

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



EVERETT-STEWART REGIONAL AIRPORT
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June 30, 2012

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**EVERETT-STEWART REGIONAL AIRPORT
DIRECTORY
June 30, 2012**

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



John R. (Jack) Reese, CPA
David R. Horner, CPA

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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, 2012, 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 19, 2012, 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 19, 2012

EVERETT-STEWART REGIONAL AIRPORT
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2012

ASSETS	General Fund	Adjustments (Note 2)	Statement of Net Assets
Cash	\$ 221,398		\$ 221,398
Investments	75,061		75,061
Accounts Receivable, Net	42,437		42,437
Due From Grantors	18,904		18,904
Prepaid Local Matching Funds	118,141		118,141
Inventory	46,020		46,020
Capital Assets, Net of Accumulated Depreciation			
Land	-	914,693	914,693
Buildings	-	729,773	729,773
Infrastructure	-	2,398,015	2,398,015
Equipment and Vehicles	-	2,306	2,306
Work-In-Progress	-	3,744,522	3,744,522
Total Assets	521,961	7,789,309	8,311,270
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts Payable	63,453	-	63,453
Accrued Liabilities	32,234	-	32,234
Deferred Revenue	-	-	-
Total Liabilities	95,687	-	95,687
Fund Equity/Net Assets			
Nonspendable: Inventory	46,020	(46,020)	-
Unassigned	380,254	(380,254)	-
Total Fund Equity	426,274	(426,274)	-
Total Liabilities And Fund Equity	\$ 521,961	(426,274)	
Net Assets			
Invested in Capital Assets		7,789,309	7,789,309
Unrestricted		426,274	426,274
Total Net Assets		\$ 8,215,583	\$ 8,215,583

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, 2012

EXPENDITURES / EXPENSES	General Fund	Adjustments (Note 2)	Statement of Activities
Current			
Maintenance and Utilities	\$ 48,821		\$ 48,821
Administration	202,953		206,346
Fuel Cost of Sales	485,869		487,432
Depreciation	-	260,132	260,132
Capital Outlay	698,902	(698,902)	-
Total Expenditures	1,436,545	(438,770)	1,002,731
PROGRAM REVENUES			
Charges For Services	767,128	-	767,128
Operating Grants and Contributions	135,000	-	135,000
Capital Grants and Contributions	650,983	-	650,983
Total Program Revenues	1,553,111	-	1,553,111
Net Program Revenues	116,566	438,770	550,380
GENERAL REVENUES			
Interest Earnings	2,228	-	2,228
Donations	4,630	-	4,630
Other Revenue	12,080	-	12,080
Total General Revenues	18,938	-	18,938
Excess of Revenues Over Expenditures	135,504		
Change in Net Assets		438,770	569,318
FUND BALANCE (DEFICIT) / NET ASSETS			
Beginning of the Year	290,770	6,957,776	7,646,265
End of the Year	\$ 426,274	\$ 7,396,546	\$ 8,215,583

See accompanying note to financial statements

EVERETT-STEWART REGIONAL AIRPORT
STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2012

	<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	\$ 347,285	\$ 676,502	\$ 567,595	\$ (108,907)
State Grant Revenue	-	47,024	152,880	105,856
County Governmental Distribution	135,000	135,000	135,000	-
Other Contributions and Gifts	6,000	4,630	4,630	-
Rent Income	51,022	199,497	199,597	100
Interest Income	3,274	2,228	2,228	-
Sale of Gasoline	288,985	559,666	560,004	338
Sale of Supplies	888	1,399	1,406	7
Airport Fee	1,920	3,300	3,300	-
Sale of Property	2,501	2,821	2,821	-
Other Revenue	2,390	12,080	12,080	-
Total Revenues	<u>839,265</u>	<u>1,644,147</u>	<u>1,641,541</u>	<u>(2,606)</u>
Expenditures				
Airport Manager	44,260	44,260	44,260	-
Airport Manager Commissions	9,000	10,228	10,228	-
Other Salaries and Wages	43,526	42,919	42,919	-
Payroll Expenses	7,596	7,188	7,188	-
Advertising	6,000	5,177	5,177	-
Audit	-	6,250	6,250	-
Telephone	5,000	4,186	4,186	-
Dues and Subscriptions	2,000	1,985	1,985	-
Licenses	170	500	500	-
Maintenance and Repair - Buildings	17,880	21,662	21,662	-
Maintenance and Repair - Equipment	4,800	7,855	7,855	-
Maintenance and Repair - Vehicles	1,680	1,108	1,108	-
Pest Control	200	830	830	-
Postage	500	517	517	-
Printing	600	574	574	-
Travel	5,000	3,949	3,949	-
Mowing	17,000	19,914	19,914	-
Utilities	20,166	18,196	18,196	-
Disposal Fees	1,600	791	791	-
Fuel	247,183	491,453	500,331	(8,878)
Office Supplies	1,917	1,983	1,983	-
Uniforms	1,000	868	868	-
Other Supplies and Materials	7,604	8,298	8,298	-
Insurance	9,197	9,482	9,482	-
Testing	1,140	1,808	1,808	-
Credit Card Fees	6,280	10,291	10,291	-
Miscellaneous	15,600	6,508	6,493	15
Runway Extension Project	75,385	591,009	591,009	-
Row Hangar Project	-	45,155	-	45,155
Ag & Hangar Site Design	-	9,490	-	9,490
Pavement Maintenance	-	7,897	7,897	-
Drainage Improvements	26,000	14,845	1,845	13,000
Ground Maintenance Equipment	80,000	30,400	10,400	20,000
Undergorund Tank Closure	60,000	82,744	52,744	30,000
Taxiline Connector	196,000	35,750	16,150	19,600
Airfield Electric Circuits	-	13,900	13,900	-
Other Equipment	40,000	4,958	4,957	1
Total Expenditures	<u>954,284</u>	<u>1,564,928</u>	<u>1,436,545</u>	<u>128,383</u>
Excess Revenues Over (Under) Expenditures	<u>\$ (115,019)</u>	<u>\$ 79,219</u>	204,996	<u>\$ 125,777</u>
Adjustments From Budgetary Basis to GAAP Basis:				
Convert Revenue From Cash Basis to Modified Accrual Basis			(69,492)	
Convert Expenditures From Cash Basis to Modified Accrual Basis				
Excess of Revenues Over Expenditures - GAAP Basis			<u>\$ 135,504</u>	

See accompanying notes to financial statements

EVERETT-STEWART REGIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012

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, 2012, and thus, is not recognized in the accompanying financial statements.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Airport is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- 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, (Airport Board),. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.
- Assigned fund balance—amounts the Airport intends to use for a specific purpose. Intent can be expressed by the Board of Aldermen or by an official or body to which the Board delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose.

EVERETT-STEWART REGIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 the 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 Board or the Assignment has been changed. Decreases to fund balance first reduce restricted funds; then committed funds; then assigned funds and finally unassigned funds.

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	\$12,362,651
Less: accumulated depreciation	<u>(4,573,342)</u>
Net adjustment to increase fund equity - total governmental funds to arrive at net assets - governmental activities	<u>\$ 7,789,309</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.

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, 2012, Airport expenditures exceeded the appropriated amount for several line items. Total expenditures did exceed total appropriations, but in an amount less than revenues exceeded the budget, resulting a in a larger increase in net assets than budgeted.

EVERETT-STEWART REGIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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.

B. Capital Assets

		7/1/2011			6/30/2012
		Beg Bal	Additions	Deletions	End Bal
Governmental Activities:					
Capital Assets, Not Being Depreciated					
Land		914,693	-	-	914,693
Construction in Progress		3,050,577	693,945	-	3,744,522
Total		3,965,270	693,945	-	4,659,215
Capital Assets, Being Depreciated					
Buildings		1,147,487	-	-	1,147,487
Infrastructure		6,506,386	-	-	6,506,386
Equipment and Vehicles		49,563	-	-	49,563
Total		7,703,436	-	-	7,703,436
Less Accum Depr for:					
Buildings		374,616	43,098	-	417,714
Infrastructure		3,893,998	214,374	-	4,108,372
Equipment and Vehicles		44,597	2,660	-	47,257
Total		4,313,211	260,132	-	4,573,343
Net Capital Assets Being Depreciated		3,390,225	(260,132)	-	3,130,093
Governmental Activities Capital Assets - Net		7,355,495	433,813	-	7,789,308

**EVERETT-STEWART REGIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 5 - Other Information

A. Operating Leases

Farm Land - The Airport leases 571 acres of farm land to two area farmers. A new contract covering the period from January 2012 through December 2014 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, 2012, was \$151,439.

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, 2012 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, 2012.

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, 2012, 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, 2012, 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, 2013	\$22,500
Year ending June 30, 2014	12,000
Year ending June 30, 2015	1,500
Year ending June 30, 2016	1,400
Year ending June 30, 2017	300

EVERETT-STEWART REGIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 \$4,900.

NOTE 6 - Subsequent Events

Management has reviewed events through December 19, 2012, which is the earliest date that the financials were available for release.

EVERETT-STEWART REGIONAL AIRPORT
SCHEDULE OF EXPENDITURES OF FEDERAL & STATE AWARDS
For the year ended June 30, 2012

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Agency or Pass-Through Number	Balance 07/01/11	Receipts	Expenditures	Balance 06/30/12
Federal Aviation Administration, Department of Transportation / Tennessee Dept of Transportation, Aeronautics Division /						
Runway Extension	20.106	66-555-0740-04	-	485,019	500,603	(15,584)
			-	-	-	-
			-	485,019	500,603	(15,584)
Total Federal Assistance			-	485,019	500,603	(15,584)
State Grantor / Program Title						
	Grant Number		Balance 07/01/11	Receipts	Expenditures	Balance 06/30/12
Tennessee Dept of Transportation, Aeronautics Division /						
Underground Tank Closure	66-555-0449-04		-	52,744	55,244	(2,500)
Airport Maintenance	99-555-1156-04		(6,542)	6,542	-	-
Total State Grants			(6,542)	59,286	55,244	(2,500)

NOTE 1 : The Schedule of Expenditures of Federal & State Awards was prepared on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



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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, 2012, and have issued our report thereon dated December 19, 2012. 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

Management of the Airport is responsible for establishing and maintaining effective 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 previously. 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. 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 flourish at the end.

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

December 19, 2012



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**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, 2012. 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,⁵ 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, 2012.

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 has a long, sweeping horizontal line extending to the right from the end of the name.

Cowart Reese Sargent, CPAs, P.C.

Martin, TN

December 19, 2012

**EVERETT-STEWART REGIONAL AIRPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Everett-Stewart Regional Airport.
2. No significant deficiencies were 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 RESPONSES
June 30, 2012**

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.*