z-08-02-1625	-	16,233	25,467 **	(9,234)
Runway Extension less local match	66-555-0740-04 Z-08-20-0815-00	(27,324)	499,515	472,191	-
		-	47,219	47,219	-
		<u>(27,324)</u>	<u>452,296</u>	<u>424,972</u>	<u>-</u>
Airport Layout Plan less local match	66-555-0729-04 Z-07-03-7557	-	1,299	1,299	-
		-	130	130	-
		<u>-</u>	<u>1,169</u>	<u>1,169</u>	<u>-</u>
Security Improvements less local match	66-555-0737-04 Z-08-20-0703	(2,908)	197,531	194,623	-
		-	19,462	19,462	-
		<u>(2,908)</u>	<u>178,069</u>	<u>175,161</u>	<u>-</u>
Wind Cone Replacement less local match	66-555-0739-04	-	21,699	21,699	-
		-	2,170	2,170	-
		<u>-</u>	<u>19,529</u>	<u>19,529</u>	<u>-</u>
Hangar Repair less local match	66-555-0438-04 Z-08-20-0699	(1,977)	218,588	216,611	-
		-	108,306	108,306	-
		<u>(1,977)</u>	<u>110,282</u>	<u>108,305</u>	<u>-</u>
Beacon Tower less local match	66-555-0741-04	(875)	92,872	91,997	-
		-	9,200	9,200	-
		<u>(875)</u>	<u>83,672</u>	<u>82,797</u>	<u>-</u>
Land Acquisition less local match	66-555-0746-04 Z-09-21-3991	-	1,917	1,917	-
		-	192	192	-
		<u>-</u>	<u>1,725</u>	<u>1,725</u>	<u>-</u>
Refueling Ram; less local match	66-555-0748-04 Z-09-21-4050	-	57,414	57,414	-
		-	5,741	5,741	-
		<u>-</u>	<u>51,673</u>	<u>51,673</u>	<u>-</u>
Total State Grants		<u>(41,654)</u>	<u>923,218</u>	<u>890,798</u>	<u>(9,234)</u>

* Revenue in Current Year, Deferred in Prior Year

8,570

** Deferred Revenue in Current Year

(9,234)

State Grant Revenue per Statement of Activities

890,134

NOTE: The accompanying schedule of state grants was prepared on the modified accrual basis of accounting.

INTERNAL CONTROL AND COMPLIANCE SECTION



Offices: Jackson, TN | Martin, TN | Paris, TN

Principals:

Clark H. Cowart, CPA
John R. Reese, CPA, PFS
Fancher P. Sargent, CPA
T. Paul Anderson, CPA, CFE
Landra Sanders

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 Directors
Everett-Stewart Regional Airport
Union City, Tennessee 38261

We have audited the financial statements of the governmental activities, the major fund, and the general fund statement of budgetary comparison information of the Everett-Stewart Regional Airport, a joint venture between Obion County, Tennessee, and Weakley County, Tennessee, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Everett-Stewart Regional Airport'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies in internal control over financial reporting as item 07-01. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Everett-Stewart Regional Airport'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 and responses as item 09-04.

Everett-Stewart Regional Airport's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Airport's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, the Obion County Commission, the Weakley County Commission, federal and state awarding agencies and pass-through entities, and the State of Tennessee Comptroller's Office, Division of County Audit, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Cowart Reese Sargent". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Cowart Reese Sargent, CPAs, P.C.

December 14, 2010

**EVERETT-STEWART REGIONAL AIRPORT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010**

07-01 Segregation of Duties

Condition: The Airport did not fully segregate the record keeping, custodial and authorization functions of its internal accounting controls. A board member is responsible for preparing financial reports and reconciling the bank account and also has check-signing authority. However, the duties are not segregated enough to have adequate controls over the accounting functions.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: We realize that the staff size will not allow the Airport to completely segregate the duties to the optimum level desired. However, the accounting functions should be segregated as much as possible. Management needs to be aware that a weakness does exist in the system of internal accounting controls.

Response: *Due to limited funding, it is not feasible for the Airport to employ additional employees in order to segregate duties. We have hired a part-time office assistant which helps with the segregation of duties. To avoid risk of errors, two signatures are required on all checks.*

09-04 Several Expense Categories Exceeded the Legally Adopted Budget

Condition: Several major categories exceeded the legally adopted budget for the airport. However, the expenses in total were within the amount appropriated.

Criteria: In order for resources to be properly managed, expenses should be monitored in relation to the adopted budget.

Effect: The potential exists for resources to be used for other reasons than originally planned for if there is not continuous monitoring compared to the adopted budget.

Recommendation: The should review actual versus budget progress on a regular basis and consider adopting budget amendments as appropriate.

Response: *We concur. We will monitor and make budget amendments as necessary.*

**EVERETT-STEWART REGIONAL AIRPORT
DISPOSITIONS OF PRIOR AUDIT FINDINGS
June 30, 2010**

05-01 Collateralization

Current Status: The conditions causing this finding have been corrected.

09-01 Lack of Daily Collection Records and Use of Prenumbered Receipts

Current Status: The conditions causing this finding have been corrected.

09-02 Incorrect General Ledger Postings

Current Status: The conditions causing this finding have been corrected.

09-03 Reconciliation Discrepancies

Current Status: The conditions causing this finding have been corrected.