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NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY

AUDITED FINANCIAL STATEMENTS

June 30, 2008

RECEIVED

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COUNTY AUDIT

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Northwest Tennessee Regional Port Authority

We have audited the accompanying financial statements of Northwest Tennessee Regional Port Authority (the Port Authority), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

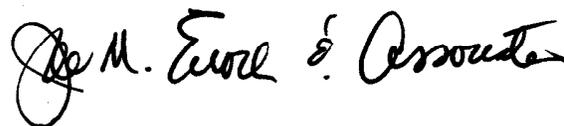
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port Authority as of June 30, 2008, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 5, 2008 on our consideration of the Port 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules of federal and state financial assistance and debt service requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Port Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Dyersburg, Tennessee
December 5, 2008



NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year 2008

The Northwest Tennessee Regional Port Authority (NTRPA) is a regional public authority, chartered with the State of Tennessee by the counties of Lake, Dyer, and Obion. NTRPA is governed by an eight person board, consisting of (4) members appointed by the legislative bodies of Lake County, (2) members appointed by the legislative bodies of Dyer County, and (2) members appointed by legislative bodies of Obion County. Its purpose is to administrate the financial and developmental needs of the Cates Landing port and industrial park.

This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of NTRPA's financial activity, (c) identify any financial concerns. The Management Discussion and Analysis (MD&A) focuses primarily on the business activities for the fiscal year ending June 30, 2008. A condensed format of the Statement of Net Assets as well as the Statement of Revenues, Expenses, and Changes in Net Assets is included in the MD&A for reference purposes. The MD&A should be read in conjunction with the full comprehensive NTRPA financial statements.

Background

Lake County, Dyer County, and Obion County lacked the necessary infrastructure to attract industry to their economically depressed areas. To create jobs in this region, county officials focused on the proximity of the Mississippi River. After years of strategic planning, the leaders purposed the development, construction, and operation of a port on the Mississippi River in Lake County. The port and industrial park are expected to be an economic development tool to attract business and industry to the three-county region. To that extent, the Northwest Tennessee Regional Port Authority was created. After site selection, a Master Plan and Engineering Study were completed, and land acquisitions for the harbor and port/industrial park were started. A small amount of private donations were used to initiate beginning operations for the NTRPA.

Statement of Net Assets

NTRPA has current assets of cash in the amount of \$330,689. Of that amount, \$53,618 is in the general fund, \$150,698 set aside for Labor & Operations, and \$125,000 set aside for expenses to be incurred during land restoration of the mitigation land. Lake County is refunding the legal fees associated with the industrial park and half of the legal cost incurred due to land owner lawsuits. The \$9,432 in accounts receivable reflects the legal fees being refunded by Lake County but not received as of June 30. There were no additional land acquisitions during the current fiscal year. The cost of on-going engineering and legal work will be designated to specific capital assets upon completion of the projects and is reflected in Construction in Progress. The current year Construction in Progress also contains \$3,612,000 paid to the Corps of Engineers to be distributed for the dredge work contract as harbor work begins this fall. Current Liabilities include \$13,614 in legal services used during the month of June 2008 but not paid as of the end of the fiscal year. The accrued interest payable reflects the interest payment to be paid on the \$2.2 million bond issue by the Port Authority and guaranteed by the county governments of Lake, Dyer and Obion counties. Interest payments will be made by the counties and repaid by the Port Authority when it is operational and

— generating the appropriate revenues. Notes payable for the current year has increased by \$514,000 as a result of a loan from First Citizens Bank in anticipation of receiving further operational grants. The \$89,525 in the County Bond Interest re-pay is for the bond interest payments that were due during the fiscal year and paid by Lake, Dyer, and Obion counties.

— Net assets represent the difference between assets and liabilities. The increase in Net Assets reflects the net income of the fiscal year. Net Assets contain the amount invested in Capital Assets minus the related debt, plus the amount of Restricted Net Assets, and plus the amount of Unrestricted Net Assets.

Statement of Net Assets
June 30, 2008 (Condensed)

	<u>Assets</u>	2008	2007
<u>Current Assets</u>			
Cash in Bank	\$	330,689	\$ 1,484,414
Accounts Receivable	\$	9,423	\$ -
Unamortized Debt Expense	\$	13,500	\$ 17,100
		353,612	1,501,514
<u>Capital Assets</u>			
Land	\$	1,771,694	\$ 1,769,151
Construction in Progress		4,989,420	1,206,713
		6,761,114	2,975,864
Total Assets		\$ 7,114,726	\$ 4,477,378
<u>Liabilities & Net Assets</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$	13,614	\$ 34,991
Accrued Interest Payable		22,825	25,014
		36,439	60,005
<u>Long-term Liabilities</u>			
Notes Payable	\$	924,000	\$ 410,000
County Bond Interest re-pay		89,525	
Bonds Payable		2,200,000	2,200,000
Less: Bond discount		(14,767)	(18,705)
		3,198,758	2,591,295
Total Liabilities	\$	3,235,196	\$ 2,651,300
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	\$	3,575,857	\$ 401,669
Unrestricted Net Assets		303,673	1,424,409
		3,879,530	1,826,078
Total Liabilities & Net Assets	\$	7,114,726	4,477,378

Statement of Revenues, Expenses, and Changes in Net Assets

— NTRPA currently operates without producing Operating Revenue. During the previous year the board entered into a Management Contract arrangement with Maurice Owen to oversee the

— continuing development, marketing, and start-up operations of the port. Maurice is currently employed by Associated Terminals, LLC a company that provides port operations at multiple ports on the Mississippi, and will continue to provide his services through them. NTRPA also engaged the services of Prime Financial to help provide marketing assistance during the current year. These arrangements were terminated in October 2008. Other operational expenses continue to be limited to insurance, professional administrative assistance, and association membership dues. Grant revenue consist of funds from state and federal grants that were issued to the NWTRPA. In fiscal 2008, NWTRPA received developmental grants of \$56,216 and \$2,121,099. Other contributed funds consist of the repayment of legal fees for work on the Industrial Park from Lake County. The \$15,762 of interest was earned on the funds deposited.

Statement of Revenues, Expenses, and Changes in Net Assets

June 30, 2008 (Condensed)

<u>Operating Revenue</u>	2008	2007
Operating Income	0	0
Total Operating Revenue	0	0
<u>Operating Expenses</u>		
Operational Expenses	\$ 165,755	\$ 50,452
Total Expenditures	\$ 165,755	\$ 50,452
Non-operating Revenues and (Expenses)		
Grant Revenue	\$ 2,177,316	\$ 383,901
Other contributed funds	26,129	214,346
Intererst Earned on Deposits	15,762	33,053
Amortization of Debt Expense/Bonds	-	33,053
Total Non-operating Revenue	\$ 2,219,207	\$ 631,300
Increase (Decrease) in Net Assets	\$ 2,053,452	\$ 580,848
Net Assets - Beginning	\$ 1,826,078	\$ 1,245,230
Net Assets - Ending	<u>\$ 3,879,530</u>	<u>\$ 1,826,078</u>

Operational Highlights

— The dredge arrived at the harbor in October 2008 and the work building the harbor is scheduled to be completed by January 2009. NTRPA is working with First Citizens National Bank of Dyersburg and First State Bank of Union City to borrow the necessary funds to build the dock facilities and make the port operational. The current plan is to have the port operational by late fall 2009.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2008

ASSETS

<u>Current Assets</u>		
Cash in bank	\$ 330,689	
Reimbursement due from Lake County	9,423	
Total Current Assets		\$ 340,112
 <u>Capital Assets</u>		
Land	1,771,694	
Construction in progress	4,989,420	
Net capital assets		6,761,114
 <u>Other Assets</u>		
Unamortized debt expense		13,500
TOTAL ASSETS		<u>\$ 7,114,726</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts payable	\$ 13,614	
Accrued interest payable	22,825	
Total Current Liabilities		\$ 36,439
 <u>Long-term Liabilities</u>		
Notes payable	924,000	
Due to county governments	89,525	
Bonds payable	2,200,000	
Less: Bond discount	(14,768)	
Total Long-term Liabilities		3,198,757
TOTAL LIABILITIES		<u>\$ 3,235,196</u>
 <u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt		3,575,857
Unrestricted Net Assets		303,673
TOTAL NET ASSETS		<u>3,879,530</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 7,114,726</u>

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ending June 30, 2008

<u>Operating Expenses</u>	
Administrative expenses	\$ 124,432
General insurance	10,000
Conference & Meetings	275
Miscellaneous expenses	740
Professional Services	22,770
Amortization expense	7,538
Total Operating Expenses	<u>165,755</u>
Net Operating Income (Loss)	<u>(165,755)</u>
<u>Nonoperating Revenue</u>	
Grant revenue - state funds	2,177,316
Other contributed funds	26,129
Interest earned on deposits	15,762
Total Nonoperating Revenue	<u>2,219,207</u>
Increase (Decrease) in Net Assets	2,053,452
Net Assets - Beginning	<u>1,826,078</u>
Net Assets - Ending	<u>\$ 3,879,530</u>

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ending June 30, 2008

<u>Cash Flows From Operating Activities</u>	
Payments to suppliers	\$ (162,617)
Net cash provided (used) by operating activities	<u>(162,617)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Purchases of capital assets	(3,714,892)
Proceeds from capital debt	514,000
Grants and contributions received	2,194,022
Net cash provided (used) by capital and related financing activities	<u>(1,006,870)</u>
<u>Cash Flows From Investing Activities</u>	
Interest received on deposits	15,762
Net cash provided (used) by investing activities	<u>15,762</u>
Net increase (decrease) in cash and cash equivalents	(1,153,725)
Balances - beginning of year	<u>1,484,414</u>
Balances - end of the year	<u>\$ 330,689</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided (Used) by Operating Activities</u>	
Operating income (loss)	\$ (165,755)
Adjustments to reconcile operating income to net cash provided	
by operating activities:	
Amortization expense	7,538
Changes in assets and liabilities:	
Accounts payable	(4,400)
Net cash provided (used) by operating activities	<u>\$ (162,617)</u>
<u>Noncash investing, capital and financing activities:</u>	
Purchase of capital assets on account	\$ 13,614
Capitalized interest, accrued	22,825

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note A - Significant Accounting Policies

Reporting Entity

The Northwest Tennessee Regional Port Authority (the Port Authority) was organized as a joint venture by the duly elected and constituted Legislative Bodies of Lake, Dyer and Obion Counties to construct and operate the port and harbor facilities at Cates Landing in northern Lake County. The Port Authority is a single entity and not a component of any other governmental unit. The Executive Officer of each county appoints its representatives to serve on the Port Authority's Board of Commissioners. The Board of Commissioners is made up of four representatives from Lake County and two each from Dyer and Obion County. The Board is responsible for the operation and management of the Port Authority. There are no other agencies or entities under the authority of the Board.

Basis of Accounting

The Port Authority maintains its books and records on a full accrual basis. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when they are incurred. The Port Authority's operations are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Port Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services with the Port Authority's principal ongoing operations. During the year ending June 30, 2008 the Port Authority was arranging for the financing of the project, gathering information on the feasibility and construction of the facilities and acquiring land. When the Port Authority is operational the principal operating revenues will be generated through user fees and lease agreements. Operating expenses will include administrative expenses, insurance and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Port Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Although the Port Authority has the option to apply FASB pronouncements issued after that date, it has chosen not to do so.

Cash and Cash Equivalents

The Port Authority considers all temporary cash investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

State statutes authorize the Port Authority to invest in certificates of deposit at state and federal chartered banks, obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

Note A - Significant Accounting Policies (Continued)

Capital Assets

The Port Authority is currently in the early stages of organization which consists principally of the acquisition of land and the preparation of the harbor for construction. As capital assets are placed in service the Port Authority will depreciate the assets on the straight-line basis over the estimated useful life of the asset acquired. The assets are categorized as follows:

<u>Asset</u>	<u>Depreciable Life</u>
Office Furniture and Fixtures	10
Buildings	40
Equipment and Tools	10
Transportation Equipment	5

Capital assets include a \$3,612,000 payment to the Corp of Engineers to be disbursed for the dredging of the port harbor and other capital expenditures.

Construction period interest, if applicable, is capitalized into the cost of appropriate fixed assets and then shown as a part of the carrying value of the utility plant. During the year ended June 30, 2008, the Port Authority incurred \$112,350 in construction period interest.

Estimates

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

Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

Note B – Economic Dependency

The Northwest Tennessee Regional Port Authority was organized to construct and operate the port and harbor facilities at Cates Landing in northern Lake County, Tennessee. The entity has relied on grants and other governmental contributions to provide the funds necessary to acquire land and perform preliminary activities for the construction of the project. The Port Authority expects the State of Tennessee to guarantee the debt financing.

The facility's future success will depend on its ability to attract industry to its neighboring industrial park and the services provided to river traffic in northern Lake County, Tennessee.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

Note C - Insured Deposits

The Port Authority is mandated by law to require that the financial institutions in which it maintains deposits to pledge securities to insure deposits over \$100,000. At June 30, 2008 the Port Authority's carrying amount of deposits was \$330,689 and the bank balance was \$342,126. Of the bank balance, \$100,000 was covered by federal depository insurance and \$242,126 was covered through the State of Tennessee Bank Collateral Pool.

Note D - Risk Management

The Port Authority manages the various types of risk through the use of commercial insurance. The Port Authority insures against the risk of loss of property and misappropriation of funds. There were no settlements in excess of insurance coverage in any of the past three years.

Note E - Net Working Capital

The net working capital of the Port Authority was \$303,673 at June 30, 2008.

Note F - Schedule of Utility Plant

The following is a schedule of Northwest Tennessee Regional Port Authority's capital assets at June 30, 2008.

	<u>Balance 6/30/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/08</u>
Capital assets, not being depreciated				
Land and land rights	\$ 1,769,151	\$ 2,543	\$ -	\$ 1,771,694
Construction in progress	1,206,713	3,782,707		4,989,420
Total assets, not being depreciated	<u>2,975,864</u>	<u>3,785,250</u>	<u>-</u>	<u>6,761,114</u>
Total capital assets, net	<u>\$ 2,975,864</u>	<u>\$ 3,785,250</u>	<u>\$ -</u>	<u>\$ 6,761,114</u>

Note G - Contributed Funds

As reflected on the Statement of Revenues, Expenses and Changes in Net Assets, the Port Authority revenue at this stage is principally from state grants and other contributions. State grants are detailed in the supplemental schedule of federal and state financial assistance. The other contributors are listed below:

Lake County	\$ 20,925
Other	5,204
Total Contributions	<u>\$ 26,129</u>

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

Note H – Long-Term Debt

During the year ending June 30, 2007 the Board of Commissioners authorized the issuance of the Port Authority Revenue and Tax Notes, Series 2007 for \$2,200,000. The bonds are for the purpose of land acquisition and capital improvements of the port. The bonds carry an interest rate of 4.15% and mature March 15, 2012.

During the year ending June 30, 2007 the Port Authority borrowed \$410,000 from the Gibson Electric Membership Corporation for economic development associated with the port. The loan is a non interest bearing loan to be repaid in ninety-six monthly installments of \$4,271 beginning April 5, 2009.

During the year ending June 30, 2008 the Port Authority borrowed \$514,000 from the First Citizens National Bank. The loan is matures on June 13, 2009 and bears interest at 3.75%.

The following is a summary of long-term debt transactions for the year ended June 30, 2008:

	Balance 6/30/07	Borrowings	Retirements	Balance 6/30/08
Revenue and tax notes	\$ 2,200,000	\$ -	\$ -	\$ 2,200,000
Notes payable	410,000	514,000		924,000
	<u>\$ 2,610,000</u>	<u>\$ 514,000</u>	<u>\$ -</u>	<u>\$ 3,124,000</u>

Principal and interest maturities for the next five years and thereafter are summarized as follows:

For Year(s) Ending June 30	Principle	Interest	Total
2009	\$ 526,812	\$ 110,575	\$ 637,387
2010	51,250	91,300	142,550
2011	51,250	91,300	142,550
2012	2,251,250	91,300	2,342,550
2013	51,250	-	51,250
2014-2018	192,188	-	192,188
	<u>\$ 3,124,000</u>	<u>\$ 384,475</u>	<u>\$ 3,508,475</u>

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

Note I - Fair Value of Financial Instruments

As discussed in the previous note, the Port Authority borrowed \$410,000 from Gibson Electric Membership Corporation with a no interest loan. The estimated fair value of the note based on an imputed interest rate of 4.15% is as follows:

	<u>June 30, 2008</u>	
	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Long-term debt	<u>\$ 410,000</u>	<u>\$ 321,785</u>

Note J - Litigation

In a lawsuit filed with the United States District Court for Western Tennessee, Mrs. Anne Jonas seeks the review of the administrative record compiled by the United States Corps of Engineers in connection with the environmental assessment of the project involving the construction of the Port's harbor. Mrs. Jonas also seeks an injunction to bar all further activities of the U.S. Corps of Engineers, the County of Lake and the Northwest Tennessee Regional Port Authority in connection with the construction and development of the Regional Port Authority. The Defendants named in the action are the Secretary of the Army, the U.S. Corps of Engineers, the Mayor of Lake County and the Chairman of the Northwest Tennessee Regional Port Authority. As of the date of the audit report, the administrative record has been produced by the Corps of Engineers and Plaintiff's counsel is in the process of reviewing it. Under the Scheduling Order entered by the Court, deadlines for the dispositive motions by all parties are scheduled throughout the first quarter of 2009 such that, absent unforeseen delays, the case should be positioned for review by the Court in May, 2009. A Motion to Dismiss of the local defendants was filed July 21, 2008.

Inasmuch as the Corps of Engineers' project has begun and is expected to be completed in January, 2009, it appears unlikely that any injunction will be issued by the Court to halt the project's progress. It is the position of all the Defendants that the environmental assessment performed by the Corps of Engineers was correctly undertaken and performed in accordance with all applicable laws, rules and regulations; and that the Plaintiff's allegation of deficiencies in the assessment are without merit under the law and the facts. While no assurance of a favorable outcome can be predicted with certainty, the Port Authority is hopeful and reasonably confident that it will be dismissed from the suit without liability in any amount to the Plaintiff.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
For the Year Ending June 30, 2008

<u>Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>(Accrued) Deferred June 30, 2007</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>(Accrued) Deferred June 30, 2008</u>
<u>State Awards</u>						
Department of Economic and Community Development	N/A	GG-0712917	\$ -	\$ 2,121,099	\$ 2,121,099	\$ -
Department of Economic and Community Development	N/A	GG-0612268	\$ -	56,217	56,217	-
				<u>\$ 2,177,316</u>	<u>\$ 2,177,316</u>	

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2008

Port Authority Revenue and Tax Notes, Series 2007

<u>Due For Year Ending June 30</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
2009	\$ 2,200,000	\$ -	\$ 91,300	\$ 91,300
2010	2,200,000	-	91,300	91,300
2011	2,200,000	-	91,300	91,300
2012	2,200,000	2,200,000	91,300	2,291,300
		<u>\$ 2,200,000</u>	<u>\$ 365,200</u>	<u>\$ 2,565,200</u>

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2008

Note Payable - Gibson Electric Membership Corporation

<u>Due For Year Ending June 30</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
2009	\$ 410,000	\$ 12,812	\$ -	\$ 12,812
2010	397,188	51,250	-	51,250
2011	345,938	51,250	-	51,250
2012	294,688	51,250	-	51,250
2013	243,438	51,250	-	51,250
2014	192,188	51,250	-	51,250
2015	140,938	51,250	-	51,250
2016	89,688	51,250	-	51,250
2017	38,438	38,438	-	38,438
		<u>\$ 410,000</u>	<u>\$ -</u>	<u>\$ 410,000</u>

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2008

Note Payable - First Citizens National Bank

<u>Due For Year Ending June 30</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
2009	\$ 514,000	\$ 514,000	\$ 19,275	\$ 533,275
		<u>\$ 514,000</u>	<u>\$ 19,275</u>	<u>\$ 533,275</u>

See accompanying notes and accountant's report.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Northwest Tennessee Regional Port Authority

We have audited the financial statements of Northwest Tennessee Regional Port Authority (the Port Authority), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Port Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Port Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Port Authority's financial statements that is more than inconsequential will not be prevented or detected by the Port Authority's internal control. We consider the deficiency described in the accompanying schedule of findings, recommendations and response as item 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Port Authority's internal control.

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that all the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Port Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings, recommendations and responses. We did not audit the Port Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Dyersburg, Tennessee
December 5, 2008

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
June 30, 2008

Segregation of Duties

Finding 2008-1

The Port Authority is in the initial planning and pre-construction phase of this project. The books and records are being maintained by the Chairman of the Board and therefore segregation of duties is not in place.

Recommendation

We recommend that the Port Authority make efforts to improve internal control, including oversight and review by the Board of Commissioners to mitigate the lack of controls.

Management Response

Management believes that the cost of hiring the personnel necessary to adequately segregate the accounting functions would exceed the benefits derived. However, management will take the appropriate steps to improve the system of internal control whenever it is feasible.