

GREENEVILLE-GREENE COUNTY AIRPORT AUTHORITY

FINANCIAL STATEMENTS

AND SUPPLEMENTAL INFORMATION

For the Fiscal Year Ended June 30, 2015

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
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INDEPENDENT AUDITORS' REPORT

To 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, 2015, 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 auditor's 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 entity'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 entity'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

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, 2015, 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 Regarding Going Concern

As discussed in Note 13 to the financial statements, the accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. During the fiscal year ended June 30, 2015, the Authority incurred a net decrease in fund balance (deficit) of \$519,053, for an ending unassigned fund deficit of \$614,768 at June 30, 2015. Likewise, the ending government-wide unrestricted net deficit decreased \$42,773 for a total net deficit of \$53,614 at June 30, 2015. At the fiscal year end June 30, 2015, the Authority's current liabilities and deferred inflows of resources exceeded its current assets by \$614,768. Those conditions raise substantial doubt about the Authority's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

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.

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 (unaudited) sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information section, including the schedule of expenditures of federal awards, is the responsibility of management and were derived from and relate 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplementary information (unaudited) section 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 17, 2015, 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 17, 2015

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

This section of the Greeneville-Greene County Airport Authority's (the Authority's) annual financial report presents a narrative overview and analysis of the Authority's financial performance for the fiscal year ended June 30, 2015. 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 Authority exceeded its liabilities at the close of the most recent fiscal year by \$13.6 million (net position). Of this amount, \$13.7 million was the Authority's net investment in capital assets. Unrestricted net position had a deficit balance of \$53,614.
- Long-term debt increased by \$724,224 from the prior fiscal year due to the issuance of a \$784,224 note payable. Note proceeds were utilized for the Authority's required local match on several outstanding grants. For additional information regarding the issuance of this note, reference Notes 6 and 7.
- During the fiscal year, the Authority's general fund reported \$1.9 million in operational and other revenues and \$1.6 million in proceeds from the issuance of debt. This compares with \$4 million of expenditures. \$781,574 of these expenditures were the result of a legal claim and its related charges that were adjudicated against the Authority during the fiscal year. See Note 9 for additional information regarding this claim.
- At the close of the current fiscal year, the Authority's general fund reported a \$519,053 net decrease in fund balance and a total fund deficit of \$614,768. As described above, the significant current fiscal year reduction in fund balance (deficit) can be attributed to the recognition of a legal claim and its related charges totaling \$781,574.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the 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 Authority'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 Authority'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 Authority is improving or deteriorating.

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

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Fund financial statements: The fund financial statements provide more detailed information about the Authority's only governmental fund. The fund financial statements report information on a modified accrual basis, which focuses 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 obtain a full understanding of the information provided in the government-wide and fund financial statements.

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

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 \$13.6 million at the close of the most recent fiscal year. The largest portion of the Authority's net assets (100 percent) reflects its net investment in capital assets. Because capital assets are used to provide services to citizens, the assets are not available for future spending.

Unrestricted net position is used to meet the Authority's expected obligations. However, at the close of the current fiscal year, the Authority had a deficit unrestricted net position of \$53,614. Several grant related projects were ongoing at year-end. These are recorded and reflected in Grants Receivable, Accounts Payable, and Unearned Revenues. Additionally, a legal claim and its related charges were adjudicated against the Authority during the fiscal year and have been recorded as a settlement liability in the statement of net position (deficit) and general fund. See Note 9 for additional information related to this claim.

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

	2015	2014
Current and Other Assets	\$ 2,164	803
Capital Assets, Net	15,150	13,108
Total Assets	17,314	13,911
Long-Term Debt	1,459	735
Other Liabilities	2,218	814
Total Liabilities	3,677	1,549
Net Investment in		
Capital Assets	13,691	12,374
Unrestricted	(54)	(11)
Total Net Position	\$ 13,637	12,363

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

The Authority's net position increased \$1.3 million during the fiscal year. The following is a summary of financial activities for the Authority during the fiscal year ended June 30, 2015:

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

	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues		
Charges for Services	\$ 252	253
Grants	2,078	1,011
General Revenues		
Fuel Taxes	13	13
Intergovernmental Revenues	30	30
Total Revenues	<u>2,373</u>	<u>1,307</u>
Expenses		
Airport Operations	1,053	375
Interest on Long-Term Debt	46	35
Total Expenses	<u>1,099</u>	<u>410</u>
Change in Net Position	<u>1,274</u>	<u>897</u>
Net Position, Beginning of Period	12,363	11,459
Prior Period Adjustment	-	7
Net Position, Beginning Restated	<u>12,363</u>	<u>11,466</u>
Net Position, End of Period	<u>\$ 13,637</u>	<u>12,363</u>

Financial Analysis of the Airport Authority's Funds

Governmental funds focus on providing information on the near-term flow of resources and balances of spendable resources. In particular, unassigned fund balance (deficit) may serve as a useful measure of the Authority'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 \$2,803, and unassigned fund deficit was \$617,571, for a total fund deficit of \$614,768. When compared to the beginning fund deficit total of \$95,715, the fund deficit increased by \$519,053 during the current fiscal year.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Capital Assets and Debt Administration

Capital Assets

At the end of this fiscal year, the Airport Authority had \$15.1 million (net of accumulated depreciation) invested in capital assets. This investment includes land, buildings and improvements, equipment, and construction in progress. The table below shows the investment in capital assets for the current and previous fiscal year.

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

	2015	2014
Land	\$ 2,941	2,438
Buildings and Improvements	3,972	3,972
Other Capital Assets	221	229
Construction In Progress	10,412	8,763
Less Accumulated Depreciation	(2,396)	(2,294)
	\$ 15,150	13,108

Debt

At year-end the Authority had \$1,459,224 in long-term debt outstanding, an increase of 98.5% from the prior fiscal year.

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

	2015	2014
General Obligation Notes	\$ 675	735
Note Payable	784	-
Total Long-Term Debt	\$ 1,459	735

Requests for Information

This financial report is designed to provide a general overview of Greeneville-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 Greeneville, Recorder's Office, 200 North College Street, Greeneville, Tennessee 37745.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities
ASSETS	
Cash	\$ 605,487
Cash on Deposit with the State	570,279
Accounts Receivable	759
Grants Receivable	964,973
Prepaid Expenses	2,803
Restricted Cash	20,036
Capital Assets	
Land	2,941,254
Construction in Progress	10,411,513
Buildings and Improvements	3,971,694
Other Capital Assets	221,207
Less: Accumulated Depreciation	<u>(2,395,636)</u>
TOTAL ASSETS	<u>17,314,369</u>
LIABILITIES	
Accounts Payable	1,196,264
Retainages Payable	20,036
Accrued Interest	10,903
Unearned Revenues	209,174
Settlement Liability	781,574
Long-Term Liabilities	
Due within One Year	112,282
Due within More than One Year	<u>1,346,942</u>
TOTAL LIABILITIES	<u>3,677,175</u>
NET POSITION	
Net Investment in Capital Assets	13,690,808
Unrestricted	<u>(53,614)</u>
TOTAL NET POSITION	<u><u>\$ 13,637,194</u></u>

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

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

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	\$ 1,053,295	251,995	-	2,077,767	1,276,467	1,276,467
Interest on Long-Term Debt	45,503	-	-	-	(45,503)	(45,503)
TOTAL GOVERNMENTAL ACTIVITIES	<u>1,098,798</u>	<u>251,995</u>	<u>0</u>	<u>2,077,767</u>	<u>1,230,964</u>	<u>1,230,964</u>
GENERAL REVENUES						
Flow Tax on Fuel					13,130	13,130
Intergovernmental Appropriations					30,380	30,380
TOTAL GENERAL REVENUES					<u>43,510</u>	<u>43,510</u>
CHANGE IN NET POSITION					1,274,474	1,274,474
NET POSITION - BEGINNING					<u>12,362,720</u>	<u>12,362,720</u>
NET POSITION - ENDING					<u>\$ 13,637,194</u>	<u>13,637,194</u>

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

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2015

	General Fund
ASSETS	
Cash	\$ 605,487
Cash on Deposit with the State	570,279
Accounts Receivable	759
Grants Receivable	964,973
Prepaid Expenses	2,803
Restricted Cash	20,036
TOTAL ASSETS	\$ 2,164,337
LIABILITIES	
Accounts Payable	\$ 1,196,264
Retainages Payable	20,036
Unearned Revenue	209,174
Settlement Liability	781,574
TOTAL LIABILITIES	2,207,048
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue	572,057
FUND BALANCE (DEFICIT)	
Nonspendable	2,803
Unassigned	(617,571)
TOTAL FUND BALANCE (DEFICIT)	(614,768)
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 \$17,545,668 net of the accumulated depreciation is \$2,395,636.	15,150,032
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred inflows of resources only in the governmental fund.	572,057
Accrued interest is not due and payable in the current period and, therefore, is not reported as a liability in the governmental fund.	(10,903)
Long-term liabilities, including both bonds and notes payable, are not due and payable in the current period and, are not reported in the governmental fund.	(1,459,224)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 13,637,194

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

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT)
GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2015

	General Fund
REVENUES	
Charges for Sales and Services	\$ 251,995
Intergovernmental Appropriations	30,380
Intergovernmental Grants and Contributions	1,602,362
Flow Tax on Fuel	13,130
TOTAL REVENUES	1,897,867
EXPENDITURES	
Airport Operations	943,208
Debt Service	890,602
Capital Projects	2,151,558
TOTAL EXPENDITURES	3,985,368
OTHER FINANCING SOURCES	
Proceeds from Issuance of Debt	1,568,448
TOTAL OTHER FINANCING SOURCES	1,568,448
NET INCREASE (DECREASE) IN FUND BALANCE (DEFICIT)	(519,053)
FUND BALANCE (DEFICIT), JULY 1, 2014	(95,715)
FUND BALANCE (DEFICIT), JUNE 30, 2015	\$ (614,768)

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 BALANCE (DEFICIT) OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

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

Net Change in Fund Balance (Deficit) - Governmental Fund	\$	(519,053)
<p>The governmental fund reports 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 \$2,151,558 exceeded depreciation of \$110,087 in the current period.</p>		
		2,041,471
<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 of current year's deferred inflows of resources \$572,057, net of prior year's deferred inflows of resources of \$96,652 recognized as revenue in the governmental fund in the current year.</p>		
		475,405
<p>Interest expense related to accrued interest 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 accrued interest expense for the year.</p>		
		875
<p>The issuance of long-term debt (e.g., bonds, notes) of \$1,568,448 provides current financial resources to the governmental fund, while the repayment of the principal of long-term debt \$844,224 consumes the current financial resources of the governmental fund.</p>		
		<u>(724,224)</u>
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	 \$	 <u><u>1,274,474</u></u>

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

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 include principal and interest on long-term debt, which is recognized when due. General capital asset acquisitions are reported as expenditures in the governmental fund.

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, 2015

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 (deficit), 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.

The 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 fiscal year's activities.

Basic Financial Statements - Fund Financial Statements - Governmental Fund

The financial transactions of the Library are reported in the General Fund in the fund financial statements. 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 fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund balance (deficit), revenues and expenditures/expenses. The fund is reported by generic classification within the financial statements

Budgets and Budgetary Accounting

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

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.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of Tennessee (the State) until the grant and related projects are completed.

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.

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	20 – 40 years
Buildings	40 years
Building Improvements	10 – 30 years
Equipment	5 – 25 years

Deferred Outflows, Deferred Inflows, and Unearned Revenue

In addition to assets, a governmental fund's balance sheet and the government-wide statement of net position will sometimes report a separate section for deferred outflows of resources. These separate financial statement elements represent a consumption of fund balance (deficit) or net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure/expense) until that time. The Authority had no items that qualified for reporting in this category in the fiscal year ended June 30, 2015.

In addition to liabilities, a governmental fund's balance sheet and the government-wide statement of net position will sometimes report a separate section for deferred inflows of resources. These separate financial statement elements represent an acquisition of fund balance (deficit) or net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority had certain unavailable revenues from grants collected past the period of availability that qualified for reporting on the general fund's balance sheet at June 30, 2015, as discussed in Note 4.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows, Deferred Inflows, and Unearned Revenue (Continued)

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. The Authority had certain grant funding that qualified for reporting on the general fund's balance sheet and in the government-wide statement of net position at June 30, 2015, as discussed in Note 4.

Fund Balance and Net Position

GASB provides clearly defined fund balance (deficit) categories in an effort to make the nature and extent of the constraints placed upon a government's fund balances (deficit) 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 Town's 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 Authority's Board, the highest level of decision-making authority, which is by resolution. 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 (deficit) – amounts that are available for any purpose. Only the unassigned portion can report a negative/deficit balance.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance and Net Position (Continued)

Following the Town's policy, 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.

Similarly, the Authority, following the Town's policy, applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. In the government-wide financial statements, equity is classified as net position and displayed in three components:

- Net investment in capital assets – Consists of capital assets net of accumulated depreciation, net of debt related to the capital assets.
- Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position (deficit) – All other net position (deficit) that does not meet the definition of restricted or net investment in capital assets.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

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.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 Airport does not have a policy for interest rate risk or other credit risk other than following the State of Tennessee guidelines by pledging securities for amounts in excess of Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2015, the carrying amount of the Authority's deposits was \$605,487 and the bank balance was \$466,082. At June 30, 2015, the carrying amount and the bank balance of the Authority's restricted cash, held for retainages payable, was \$20,036. The Authority's bank balance at June 30, 2015 was fully covered by FDIC insurance and through the bank's participation in the Tennessee Collateral Pool. Cash on deposit with the State was \$570,279 at June 30, 2015. At June 30, 2015, the Authority's did not have investments as defined above.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2015, was as follows:

	Governmental Activities			Ending Balance
	Beginning Balance, As Restated	Increases	Decreases	
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,438,081	503,173	-	2,941,254
Construction in Progress	8,763,128	1,648,385	-	10,411,513
Total Capital Assets, Not Being Depreciated	<u>11,201,209</u>	<u>2,151,558</u>	<u>0</u>	<u>13,352,767</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	3,971,694	-	-	3,971,694
Other Capital Assets	229,262	-	(8,055)	221,207
Total Capital Assets, Being Depreciated	<u>4,200,956</u>	<u>0</u>	<u>(8,055)</u>	<u>4,192,901</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,084,662)	(107,139)	-	(2,191,801)
Other Capital Assets	(208,942)	(2,948)	8,055	(203,835)
Total Accumulated Depreciation	<u>(2,293,604)</u>	<u>(110,087)</u>	<u>8,055</u>	<u>(2,395,636)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,907,352</u>	<u>(110,087)</u>	<u>0</u>	<u>1,797,265</u>
Governmental Activities Capital Assets, Net	<u>\$13,108,561</u>	<u>2,041,471</u>	<u>0</u>	<u>15,150,032</u>

Depreciation was Charged as Follows:

General Government - Airport Operations	<u>\$ 110,087</u>
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GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 - DEFERRED INFLOWS (UNAVAILABLE) AND UNEARNED REVENUES

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 fiscal year-end. Some Federal and State grant programs include current fiscal year receivable balances which were not received within 60 days of fiscal year-end and as a result, are considered deferred inflows of resources in the governmental fund financial statements. A total of \$572,057 has been considered deferred inflows of resources 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 \$209,174 is reported as unearned revenue in the government-wide and governmental fund financial statements: \$13,226 for unearned hanger rentals and \$195,948 for unearned grant revenue.

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 approximately \$9,020. The lessee has an exclusive option to renew this agreement for two consecutive periods of ten and five years each, respectively. This lease is classified as an operating lease. Future minimum lease payments due to the Authority were as follows:

Fiscal Year <u>Ended June 30</u>	
2016	\$ 108,242
2016	<u>9,020</u>
	<u><u>117,262</u></u>

NOTE 6 - NOTES PAYABLE

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, installation 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 (a related party) 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.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - NOTES PAYABLE (CONTINUED)

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. Interest paid by the Authority on the General Obligation Note was \$33,145 for the fiscal year ended June 30, 2015.

During the fiscal year ended June 30, 2015, the Town (a related party) loaned the Authority \$784,224 to provide funds required for the Authority's local match on several outstanding grants. The short-term loan included a 3.49% interest rate. All principal and interest was repaid to the Town during the fiscal year ended June 30, 2015. Interest paid by the Authority to the Town for the short-term note was \$12,357 for the fiscal year ended June 30, 2015.

In addition, in June 2015, the Authority obtained a long-term note payable from a financial institution in order to repay the short-term note from the Town. The loan includes a variable interest rate and is secured by the Authority's net operating revenues as a second lien. Interest paid by the Authority for the long-term financial institution note was \$0 for the fiscal year ended June 30, 2015.

Total interest paid for all notes payable for the fiscal year ended June 30, 2015 was \$46,378.

Long-term debt at June 30, 2015, 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. Secured by the Authority's net operating revenues. For fiscal year ended June 30, 2015, the interest rate was 3.25%.	\$ 675,000
\$784,224 Capital Outlay Note payable to a financial institution with a variable interest rate at LIBOR + 1.62%. Secured as a second lien by the Authority's net operating revenues. Due in 59 monthly installments of \$4,357 and a final of all unpaid principal and interest in June 2020. For the fiscal year ended June 30, 2015, the interest rate was 1.81%.	784,224
Less: Amounts Due within One Year	<u>(112,282)</u>
Total Long-Term Debt	<u><u>\$ 1,346,942</u></u>

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - NOTES PAYABLE (CONTINUED)

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities Long-Term Debt					
General Obligation Note	\$ 735,000	-	60,000	675,000	60,000
Related Party Note Payable	-	784,224	784,224	-	-
Note Payable	-	784,224	-	784,224	52,282
Total Long-Term Debt	\$ 735,000	1,568,448	844,224	1,459,224	112,282

Future maturities of long-term debt at June 30, 2015 are as follows:

Fiscal Year Ended June 30	General Obligation Note		Note Payable	
	Principal	Interest	Principal	Interest
2016	\$ 60,000	31,388	52,282	13,968
2017	65,000	28,606	52,282	12,981
2018	70,000	25,525	52,282	12,017
2019	70,000	22,244	52,282	11,057
2020	75,000	18,754	575,096	10,122
2021	80,000	14,925	-	-
2022	80,000	10,926	-	-
2023	85,000	6,758	-	-
2024	90,000	2,295	-	-
	\$ 675,000	161,421	784,224	60,145

NOTE 7 - GUARANTEES OF DEBT

In June of 2015, the Authority obtained a note payable from a local financial institution in the amount of \$784,224, as described in Note 6. The note is secured by the Authority's operating revenues as a second lien. The note is guaranteed (50%/50%) by the Town and Greene County, Tennessee and both the Town and County have guaranteed to make all required payments that the Authority is unable to make. The Authority is not required to repay the Town or County for any payments the Town or County make pursuant to the guarantee.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 - GUARANTEES OF DEBT (CONTINUED)

At June 30, 2015, the outstanding principal amount of the guaranteed debt is \$784,224. The Authority has made all required debt service payments through the fiscal year end, and the Authority's management currently considers the debt to be payable by the Authority.

NOTE 8 - FIXED-BASE OPERATIONS CONTRACT

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. Beginning in January 2015, the contractor paid \$500 a month to the Authority, for a total of \$3,000 for the fiscal year ended June 30, 2015. In addition to paying the Authority, the contractor receives from the Authority 10% of all amounts received by the Authority for hanger and related occupancy costs. In addition, the Authority pays the contractor amounts in excess of \$200 for monthly repairs and maintenance supplies. The total paid by the Authority to the contractor was \$12,168 for fixed-base operations and \$285 for supplies for the fiscal year ended June 30, 2015.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

During the fiscal year ended June 30, 2015, the Authority has been awarded grants from the State of Tennessee, including certain Federal pass-through grants, with required local matching funds and other stipulations requiring complying with grant terms. These grants are for various runway, line of sight and airport maintenance and improvements which are on-going.

At June 30, 2015, the Authority had uncompleted construction contracts related to line of sight projects. The remaining commitment on these construction contracts was approximately \$9,576,518.

The Authority was a defendant in legal proceedings where certain claims have been adjudicated against the Authority. The amount of the claim and related charges incurred by the Authority was \$781,574, which was unpaid as of June 30, 2015. The Authority's attorney stated that the plaintiff is attempting to collect this amount through garnishments. The unpaid claim and related charges have been recorded as a settlement liability in the statement of net position and in the general fund.

NOTE 10 - 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/personnel; 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 for the fiscal years ended June 30, 2015, June 30, 2014, and June 30, 2013.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 - 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 available appropriations.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Authority received appropriations of \$30,380 from the Town of Greeneville and \$0 from Greene County for the fiscal year ended June 30, 2015.

NOTE 13 - GOING CONCERN

As indicated in the accompanying financial statements, the Authority incurred a net decrease in fund balance (deficit) of \$519,053 during the fiscal year ended June 30, 2015, for an ending unassigned fund deficit of \$614,768. While the ending government-wide net position increased \$1,274,474 at June 30, 2015, much of these funds are dedicated to capital assets and not available for on-going operations, thus the unrestricted net deficit increased \$42,773 for a total unrestricted net deficit of \$53,614 at June 30, 2015. Also at June 30, 2015, the Authority's current (fund) liabilities and deferred inflows of resources exceeded its current assets by \$614,768. Those factors, as well as the uncertain conditions that the Authority faces regarding commitments and contingencies including a significant judgment against the Authority (as discussed in Note 9), create an uncertainty about the Authority's ability to continue as a going concern. The Board of the Authority is developing a plan, including the following:

- The Authority will operate from a defined budget as suggested.
- The Authority increased T-hanger and fuel flow rates effective September 2015 (fiscal year 2016).
- Additionally, the Authority is in the process of contracting local corporations who use the airport but do not often buy fuel or have aircraft based there; the communication is in an effort to raise additional capital for the ongoing and future planned projects at the airport. The goal is to raise \$150,000 in private funding.

The ability of the Authority to continue as a going concern is dependent on the Authority's realistic development of and effort toward the plan, acceptance of the plan by the Town and County, and the plan's overall success. The financial statements do not include any adjustments that might be necessary if the Authority is unable to continue as a going concern.

SECTION II
SUPPLEMENTARY INFORMATION

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

CFDA	Program Name	State Grant Number	Grantor Agency	Balance June 30, 2014	Cash Receipts	Expenditures	Balance June 30, 2015
20.106	Airport Improvement Program	30-555-0145- 04, 3-47-SBGP- 46	Department of Transportation - Federal Aviation Administration (FAA)	\$ -	217,280	(418,916)	(201,636) *

* 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, 2015

Program Name	State Grant Number	Grantor Agency	Balance June 30, 2014	Cash Receipts	Expenditures	Balance June 30, 2015
Engineering Phase I Runway Relocation and Land Acquisition	TAD 30-555-0735-04, Z-09-21-3936-00	State of Tennessee Department of Transportation - Aeronautics	\$ 467,890	-	(346,173)	121,717 **
Phase IV - Runway Relocation and Land Acquisitions	30-555-0746-04, AERO-14-155-00	State of Tennessee Department of Transportation - Aeronautics	(96,652)	213,973	(136,127)	(18,806) *
Airport Maintenance Program	30-555-1521-04, AERM-15-121-00	State of Tennessee Department of Transportation - Aeronautics	-	-	(19,800)	(19,800) *
Phase I Land Acquisition and Relocation	30-555-0737-04-04, AERO-10-161-00	State of Tennessee Department of Transportation - Aeronautics	(41,600)	41,600	-	-
Phase I Runway Relocation and Land Acquisition	30-555-0734-04-04, AERO-10-160-00	State of Tennessee Department of Transportation - Aeronautics	(1,742)	1,742	-	-
Runway and Taxiway 5 Improvements	30-555-0145-04 , GG- 14-41631-01	State of Tennessee Department of Transportation - Aeronautics	-	117,642	(238,455)	(120,813) *
Airport Road Relocation - Phase IV	30-555-0744-04, AERO-14-156-00	State of Tennessee Department of Transportation - Aeronautics	-	371,035	(900,722)	(529,687) *
			<u>\$ 327,896</u>	<u>745,992</u>	<u>(1,641,277)</u>	<u>(567,389)</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
For the Fiscal Year Ended June 30, 2015

Name and Title of Official

Jant Malone, Chair of Board

Walter Johnson, Secretary

John Carter, Assistant Chair

Ted Hensley

Timer White

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, Todd Smith is the City Administrator, and Carolyn Susong is the Town Recorder and CMFO Designee; they are covered by TML insurance coverage as indicated below.

The Town's 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, 2015, 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 17, 2015.

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. 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 2014-002, 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 entity'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 entity'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 17, 2015

**GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
SCHEDULE OF DISPOSITION OF PRIOR FISCAL YEAR FINDINGS
For the Fiscal Year Ended June 30, 2015**

Financial Statement Findings

Finding Number	Finding Title	Status
2012-001	Grant Reporting	Not implemented for fiscal year 2015; Repeated in fiscal years 2015, 2014 and 2013.
2012-002	Purchasing Procedures	Not implemented for fiscal year 2015; Repeated in fiscal years 2015, 2014 and 2013.
2008-001	Agreement	Not implemented for fiscal year 2015; Repeated in fiscal years 2015, 2014, 2013, 2012, 2011, 2010, 2009, and 2008.
2014-001	Supporting Documentation	Implemented for fiscal year 2015.
2014-002	Going Concern and Deficit	Not implemented for fiscal year 2015; Repeated in fiscal years 2015 and 2014.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2015

PRIOR FISCAL YEAR FINDINGS NOT IMPLEMENTED

2014-002: Significant Deficiency - Going Concern and Deficit

Condition and Context: As indicated in the basic financial statements, the Authority incurred a net decrease in fund balance (deficit) of \$519,053 during the fiscal year ended June 30, 2015, for an ending unassigned fund deficit of \$614,768. Likewise, the ending government-wide unrestricted net deficit decreased \$42,773 for a total deficit of \$53,614 at June 30, 2015. Also at June 30, 2015, the Authority's current liabilities and deferred inflows of resources exceeded its current assets by \$614,768. Included in the current liabilities is approximately \$781,574 payable to a construction contractor stemming from a court settlement. Interest is accruing on the settlement amount at the rate of 5.25%, so the liability could increase if not paid timely.

Criteria and Cause: A procedure should be in place to ensure sufficient local funds are available to match the grants before the Authority accepts the grants. In addition, an achievable plan should be developed and implemented by the Authority to restore its unrestricted net position (deficit) and unassigned fund balance (deficit) to positive balances.

Effect: The factors summarized from the basic financial statements, as well as commitments and contingencies, create an uncertainty about the Authority's ability to continue as a going concern.

Recommendation: We recommend that the management and Board of the Authority develop a plan to restore its unrestricted net position (deficit) and unassigned fund balance (deficit) to positive balances through means such as reducing its liabilities through sales of assets, charging of landing fees, and/or raising capital or local funding. The ability of the Authority to continue as a going concern is dependent on the Authority's realistic development of and effort toward the plan, acceptance of the plan by the Town of Greeneville, Tennessee (the Town) and Greene County, Tennessee (the County), and the plan's overall success.

Fiscal Agent's Response: Management agrees with the recommendation. Increases in fuel flow tax and t-hangar lease rates went into effect after fiscal year-end on September 1, 2015. Greene County reinstated its governmental appropriation in the amount of \$30,380 for fiscal year 2016. This appropriation to the Airport had been cut for fiscal years 2014 and 2015. Additionally, the Airport Authority is currently exploring methods for generating additional revenues by providing new and/or improved services to businesses and individuals utilizing the Airport. Management is closely monitoring the cash balance and overall financial position of the Airport Authority with monthly financial reports that are shared with the Town of Greeneville and Greene County.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2015

PRIOR FISCAL YEAR FINDINGS NOT IMPLEMENTED

2012-001: Significant Deficiency - Grant Reporting (Repeated and updated in fiscal years 2015, 2014 and 2013)

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. Approximately \$193,000 current year expenditures were delayed in submitting to the State for reimbursement. In addition, a prior fiscal year expenditure was reported to the State for reimbursement after the grant period had expired; this extreme delay in reporting resulted in a significant delay in reimbursement of approximately \$42,000, which was received during the current fiscal year.

Criteria and Cause: A procedure should be in place to allow for timely reimbursement from funding sources, and could help prevent late fees or penalties being assessed by the vendor for late payment and/or funds being withheld from the State or funding sources. Calculations and grant numbers should be checked on reimbursement requests sent to the State. Also, full documentation of all grant agreements and reimbursement requests should be submitted to the Town for bookkeeping.

Effect: The effect of this deficiency creates a delay in properly posting reimbursement requests and/or accounting for grants properly. In addition, certain allowable costs may not be reimbursed due to time-sensitive contract terms, thus forfeiting potential revenue sources. The effect of this deficiency could result in late fees or penalties being assessed by the vendor for late payment and/or funds being withheld from the State or funding sources. Also, this deficiency can affect current cash flow.

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 and grant numbers should be reviewed prior to submitting for reimbursement to the State. In instances in which final reimbursement is not timely received, we recommend follow-up inquiries 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. Also, a procedure should be in place to allow for timely closings and purchases, especially when funded with grant monies in order to ensure all funds expended and submitted for reimbursement will be reimbursed.

Fiscal Agent's Response: Management agrees with the recommendation and will continue 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. We will monitor the status of reimbursement requests and follow up with TDOT in the event that funds are not received as expected. Additionally, we will endeavor to review and improve property purchasing procedures in order to expedite the closing process and ensure the timely submittal of grant reimbursement requests.

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2015

PRIOR FISCAL YEAR FINDINGS NOT IMPLEMENTED (CONTINUED)

2012-002: Significant Deficiency - Purchasing Procedures (Repeated and updated in fiscal years 2015, 2014 and 2013)

Condition and Context: During our audit, we noted that one invoice, which totaled approximately \$54,000, was not being submitted to the Town and paid in a timely fashion.

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 the invoices can be paid timely. A properly operating procedure would also allow for timely reimbursement from funding sources.

Effect: The effect of this deficiency could result in late fees or penalties being assessed by the vendor for late payment and/or funds being withheld from the State or funding sources. Also, cash flow is affected by this deficiency. The effect also results in not following proper purchasing procedures.

Recommendation: A procedure should be in place to timely submit invoices and related supporting documentation to Town Hall for proper processing. Also, a procedure should be in place to allow for timely closings and purchases, especially when funded with grant monies in order to ensure all funds expended and submitted for reimbursement will be reimbursed. Purchases, including contracted services, in excess of the bid threshold, should be supported with proper bid documentation and contracts.

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

GREENEVILLE - GREENE COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2015

PRIOR FISCAL YEAR FINDINGS NOT IMPLEMENTED (CONTINUED)

2008-001: Significant Deficiency - Agreement (Repeated in fiscal years 2015, 2014, 2013, 2012, 2011, 2010, and 2009)

Condition and Context: During our audit procedures, we noted there was no formal, written agreement between the Authority, Greene County (the County), and the Town of Greeneville (the Town) indicating each entity's responsibilities as part of the joint venture, including detailing the responsibilities of the Town who acts as the Authority's fiscal agent.

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 and the County should be developed by the Authority. This agreement is especially important given the going concern comment reported.

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

Recommendation: We recommend a formal agreement be signed by the three parties that would detail each party's responsibilities and obligations as part of the joint venture.

Fiscal Agent's Response: Management agrees with the recommendation. As the fiscal agent, the Town of Greeneville works closely with, and frequently communicates with the Airport Authority. The Airport Authority will continue to work with the Town of Greeneville and Greene County in the development of a detailed, written joint venture agreement in order to specify the responsibilities of each entity.