

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2013

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Greeneville - Greene County Airport Authority
Greeneville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Greeneville - Greene County Airport Authority (the Authority) as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Johnson City	801B Sunset Drive, Johnson City, TN 37604	423.282.4511
Kingsport	1361 South Wilcox Drive, Kingsport, TN 37660	423.246.1725
Greeneville	550 Tusculum Boulevard, Greeneville, TN 37745	423.638.8516

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinions.

Opinions

In our opinion, 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 Authority as of June 30, 2013, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which became effective for the fiscal year ended June 30, 2013. Our opinion is not modified with respect to this matter.

Emphasis of Matter Regarding Budgetary Comparison

Management has omitted budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information and other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Blackburn, Childers & Steagall, PLC
BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 2, 2013

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

This section of the Greeneville - Greene County Airport Authority's annual financial report presents a narrative overview and analysis of the Authority's financial performance for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The assets of the Airport Authority exceeded its liabilities at the close of the most recent fiscal year by \$11.5 million (net position). Of this amount, \$561,530 may be used to meet the Authority's ongoing obligations to citizens and creditors (unrestricted net position).
- During the year, the Airport generated \$1.7 million from operations and other revenues. This compares with \$1.3 million of expenses.
- At the close of the current fiscal year, the Airport's general fund reported a \$446,031 net change in fund balance and a total fund balance of \$382,635.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Airport Authority's financial statements. The basic financial statements consist of these parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the Airport's finances in a manner similar to a private-sector business.

Statement of Net Position: The statement of net position presents information on all of the Airport's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Airport is improving or deteriorating.

Statement of Activities: The statement of activities presents information showing how the Airport's net position changed during the most recent fiscal year. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

Fund financial statements: The fund financial statements provide more detailed information about the Airport's only governmental fund. The focus of this fund is on (1) how cash and other financial assets that can readily be converted to cash were received and used and (2) what remains at the end of the fiscal year for future spending.

Notes to the financial statements: The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The additional information contained in these notes is essential to a full understanding of the information provided in the government-wide and fund financial statements.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Other information: In addition to the basic financial statements discussed above, the report also presents supplementary information about the Airport's Federal and State grant activity for the current fiscal year.

Financial Analysis of the Airport Authority as a Whole

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Airport Authority, assets exceeded liabilities by \$11.5 million at the close of the most recent fiscal year. The largest portion of the Airport's net position (95 percent) reflects its investment in capital assets. Because capital assets are used to provide services to citizens, the assets are not available for future spending.

The remaining balance of \$561,530 may be used to meet the Airport's expected obligations. Several grant related projects were ongoing at year end. These are recorded and reflected in Grants Receivable, Accounts Payable, and Unearned Revenues. At the end of the fiscal year, the Airport Authority is able to report positive balances in all categories of net position.

Greeneville - Greene County Airport Authority's Net Position
(in thousands)

	2013	2012
Current and Other Assets	\$ 1,455	944
Capital Assets, Net	11,687	10,736
Total Assets	13,142	11,680
Long-Term Debt	790	845
Other Liabilities	893	554
Total Liabilities	1,683	1,399
Net Investment in		
Capital Assets	10,897	10,107
Unrestricted	562	174
Total Net Position	\$ 11,459	10,281

The Airport's net position increased \$1.2 million during the fiscal year. The following is a summary of financial activities for the Airport during the fiscal year ended June 30, 2013:

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Greeneville - Greene County Airport Authority's Changes in Net Position
(in thousands)

	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues		
Charges for Services	\$ 255	258
Grants	1,118	691
General Revenues		
Fuel Taxes	13	13
Intergovernmental Revenues	61	61
Total Revenues	<u>1,447</u>	<u>1,023</u>
Expenses		
Airport Operations	221	368
Interest on Long-Term Debt	38	42
Total Expenses	<u>259</u>	<u>410</u>
Change in Net Position	<u>1,188</u>	<u>613</u>
Net Position, Beginning of Period	10,281	9,668
Prior Period Adjustment	(10)	-
Net Position, Beginning Restated	<u>10,271</u>	<u>9,668</u>
Net Position, End of Period	<u>\$ 11,459</u>	<u>10,281</u>

Financial Analysis of the Airport Authority's Fund

Governmental funds focus on providing information on the near-term flow of resources and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of the Airport's net resources available for spending at the end of the fiscal year.

The general fund is the only operating fund of the Airport Authority. At the end of the current fiscal year, nonspendable fund balance was \$2,449, and unassigned fund balance was \$380,186 for a total fund balance of \$382,635 compared to beginning fund balance of \$(63,396), as restated for a prior period adjustment, for an increase of \$446,031.

Capital Assets and Debt Administration

Capital Assets

At the end of this year, the Airport Authority had \$11.7 million (net of accumulated depreciation) invested in capital assets.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Capital Assets (Continued)

This investment includes land, buildings and improvements, equipment, and construction in progress. The table below shows the investment in capital assets, net of accumulated depreciation, for the current and previous fiscal year.

Greenville - Greene County Airport Authority's Net Capital Assets
(in thousands)

	2013	2012
Land	\$ 1,054	1,039
Buildings and Improvements	3,972	3,948
Other Capital Assets	229	229
Construction In Progress	8,622	7,591
Less Accumulated Depreciation	(2,190)	(2,071)
	\$ 11,687	10,736

Debt

At year-end the Airport had \$790,000 in long-term debt outstanding, a decrease of 6.5% from the prior year.

Greenville - Greene County Airport Authority's Long-Term Debt
(in thousands)

	2013	2012
General Obligation Notes	\$ 790	845
Total Long-Term Debt	\$ 790	845

Requests for Information

This financial report is designed to provide a general overview of Greenville - Greene County Airport Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Greenville, Recorder's Office, 200 North College Street, Greenville, Tennessee 37745.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2013

	<u>Total Governmental Activities</u>
ASSETS	
Cash	\$ 992,450
Cash on Deposit with the State	264,800
Accounts Receivable	3,221
Grants Receivable	191,443
Prepaid Expenses	2,449
Capital Assets	
Land	1,054,056
Construction in Progress	8,621,858
Buildings and Improvements	3,971,694
Other Capital Assets	229,262
Less: Accumulated Depreciation	<u>(2,189,518)</u>
TOTAL ASSETS	<u>13,141,715</u>
LIABILITIES	
Accounts Payable	169,724
Accrued Interest	12,548
Unearned Revenues	710,561
Long-Term Liabilities	
Due within one year	55,000
Due within more than one year	<u>735,000</u>
TOTAL LIABILITIES	<u>1,682,833</u>
NET POSITION	
Net Investment in Capital Assets	10,897,352
Unrestricted	<u>561,530</u>
TOTAL NET POSITION	<u><u>\$ 11,458,882</u></u>

The accompanying notes are in integral part of these financial statements.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Total
PRIMARY GOVERNMENT						
GOVERNMENTAL ACTIVITIES						
Airport Operations	\$ 221,454	255,197	-	1,118,716	1,152,459	1,152,459
Interest on Long-Term Debt	38,019	-	-	-	(38,019)	(38,019)
TOTAL GOVERNMENTAL ACTIVITIES	<u>259,473</u>	<u>255,197</u>	<u>0</u>	<u>1,118,716</u>	<u>1,114,440</u>	<u>1,114,440</u>
GENERAL REVENUES						
Fuel Taxes					12,549	12,549
Intergovernmental Revenues					60,760	60,760
TOTAL GENERAL REVENUES					<u>73,309</u>	<u>73,309</u>
CHANGE IN NET POSITION					<u>1,187,749</u>	<u>1,187,749</u>
NET POSITION - BEGINNING					10,281,732	10,281,732
Prior Period Adjustment					(10,599)	(10,599)
NET POSITION - BEGINNING, RESTATED					<u>10,271,133</u>	<u>10,271,133</u>
NET POSITION - ENDING					<u>\$ 11,458,882</u>	<u>11,458,882</u>

The accompanying notes are in integral part of these financial statements.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2013

	<u>Total General Fund</u>
ASSETS	
Cash	\$ 992,450
Cash on Deposit with the State	264,800
Accounts Receivable	3,221
Grants Receivable	191,443
Prepaid Expenses	<u>2,449</u>
TOTAL ASSETS	<u><u>\$ 1,454,363</u></u>
LIABILITIES	
Accounts Payable	\$ 169,724
Unearned Revenue	<u>710,561</u>
TOTAL LIABILITIES	<u>880,285</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue	<u>191,443</u>
FUND BALANCES	
Nonspendable	2,449
Unassigned	<u>380,186</u>
TOTAL FUND BALANCES	382,635
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$13,876,870 and the accumulated depreciation is \$2,189,518.	11,687,352
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred inflows in the funds.	191,443
Accrued interest is not due and payable in the current period and, therefore, is not reported as a liability in the funds.	(12,548)
Long-term liabilities, including both bonds and notes payable, are not due and payable in the current period and, are not reported in the funds.	<u>(790,000)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 11,458,882</u></u>

The accompanying notes are in integral part of these financial statements.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2013

	Total General Fund
REVENUES	
Charges for Sales and Services	\$ 255,197
Intergovernmental Revenues	60,760
Grants and Contributions	1,383,624
Flow Tax on Fuel	12,549
TOTAL REVENUES	1,712,130
EXPENDITURES	
Airport Operations	103,082
Debt Service	93,771
Capital Projects	1,069,246
TOTAL EXPENDITURES	1,266,099
NET CHANGE IN FUND BALANCES	446,031
FUND BALANCES (DEFICITS), JULY 1, 2012	(278,196)
Prior Period Adjustment	214,800
FUND BALANCES (DEFICITS), JULY 1, 2012, RESTATED	(63,396)
FUND BALANCES, JUNE 30, 2013	\$ 382,635

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

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$	446,031
<p>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 as depreciation expense. This is the amount by which capital outlay of \$1,069,246 exceeded depreciation of \$118,372 in the current period.</p>		
		950,874
<p>Interest expense reported in the Statement of Activities does not require the use of current financial resources. Therefore it is not reported as an expenditure in the governmental fund. This amount reflects the change in interest expense for the year.</p>		
		752
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. This amount reflects the change in unavailable revenues for the year.</p>		
		(264,908)
<p>The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to the governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental fund. Neither transaction, however, has any effect on net position.</p>		
		<u>55,000</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1,187,749</u></u>

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

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Greeneville - Greene County Airport Authority (the Authority) is a joint venture of the Town of Greeneville, Tennessee (the Town) and Greene County, Tennessee (the County). The Authority was chartered in 1980 to develop and operate aviation facilities to service the Town and the County and is dependent upon ongoing funding from them.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available. Revenues are considered "available" when they are collectible within the current period or within 60 days after the fiscal year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, if measurable. Exceptions to this general rule included principal and interest on general obligation long-term debt, which is recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basic Financial Statements

The Authority's basic financial statements include both the government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major fund). The Authority has only one fund, the General Fund.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements - Government-Wide Statements

In the government-wide Statement of Net Position, the governmental activities recognize all long-term assets and receivables as well as long-term debt and obligations. The net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position, as applicable. When both unrestricted and restricted fund resources are available for use, it is the Authority's policy to use restricted resources first.

The government-wide Statement of Activities reports both the gross and net costs of the Authority's function. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. Program revenues must be directly associated with the function. Program revenues include 1) charges to customers who use or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions for operation or capital requirements of a particular function or program. The Authority's function is also supported by the general government revenues not identifiable with a program (such as fuel taxes and certain intergovernmental revenues). The net cost (by function) is normally covered by general revenue.

This government-wide statements focus on the sustainability of the Authority as an entity and the changes in the Authority's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the Authority are reported in the General Fund in the fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows/outflows of resources, fund balances, revenues and expenditures. The fund is reported by generic classification within the financial statements.

Governmental Fund

The Governmental Fund is used by the Authority. The focus of the governmental fund measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of the financial resources) rather than upon net income. The General Fund is the general operating fund of the Authority. All financial resources are accounted for in the General Fund.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Deferred Inflows

In addition to assets, the governmental fund's Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund balance that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. The Authority had no items that qualify for reporting in this category in the fiscal year ended June 30, 2013.

In addition to liabilities, the governmental fund's Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. In the fiscal year ended June 30, 2013, the Authority had certain grant funding that qualifies for reporting in this category, as discussed in Note 4. Under the modified accrual basis of accounting, unavailable revenue is reported in the governmental fund's Balance Sheet, but not on the Statement of Net Position. The governmental fund reports unavailable revenues from grants collected past the period of availability. These amounts are currently deferred and subsequently recognized as inflows of resources in the period that the amounts become available.

Budgets and Budgetary Accounting

The Authority does not approve or operate within a formal budget.

Cash on Deposit with the State

The Authority pays in advance required matching funds for certain grants. These funds are considered to be cash on deposit with the State until the grant and related projects are completed.

Estimates

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

Capital Assets

Capital assets, which include land, land improvements, buildings and equipment, are reported in the government-wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, with expected useful lives of greater than one year. Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

Land Improvements	30 – 40 years
Buildings	40 years
Equipment	5 – 25 years

Fund Equity

GASB provides clearly defined fund balance categories in an effort to make the nature and extent of the constraints placed upon a government's fund balances more transparent. The Town currently accounts for activities of the Authority and for accounting and reporting purposes, the Town will consider the Authority to follow the Town's policies on spending order and opening balances until a separate policy is approved and presented by the separate Board of the Authority. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that cannot be spent due to their form (such as prepaid expenses) or funds that legally or contractually must be maintained intact.
- Restricted fund balance – amounts that are mandated for a specific purpose by external parties, constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts that are set aside for a specific purpose by the Town's Board of Mayor and Aldermen, the highest level of decision-making authority, which is by ordinance. Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.
- Assigned fund balance – amounts the Authority intends to use for a specific purpose. Intent can be expressed by the Authority Board or by an official or body to which the Authority Board delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (Continued)

When both restricted and unrestricted funds are available for expenditures, the Authority resolves to expend restricted funds prior to the use of unrestricted funds, unless legal requirements disallow it. When expenditures are incurred for purposes for which committed, assigned, and unassigned funds are available, the Authority determines to first expend committed amounts, followed by assigned amounts, and then unassigned amounts.

Accounting Changes

In the fiscal year ended June 30, 2013, the Authority implemented the provisions of two new GASB Statements. These are summarized as follows:

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, collectively recognized certain elements of the financial statements as a consumption of net position by the entity that are applicable to a future reporting period. These financial elements are distinct from assets and liabilities. As a result of the adoption of these Statements, 1) the Authority now uses the term "Net Position" within the government-wide financial statements, 2) unavailable revenues from grants and other sources were reclassified to be distinguished from unearned revenue and are now referred to as deferred inflows of resources on the governmental fund's Balance Sheet, and 3) previously amortized debt issuance costs were reported as a prior period adjustment on the government-wide financial statements. In the future, the latter will be expensed in the fiscal year incurred.

Reclassifications

Certain reclassifications have been made to the June 30, 2012 financial information in order for them to conform to the June 30, 2013 financial statement presentation.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town is responsible for receiving and disbursing funds of the Authority. The Authority's deposits are held in the Town's general operating bank account. Various restrictions on deposits and investments are imposed by State statutes. These restrictions are summarized as follows:

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

DEPOSITS: All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Town or Authority. Deposits with savings and loan associations must be collateralized by one of the following methods: 1) by an amount equal to 110% of the face amount of uninsured deposits if the collateral is of the same character as that required for other financial institutions; 2) by an irrevocable letter of credit issued by the Federal Home Loan Bank; or 3) by providing notes secured by first mortgages or first deeds of trust upon residential real property located in Tennessee. The promissory notes must be in an amount equal to 150% of the amount of uninsured deposits.

INVESTMENTS: State statutes authorize the Town or Authority to invest in treasury bonds, notes or bills of the United States; nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies; other evidence of deposit at State and Federal chartered banks and Savings and Loan Associations, obligations of the United States or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; the State of Tennessee Local Government Investment Pool (LGIP); obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority. Specifically, the LGIP was established under *Tennessee Code Annotated* Title 9, Chapter 4, Part 7. This investment pool is established for the use of idle funds of local governments located within the State of Tennessee. These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The LGIP invests in time deposits, such as certificates of deposit, commercial paper, United States of America agency securities, repurchase agreements, and United States of America treasuries. By law, the LGIP is required to maintain a 90-day or less weighted-average-maturity. The fair value of shares held in the LGIP is the same as the value of the LGIP shares. The Tennessee LGIP has not been rated by a nationally recognized statistical rating organization.

The Authority does not have a policy for interest rate risk or other credit risk other than pledging securities for amounts in excess of Federal Deposit Insurance Corporation (FDIC) coverage.

At June 30, 2013, the carrying amount of the Authority's deposits was \$992,450. The Authority's bank balance at June 30, 2013 was fully covered by FDIC insurance and through the bank's participation in the Tennessee Collateral Pool.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013, was as follows:

	Governmental Activities			Ending Balance
	Beginning Balance, As Restated	Increases	Decreases	
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,038,791	15,265	-	1,054,056
Construction in Progress	7,591,201	1,030,657	-	8,621,858
Total Capital Assets, Not Being Depreciated	<u>8,629,992</u>	<u>1,045,922</u>	<u>0</u>	<u>9,675,914</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	3,948,370	23,324	-	3,971,694
Other Capital Assets	229,262	-	-	229,262
Total Capital Assets, Being Depreciated	<u>4,177,632</u>	<u>23,324</u>	<u>0</u>	<u>4,200,956</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,868,100)	(115,424)	-	(1,983,524)
Other Capital Assets	(203,046)	(2,948)	-	(205,994)
Total Accumulated Depreciation	<u>(2,071,146)</u>	<u>(118,372)</u>	<u>0</u>	<u>(2,189,518)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,106,486</u>	<u>(95,048)</u>	<u>0</u>	<u>2,011,438</u>
Governmental Activities Capital Assets, Net	<u>\$10,736,478</u>	<u>950,874</u>	<u>0</u>	<u>11,687,352</u>

Depreciation was Charged as Follows:

General Government	<u>\$ 118,372</u>
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GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 - DEFERRED INFLOWS AND DEFERRED REVENUE

As disclosed in Note 1, the Authority's revenue recognition policy defines the period of availability to mean collectible within the current period or within 60 days after year-end. Some Federal and State grant programs included current year receivable balances which were not received within 60 days of year-end and as a result, are considered deferred inflows in the governmental fund financial statements. A total of \$191,443 has been considered deferred inflows in the governmental fund financial statements. These funds are included in revenue in the government-wide statements.

In addition, certain grant and rental incomes are not recognized as revenue until earned, and are considered unearned revenue in the government-wide and governmental fund financial statements. A total of \$710,561 is reported as unearned revenue in the government-wide and governmental fund financial statements.

NOTE 5 - OPERATING LEASE REVENUES

A portion of the airport facilities was leased to a transportation company for a twenty-five year period ending July 27, 2006, which was then renewed for an additional ten year period, with monthly payments of \$9,020. The lessee has an exclusive option to renew this agreement for two consecutive periods. This lease is classified as an operating lease.

Another operating lease agreement was entered in January 2005 for a three year period and was renewed for another three years in January 2008 and January 2011, with a monthly payment of \$1,435. The following is a schedule of future minimum lease payments due to the Authority as of June 30, 2013:

Fiscal Year <u>Ended June 30</u>	
2014	\$ 116,852
2015	108,242
2016	<u>108,242</u>
	<u><u>\$ 333,336</u></u>

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 - LONG-TERM DEBT

The Town issued \$1,310,000 in General Obligation Bonds on September 1, 2003 for the purpose of providing funds to finance the acquisition, construction, equipping, installing and improvement of the airport facilities, and more particularly, the construction of additional aircraft hangar facilities at the Authority. Additionally, the bonds were issued to refund on a current basis the Town's outstanding Airport Notes. The Town loaned the proceeds of the bonds to the Authority. Through a long-term note payable to the Town, the Authority will provide the Town with the funds required to retire the bonds and pay interest from the proceeds of the lease on airport property. The net revenues of the Authority are pledged for the prompt and full payment of the obligations. In the event of a deficiency of the net revenues pledged, the full faith, credit and resources of the Town are also pledged. In addition, the Town and the County entered into a reimbursement agreement in which the County irrevocably pledged its full faith, credit and ad valorem taxing power to reimburse the Town for not more than 50% of any costs incurred in connection with the issuance, sale, delivery, or payment of the bonds which the Town is obligated to pay due to deficiencies in the net revenues of the Authority.

Long-term debt at June 30, 2013, consisted of the following:

\$1,310,000 General Obligation Note, Series 2003 (Airport Improvement Project) due in annual installments of \$50,000 to \$90,000 through September 1, 2023; established interest rates ranging from 2.5% to 5.1%, payable semi-annually. For fiscal year ended June 30, 2013, the interest rate was 4.1%.	\$ 790,000
Less: Amounts due within one year	<u>(55,000)</u>
Total Long-Term Debt	<u><u>\$ 735,000</u></u>

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2013:

	Authority - Primary Government				Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Governmental Activities					
Long-Term Debt					
General Obligation Note	\$ 845,000	0	55,000	790,000	55,000

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Future maturities of long-term debt at June 30, 2013 are as follows:

Year Ended June 30	General Obligation Note	
	Principal	Interest
2014	\$ 55,000	36,489
2015	60,000	34,021
2016	60,000	31,388
2017	65,000	28,606
2018	70,000	25,525
2019-2023	390,000	73,607
2024	90,000	2,295
	\$ 790,000	231,931

NOTE 7 - FIXED BASE OPERATIONS

Fixed base operations are conducted by an unrelated contractor under a written agreement with the Authority dated April 1, 1994, which provides, among other things, for the payment of royalties on aviation fuel sales and monthly rental payments by the contractor to the Authority. The total received by the Authority for the fiscal year ended June 30, 2013 was \$14,495.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

At June 30, 2013, the Authority has been awarded grants from the State of Tennessee, including certain Federal pass-through grants, with remaining funds approximating \$2,560,000. These grants are for various runway, line of sight and airport maintenance and improvements which are on-going.

The Authority is a defendant in a suit from a construction company that worked on the construction projects. The litigation is currently in its initial stages, and the outcome cannot be determined at this time. The Authority's attorney advises that management intends to respond in a manner deemed the most economical.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority's risks of loss are covered by a commercial package insurance policy carried by the Town. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 10 - CONCENTRATION

The Authority depends upon financial resources flowing from, or associated with, both the Federal government and State of Tennessee. Because of this dependency, the Authority is subject to changes in specific flows of intergovernmental and grant revenues based on modifications to Federal and State laws and Federal and State appropriations.

NOTE 11 - PRIOR PERIOD ADJUSTMENTS

During the fiscal year ended June 30, 2013, the Authority implemented GASB Statement No. 65, which required restatement of the debt issuance costs of \$10,599 for the government-wide statements. Under this Statement, all future debt issuance costs, other than the cost of insurance, will be expensed in the fiscal year the cost is incurred. Under prior government-wide statements, the debt issuance costs had been amortized, and therefore, the remaining debt issuance costs were written off against the unrestricted net position.

In addition, the Authority adjusted the governmental fund statements to exclude previously reported capital expenditures for cash on deposit with the State for grant matching requirements. Opening fund balances of governmental fund statements increased \$214,800. Accordingly, the Authority also adjusted the government-wide statements to include the cash on deposit with the State and exclude it from the opening balance of construction in progress. Construction in progress, previously reported at July 1, 2012 for \$7,806,001, was adjusted by \$214,800 to report a restated opening construction in progress balance of \$7,591,201.

SECTION II

SUPPLEMENTARY INFORMATION

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA	Program Name	State Grant Number	Grantor Agency	Balance June 30, 2012	Cash Receipts	Expenditures	Balance June 30, 2013
20.106	Grants in Aid for Airports - Runway Relocation Phase III	30-555-0140-04	Department of Transportation	<u>\$ (107,928)</u>	<u>321,381</u>	<u>(336,053)</u>	<u>(122,600) *</u>
	Passed Through Tennessee Department of Transportation - Aeronautics Division						

* Receivable

** Unapplied Revenue

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in 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.

See Independent Auditors' Report.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2013

Program Name	State Grant Number	Grantor Agency	Balance June 30, 2012	Cash Receipts	Expenditures	Balance June 30, 2013
Engineering Phase I Runway Relocation and Land Acquisition	TAD 30-555-0734-04 Z-09-21-3936-00	State of Tennessee Department of Transportation - Aeronautics	\$ (472,652)	1,813,499	(692,764)	648,083 **
Airport Maintenance Program	99-555-1217-04 AERO M12-223	State of Tennessee Department of Transportation - Aeronautics	(4,791)	4,791	-	-
Airport Maintenance Program	99-555-1218-04 AERO M13-289	State of Tennessee Department of Transportation - Aeronautics	-	8,322	(19,800)	(11,478) *
Airport Road Relocation - Phase IV	Z-09-21-4064-00	State of Tennessee Department of Transportation - Aeronautics	-	-	(4,500)	(4,500) *
			<u>\$ (477,443)</u>	<u>1,826,612</u>	<u>(717,064)</u>	<u>632,105</u>

* Receivable

** Unapplied Revenue

See Independent Auditors' Report.

SECTION III

OTHER SUPPLEMENTARY INFORMATION (UNAUDITED)

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
SCHEDULE OF SALARIES AND OFFICIAL BONDS OF PRINCIPAL OFFICIALS
June 30, 2013

Name	Title	Salary
Janet Malone	Chair of Board	\$ 0

There are no compensated employees of the Authority. The Town of Greeneville serves as the fiscal agent for the Authority. W.T. Daniels is the Mayor of the Town of Greeneville and Carol Susong is the Town Recorder and CMFOA Designee; they are covered by TML insurance coverage as indicated below.

Principal officials noted above are covered through insurance coverage by the Tennessee Municipal League including the following coverage:

Employee Fidelity	\$ 150,000	Each and every loss
Forgery	\$ 150,000	Each and every loss
Theft and Computer Fraud	\$ 150,000	Each and every loss
\$1,000 deductible, each occurrence		

See Independent Auditors' Report.

SECTION IV
INTERNAL CONTROL AND COMPLIANCE

**INDEPENDENT AUDITORS' 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**

To the Board of Directors
Greeneville - Greene County Airport Authority
Greeneville, Tennessee

We have audited, in accordance with the 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, the financial statements of the governmental activities and the major fund of the Greeneville - Greene County Airport Authority (the Authority), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. These are identified as items 2012-001, 2012-002 and 2008-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 items 2012-001, 2012-002 and 2008-001.

The Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blackburn, Childers & Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 2, 2013

**GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2013**

CURRENT YEAR FINDINGS

None.

PRIOR YEAR FINDINGS NOT IMPLEMENTED

2012-001 (Updated and Amended): Significant Deficiency - Grant Reporting

Condition and Context: Submission of pay reimbursement requests as well as contracts to the grant agency was not always done in a timely or proper manner. Two prior fiscal year expenditures were reported to the State of Tennessee (the State) for reimbursement in the current fiscal year; this extreme delay in reporting resulted in a significant delay in reimbursement of \$65,600, and an additional \$36,600 may likely not be reimbursed by the State, based on the review of contract terms. Also, due to an error in calculation on the reimbursement request sent to the State, an additional \$9,128 may likely not be reimbursed. In addition, supporting documentation for some reimbursement requests were not on file either with the State or at Town Hall.

Criteria and Cause: A procedure should be in place to provide for full documentation of all grant agreements, contracts and reimbursement requests. A properly operating procedure would also allow for timely reimbursement from funding sources. Calculations should be checked on reimbursement requests.

Effect: The effect of this deficiency creates a delay in properly posting reimbursements requests. In addition, certain allowable costs may not be reimbursed due to time-sensitive contract terms, thus forfeiting potential revenue sources.

Recommendation: In order to provide a proper and complete documentation trail, we recommend a procedure be implemented in which original signed documents, such as grant contracts and reimbursement requests with supporting documentation, be timely submitted to the State. Calculations should be reviewed prior to submitting for reimbursement. In instances in which final reimbursement is not timely received, we recommend a follow-up call be made to the State to ensure the grant agency has received all documentation and to determine whether or not the amounts will be reimbursed due to contract terms.

Management's Response: Management agrees with the recommendation and will endeavor to review and improve current procedures to ensure that all grant documentation is being properly submitted in a timely manner to TDOT for processing and Town Hall for filing and retention. Additionally, we will monitor the status of reimbursement requests and follow up with TDOT in the event that funds are not received as expected.

**GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2013**

PRIOR YEAR FINDINGS NOT IMPLEMENTED (CONTINUED)

2012-002 (Updated and Amended): Significant Deficiency - Purchasing Procedures

Condition and Context: During our audit, we noted that several invoices were not being paid in a timely fashion, especially during the first half of the year. In addition, we observed one payment for approximately \$4,700 which lacked proper documentation. Furthermore, we noted one contract with multiple payments in excess of the bid threshold in which proper documentation of bids was not provided as support.

Criteria and Cause: Procedures should be put in place to ensure that all invoices are submitted for processing to Town Hall in a timely manner with proper supporting documentation so they can be paid timely. Supporting documentation should properly obligate the Authority prior to remittance of payment. Purchases, including contracts, in excess of the bid threshold should be bid and contracts should be in place.

Effect: The effect of this deficiency could result in late fees or penalties being assessed by the vendor for late payment. The effect also results in not following State and Authority adopted purchasing and bid/contract procedures.

Recommendation: A procedure should be in place to timely submit invoices and related supporting documentation to Town Hall for proper processing. The Authority should obtain and retain supporting documentation prior to remittance for payment. Purchases, including contracted services, in excess of the bid threshold, should be supported with proper bid documentation and contracts.

Management's Response: Management agrees with the recommendation. We will review our purchasing, bid and contract procedures in order to ensure adherence to them. Additionally, we will strive to improve the timeliness of proper invoice submission to Town Hall to allow for the timely payment of invoices.

2008-001: Significant Deficiency - Agreement (Repeated in fiscal years 2012, 2011, 2010, 2009, and 2008)

Condition and Context: A written agreement was not located for the arrangement with the Town.

Criteria and Cause: To provide a more clear understanding of accounting functions, reporting requirements, policies and procedures that are to be followed, a detailed and written agreement with the Town should be developed. This agreement should designate what the Town's responsibilities are for reporting, which purchasing and bid procedures are to be followed, and the timing of reporting should be defined.

**GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2013**

PRIOR YEAR FINDINGS NOT IMPLEMENTED (CONTINUED)

2008-001: Significant Deficiency - Agreement (Repeated in fiscal years 2012, 2011, 2010, 2009, and 2008) (Continued)

Effect: The effect of this deficiency creates an area of uncertainty as to the procedures that are to be followed.

Recommendation: We recommend the Town's attorney work in conjunction with the Town and the Authority to develop a detailed and written agreement. This agreement should designate what the Town's responsibilities are for reporting, which purchasing and bid procedures are to be followed, and the timing of reporting should be defined.

Management's Response: The Town of Greeneville has served as fiscal agent for the Greeneville - Greene County Airport Authority for many years without a comprehensive written agreement and without significant misunderstanding or conflict; however, we are currently working with the Town of Greeneville to develop a comprehensive written agreement for our operations.

PRIOR YEAR FINDINGS IMPLEMENTED

None.