

Savannah Housing Authority  
Audited Financial Statements  
For The Year Ended  
June 30, 2010



**EVERETT-STEWART REGIONAL AIRPORT**  
**TABLE OF CONTENTS**  
**June 30, 2011**

**INTRODUCTORY SECTION**

Directory	1
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**FINANCIAL SECTION**

Independent Auditors' Report	2
Government-wide and Fund Financial Statements	
Statement of Net Assets and Governmental Fund Balance Sheet	4
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance	5
Statement of Revenues and Expenditures - Budget and Actual	6
Notes to Financial Statements	7

**SUPPLEMENTARY INFORMATION SECTION**

Schedule of Expenditures of Federal Awards	14
Schedule of State Grants	15

**INTERNAL CONTROL AND COMPLIANCE SECTION**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16
Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	18
Schedule of Findings and Questioned Costs	20

## INTRODUCTORY SECTION

**EVERETT-STEWART REGIONAL AIRPORT  
DIRECTORY  
June 30, 2011**

**Obion County Mayor**

Bennie McGuire

**Weakley County Mayor**

Houston Patrick

**Board of Directors**

Jim Bondurant

Allen C. "Chris" Gooch

Mike Holman

David James

Wayne McCreight

Kay Stegall

James H. Westbrook, Jr.

**Key Management Employees**

Jo Ann Speer - Manager

**Independent Certified Public Accountant**

Cowart Reese Sargent, CPAs

## FINANCIAL SECTION



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### 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, 2011, 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, 2011, 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 15, 2011, 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 "Cowart Reese Sargent". The signature is written in a cursive style with a long, sweeping horizontal line extending to the right.

Cowart Reese Sargent, CPAs  
Martin, TN

December 15, 2011

**EVERETT-STEWART REGIONAL AIRPORT**  
**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**  
June 30, 2011

<b>ASSETS</b>	<b>General Fund</b>	<b>Adjustments (Note 2)</b>	<b>Statement of Net Assets</b>
Cash	\$ 186,869	\$ -	\$ 186,869
Investments	150,834	-	150,834
Accounts Receivable, Net	40,844	-	40,844
Due From Grantor	6,542	-	6,542
Prepaid Local Matching Funds	50,388	-	50,388
Inventory	52,617	-	52,617
Capital Assets, Net of Accumulated Depreciation			
Land	-	914,693	914,693
Buildings	-	772,871	772,871
Infrastructure	-	2,612,389	2,612,389
Equipment and Vehicles	-	4,966	4,966
Work-In-Progress	-	3,050,577	3,050,577
<b>Total Assets</b>	<b>488,094</b>	<b>7,355,496</b>	<b>7,843,590</b>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities			
Accounts Payable	178,071	-	178,071
Accrued Liabilities	2,857	-	2,857
Deferred Revenue	16,396	-	16,396
<b>Total Liabilities</b>	<b>197,324</b>	<b>-</b>	<b>197,324</b>
Fund Equity/Net Assets			
Nonspendable: Inventory	52,617	(52,617)	-
Unassigned	238,153	(238,153)	-
Total Fund Equity	290,770	(290,770)	-
<b>Total Liabilities And Fund Equity</b>	<b>\$ 488,094</b>	<b>(290,770)</b>	
Net Assets			
Invested in Capital Assets		7,355,496	7,355,496
Unrestricted		290,770	290,770
<b>Total Net Assets</b>		<b>\$ 7,355,496</b>	<b>\$ 7,646,266</b>

See accompanying notes to financial statements

**EVERETT-STEWART REGIONAL AIRPORT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND EQUITY**  
**Year Ended June 30, 2011**

<b>EXPENDITURES / EXPENSES</b>	<b>General Fund</b>	<b>Adjustments (Note 2)</b>	<b>Statement of Activities</b>
Current			
Maintenance and Utilities	\$ 35,112	\$ -	\$ 35,112
Administration	189,553	-	189,553
Fuel Cost of Sales	269,219	-	269,219
Depreciation	-	249,209	249,209
Capital Outlay	<u>2,442,913</u>	<u>(2,442,913)</u>	<u>-</u>
<b>Total Expenditures</b>	<b>2,936,797</b>	<b>(2,193,704)</b>	<b>743,093</b>
<b>PROGRAM REVENUES</b>			
Charges For Services	442,368	-	442,368
Operating Grants and Contributions	150,000	-	150,000
Capital Grants and Contributions	<u>2,248,779</u>	<u>-</u>	<u>2,248,779</u>
<b>Total Program Revenues</b>	<u>2,841,147</u>	<u>-</u>	<u>2,841,147</u>
<b>Net Program Revenues</b>	<b>(95,650)</b>	<b>2,193,704</b>	<b>2,098,054</b>
<b>GENERAL REVENUES</b>			
Interest Earnings	3,445	-	3,445
Donations	-	-	-
Other Revenue	<u>1,389</u>	<u>-</u>	<u>1,389</u>
<b>Total General Revenues</b>	<u>4,834</u>	<u>-</u>	<u>4,834</u>
<b>Excess of Revenues Over Expenditures</b>	<b>(90,816)</b>		
<b>Change in Net Assets</b>		<b>2,193,704</b>	<b>2,102,888</b>
<b>FUND BALANCE (DEFICIT) / NET ASSETS</b>			
Beginning of the Year	<u>381,586</u>	<u>4,764,072</u>	<u>5,543,377</u>
<b>End of the Year</b>	<u><u>\$ 290,770</u></u>	<u><u>\$ 6,957,776</u></u>	<u><u>\$ 7,646,265</u></u>

See accompanying note to financial statements

**EVERETT-STEWART REGIONAL AIRPORT**  
**STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL**  
**Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Federal Grant Revenue Through State	\$ 2,584,640	\$ 2,584,640	\$ 1,102,961	\$ (1,481,679)
State Grant Revenue	23,400	23,400	1,365,738	1,342,338
County Governmental Distribution	150,000	150,000	150,000	-
Other Contributions and Gifts	4,200	4,200	-	(4,200)
Rent Income	119,814	119,814	116,070	(3,744)
Interest Income	4,000	4,000	3,445	(555)
Sale of Gasoline	300,835	300,835	322,728	21,893
Sale of Supplies	-	-	1,029	1,029
Airport Fee	250	250	2,541	2,291
Sale of Property	5,000	5,000	-	(5,000)
Other Revenue	16,188	16,188	1,389	(14,799)
<b>Total Revenues</b>	<u>3,208,327</u>	<u>3,208,327</u>	<u>3,065,901</u>	<u>(142,426)</u>
<b>Expenditures</b>				
Airport Manager	44,010	44,010	44,010	-
Airport Manager Commissions	9,000	9,000	7,966	1,034
Other Salaries and Wages	40,850	40,850	40,850	-
Payroll Expenses	7,900	7,900	7,215	685
Other Fringe Benefits	1,000	1,000	-	1,000
Advertising	4,000	4,000	3,073	927
Audit	4,000	4,000	3,500	500
Telephone	7,700	7,700	5,393	2,307
Dues and Subscriptions	2,000	2,000	1,667	333
Legal Services	2,000	2,000	-	2,000
Licenses	755	755	360	395
Maintenance and Repair - Buildings	10,000	10,000	11,184	(1,184)
Maintenance and Repair - Equipment	6,000	6,000	1,410	4,590
Maintenance and Repair - Vehicles	1,000	1,000	1,555	(555)
Pest Control	200	200	200	-
Postage	500	500	387	113
Printing	600	600	41	559
Travel	5,000	5,000	2,438	2,562
Mowing	21,000	21,000	13,735	7,265
Utilities	21,400	21,400	20,237	1,163
Disposal Fees	2,000	2,000	726	1,274
Fuel	249,746	249,746	269,219	(19,473)
Office Supplies	2,500	2,500	2,323	177
Uniforms	1,000	1,000	1,004	(4)
Other Supplies and Materials	6,100	6,100	8,975	(2,875)
Insurance	7,902	7,902	9,197	(1,295)
Testing	1,000	1,000	1,305	(305)
Credit Card Fees	7,000	7,000	6,255	745
Miscellaneous	2,500	2,500	20,409	(17,909)
Security Improvements Project	2,000	2,000	1,973	27
Hangar Repair Project	10,806	10,806	10,806	-
Runway Ext D & B Phase	2,528,945	2,528,945	2,469,857	59,088
Fuel Farm Project	14,825	14,825	14,826	(1)
Refueling Ramp	2,871	2,871	2,871	-
Other Equipment	27,500	27,500	9,250	18,250
<b>Total Expenditures</b>	<u>3,055,610</u>	<u>3,055,610</u>	<u>2,994,217</u>	<u>61,393</u>
<b>Excess Revenues Over (Under) Expenditures</b>	<u>\$ 152,717</u>	<u>\$ 152,717</u>	71,684	<u>\$ (81,033)</u>
Adjustments From Budgetary Basis to GAAP Basis:				
Convert Revenue From Cash Basis to Modified Accrual Basis			(219,919)	
Convert Expenditures From Cash Basis to Modified Accrual Basis			57,419	
Excess of Revenues Over Expenditures - GAAP Basis			<u>\$ (90,816)</u>	

See accompanying notes to financial statements

## NOTES TO BASIC FINANCIAL STATEMENTS

**EVERETT-STEWART REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**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, 2011**

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, 2011, and thus, is not recognized in the accompanying financial statements.

Fund Balance

For the fiscal year ending June 30, 2011, the Airport implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the Airport itself, using its highest level of decision-making authority, the Airport Board. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the Airport intends to use for a specific purpose. Intent can be expressed by the Airport Board or by an official or body to which the Board delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

**EVERETT-STEWART REGIONAL AIRPORT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

Fund Balance (Continued)

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Airport Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

The details of the fund balances are included in the Governmental Funds Balance Sheet as listed in the table of contents. Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the Airport Board. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

**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	\$ 11,668,707
Less: accumulated depreciation	<u>( 4,313,211)</u>
Net adjustment to increase fund equity - total governmental funds to arrive at net assets - governmental activities	<u>\$ 7,355,496</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, 2011

**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, 2011, 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, 2011, all bank deposits were fully collateralized or insured.

**EVERETT-STEWART REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**B. Capital Assets**

		7/1/2010			6/30/2011
		Beg Bal	Additions	Deletions	End Bal
Governmental Activities:					
Capital Assets, Not Being Depreciated					
Land		914,693	-	-	914,693
Construction in Progress		1,765,905	2,442,913	(1,158,241)	3,050,577
Total		2,680,598	2,442,913	(1,158,241)	3,965,270
Capital Assets, Being Depreciated					
Buildings		893,166	254,321	-	1,147,487
Infrastructure		5,602,466	903,921	-	6,506,387
Equipment and Vehicles		49,563	-	-	49,563
Total		6,545,195	1,158,242	-	7,703,437
Less Accum Depr for:					
Buildings		334,909	39,707	-	374,616
Infrastructure		3,687,156	206,842	-	3,893,998
Equipment and Vehicles		41,937	2,660	-	44,597
Total		4,064,002	249,209	-	4,313,211
Net Capital Assets Being Depreciated		2,481,193	909,033	-	3,390,226
Governmental Activities Capital Assets - Net		5,161,791	3,351,946	(1,158,241)	7,355,496

**EVERETT-STEWART REGIONAL AIRPORT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 5 - Other Information**

A. Operating Leases

Farm Land - The Airport leases 476 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, 2011, was \$64,529.

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, 2011 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, 2011.

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, 2011, 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, 2011, was \$1,200.

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, 2012	\$22,500
Year ending June 30, 2013	22,500
Year ending June 30, 2014	12,000
Year ending June 30, 2015	1,200
Year ending June 30, 2016	1,200

**EVERETT-STEWART REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**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 \$5,115.

**NOTE 6 - Subsequent Events**

Management has reviewed events through December 15, 2011, 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, 2011

<b>Federal Grantor / Pass-Through Grantor / Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-Through Number</b>	<b>Balance 07/01/10</b>	<b>Receipts</b>	<b>Expenditures</b>	<b>Balance 06/30/11</b>
<b>Federal Aviation Administration, Department of Transportation / Tennessee Dept of Transportation, Aeronautics Division /</b>						
Runway Extension	20.106	66-555-0740-04	-	938,291	938,291	-
less local match		Z-08-20-0815-00	-	55,250	55,250	-
			<u>-</u>	<u>883,041</u>	<u>883,041</u>	<u>-</u>
Total Federal Assistance			<u>-</u>	<u>883,041</u>	<u>883,041</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, 2011**

<u>State Grantor / Program Title</u>	<u>Grant Number</u>	<u>Balance 07/01/10</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance 06/30/11</u>
<b>Tennessee Dept of Transportation, Aeronautics Division /</b>					
Airport Maintenance	99-555-1156-04 Z-08-02-1625	(9,234)	9,234 *	-	-
Airport Maintenance	99-555-1156-04 Z-08-02-1625	-	1,690	8,232 **	(6,542)
Runway Extension less local match	66-555-0740-04 Z-08-20-0815-00	-	1,499,299	1,499,299	-
		-	149,930	149,930	-
		-	<u>1,349,369</u>	<u>1,349,369</u>	-
Land Acquisition less local match	66-555-0746-04 Z-09-21-3991	-	6,050	6,050	-
		-	605	605	-
		-	<u>5,445</u>	<u>5,445</u>	-
<b>Total State Grants</b>		<u>(9,234)</u>	<u>1,365,738</u>	<u>1,363,046</u>	<u>(6,542)</u>
				9,234	
				<u>(6,542)</u>	
				<u>1,365,738</u>	

\* Revenue in Current Year, Deferred in Prior Year

\*\* Deferred Revenue in Current Year

State Grant Revenue per Statement of Activities

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

## INTERNAL CONTROL AND COMPLIANCE SECTION



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**Report on Internal Control over Financial Reporting  
And on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With Government Auditing Standards**

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, 2011, and have issued our report thereon dated December 15, 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 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 cursive script that reads "Cowart Reese Sargent". The signature is written in black ink and includes a long, sweeping horizontal line extending to the right.

Cowart Reese Sargent, CPAs, P.C.  
Martin, TN

December 15, 2011



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www.crscpa.com

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Everett-Stewart Regional Airport compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Everett-Stewart Regional Airport major federal programs for the year ended June 30, 2011. Everett-Stewart Regional Airport major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Everett-Stewart Regional Airport management. Our responsibility is to express an opinion on Everett-Stewart Regional Airport compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards,<sup>5</sup> issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Everett-Stewart Regional Airport compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Everett-Stewart Regional Airport compliance with those requirements.

In our opinion, Everett-Stewart Regional Airport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Everett-Stewart Regional Airport is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Everett-Stewart Regional Airport internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing

an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Everett-Stewart Regional Airport internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

A handwritten signature in cursive script that reads "Cowart Reese Sargent". The signature is written in black ink and includes a long, sweeping horizontal flourish at the end.

Cowart Reese Sargent, CPAs, P.C.

December 15, 2011

**EVERETT-STEWART REGIONAL AIRPORT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2011**

**A. Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Everett-Stewart Regional Airport.
2. One significant deficiency was disclosed during the audit of the financial statements.
3. One instance of noncompliance material to the financial statements of Everett-Stewart Regional Airport was disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of internal control over major federal awards programs.
5. The auditors' report on compliance for the major federal awards program for Everett-Stewart Regional Airport expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as a major programs were

<u>Program</u>	<u>CFDA No.</u>
Runway Extension	20.106

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Everett-Stewart Regional Airport was determined to be a low risk auditee.

**EVERETT-STEWART REGIONAL AIRPORT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2011**

**B. Finding – Financial Statement Audit**

**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.*

**C. Finding – Relative to Federal Grants**

None Noted

**D. Status of Prior Year Findings**

07-01 Segregation of Duties - Corrected