NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY

AUDITED FINANCIAL STATEMENTS

June 30, 2010

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, 2010, 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, 2010, 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 November 5, 2010, 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.

Joe M. Enoch & Associates

Dyersburg, Tennessee
November 5, 2010

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NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year 2010

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, 2010. 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 proposed 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 $228,860. Current assets for fiscal year 2010 are almost 50% less than the previous year due to the on going engineering and grant application expenditures. The cost of on-going engineering and legal work will be designated to specific capital assets upon completion of the projects and continues to be reflected in Construction in Progress. The current year Construction in Progress has increased due to the on-going engineering work. Current liabilities include $2,500 in consulting services used during the month of June 2010 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. The accrued interest payable is less than the previous year due to the $550,000 pre-payment by Obion County on the principle of the bond issue. NTRPA also made payments on its loan from First Citizens National Bank which reduced the Notes Payable for the current year. The remaining balance of the Gibson EMC loan is listed in Notes Payable under Long-term Liabilities. The County Bond Interest and Loan re-pay has

increased this year by the amount of bond interest that was due during the fiscal year and paid by Lake, Dyer, and Obion counties and will later be re-paid by NTRPA.

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, 2010 (Condensed)

Assets	2010	2009
Current Assets		
Cash in Bank	$ 228,860	$ 473,824
Accounts Receivable	-	42,384
	228,860	516,208
Capital Assets		
Land	1,773,375	1,773,375
Construction in Progress	5,458,255	5,164,998
	7,231,630	6,938,373
Other Assets		
Unamortized Debt Expense	6,300	9,900
Total Assets	**$ 7,466,790**	**$ 7,464,481**
Liabilities & Net Assets		
Current Liabilities		
Accounts Payable	$ 2,500	$ 93,481
Accrued Interest Payable	20,399	27,124
Notes Payable - current	177,051	301,335
	199,950	421,940
Long-term Liabilities		
Notes Payable	290,417	341,667
County Bond Interest & Loan re-pay	331,665	193,637
Bonds Payable	1,650,000	2,200,000
Less: Bond discount	(6,892)	(10,830)
	2,265,190	2,724,474
Total Liabilities	2,465,140	3,146,414
Net Assets		
Invested in Capital Assets, Net of Related Debt	4,795,689	3,922,464
Unrestricted Net Assets	205,961	395,603
	5,001,650	4,318,067
Total Liabilities & Net Assets	**$ 7,466,790**	**$ 7,464,481**

Statement of Revenues, Expenses, and Changes in Net Assets

NTRPA currently operates without producing Operating Revenue. During the previous years the board entered into a Management Contract arrangement with Maurice Owen to oversee the continuing development, marketing, and start-up operations of the port. This arrangement

ended as of September 2009. This is reflected in the reduction of operational expenses for the current year. Other operational expenses continue to be limited to insurance, professional administrative assistance, and association membership dues. Grant revenue consists of funds from state and federal grants that were issued to the NTRPA. In fiscal 2010, NTRPA received developmental grants totaling $157,501 from the State of Tennessee. The $555,000 in Contributed funds is a prepayment by Obion County, on the principle of the $2.2 million 2007 bond issue. This payment concludes Obion County's obligation for that bond. The $15,614 for Farm land leased reflects the payment made for land owned by NTRPA and continued to be leased back for farm operations at this time. NTRPA had an increase of $683,583 in Net Assets for the year.

Statement of Revenues, Expenses, and Changes in Net Assets
June 30, 2010 (Condensed)

Operating Revenue	2010	2009
Operating Income		
Total Operating Revenue	$ -	$ -
Operating Expenses		
Operational Expenses	47,684	118,740
Total Expenditures	47,684	118,740
Non-operating Revenues and (Expenses)		
Grant Revenue	157,501	552,000
Contributed funds	555,000	2,190
Farm land leased	15,614	
Intererst Earned on Deposits	3,152	3,087
Amortization of Debt Expense/Bonds	-	-
Total Non-operating Revenue	731,267	557,277
Increase (Decrease) in Net Assets	683,583	438,537
Net Assets - Beginning	4,318,067	3,879,530
Net Assets - Ending	$ 5,001,650	$ 4,318,067

Financial and Operational Highlights

During the 2009-2010 fiscal year work continued on the dredging of the harbor while the NTRPA waited on the results of the application for the TIGER grant for continued funding. When it was announced that NTRPA would not receive the TIGER grant the decision was made to re-apply for the TIGER II grant with additional application work and a new economic study to be presented. During this time additional grants from the State of Tennessee DOT funded continued engineering work. Dyer, Lake and Obion counties continued to share in the cost of an operational loan from Gibson EMC and also to make interest payments on the $2.2 million bond issue. John Lannom (Legal representative for the NTRPA) also continued to provide his firms legal work almost completely on a "pro bono" basis. These steps along with the $250,000 loan received in June of 2009 allowed NTRPA to continue operations. These efforts were rewarded with the announcement in October 2010 that NTRPA would be receiving a TIGER II grant from the Federal government for $13 million to help complete the project and bring it into operation. In addition, subsequent to June 30, 2010 NTRPA was awarded a $3 million grant from the State of Tennessee.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2010

ASSETS

Current Assets		
Cash in bank	$ 228,860	
Total Current Assets		$ 228,860
Capital Assets		
Land	1,773,375	
Construction in progress	5,458,255	
Net capital assets		7,231,630
Other Assets		
Unamortized debt expense		6,300
TOTAL ASSETS		$ 7,466,790

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	$ 2,500	
Accrued interest payable	20,399	
Notes payable - current	177,051	
Total Current Liabilities		$ 199,950
Long-term Liabilities		
Notes payable	290,417	
Due to county governments	331,665	
Bonds payable	1,650,000	
Less: Bond discount	(6,892)	
Total Long-term Liabilities		2,265,190
TOTAL LIABILITIES		2,465,140
Net Assets		
Invested in Capital Assets, Net of Related Debt		4,795,689
Unrestricted Net Assets		205,961
TOTAL NET ASSETS		5,001,650
TOTAL LIABILITIES AND NET ASSETS		$ 7,466,790

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, 2010

Operating Expenses	
Administrative expenses	$ 22,511
General insurance	10,000
Miscellaneous expenses	100
Professional Services	7,535
Amortization expense	7,538
Total Operating Expenses	47,684
Net Operating Income (Loss)	(47,684)
Nonoperating Revenue	
State grant funds	157,501
Contributed funds - Obion County	550,000
Contributed funds - Other	5,000
Farm land lease	15,614
Interest earned on deposits	3,152
Total Nonoperating Revenue	731,267
Increase (Decrease) in Net Assets	683,583
Net Assets - Beginning	4,318,067
Net Assets - Ending	$ 5,001,650

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ending June 30, 2010

Cash Flows From Operating Activities	
Payments to suppliers	$ (38,258)
Net cash provided (used) by operating activities	(38,258)
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	(392,851)
Reciepts from county governments	142,912
Principal payment on debt	(725,534)
Grants received	195,001
Other contributions and revenue	570,614
Net cash provided (used) by capital and related financing activities	(209,858)
Cash Flows From Investing Activities	
Interest received on deposits	3,152
Net cash provided (used) by investing activities	3,152
Net increase (decrease) in cash and cash equivalents	(244,964)
Balances - beginning of year	473,824
Balances - end of the year	$ 228,860

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	$ (47,684)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Amortization expense	7,538
Changes in assets and liabilities:	
Accounts payable	1,888
Net cash provided (used) by operating activities	$ (38,258)

Noncash investing, capital and financing activities:	
Capitalized interest, accrued	$ 20,399

See accompanying notes and accountant's report.

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, 2010 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.

Note A - Significant Accounting Policies (Continued)

Capital Assets

The Port Authority is currently in the early stages of organization which consists principally of the construction of the harbor. 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:

Asset	Depreciable Life
Office Furniture and Fixtures	10
Buildings	40
Equipment and Tools	10
Transportation Equipment	5

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 capital assets. During the year ended June 30, 2010, the Port Authority incurred $90,716 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.

Events Occurring After Reporting Date

The Port Authority has evaluated events and transactions that occurred between June 30, 2010 and November 5, 2010, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

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.

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 $250,000. At June 30, 2010 the Port Authority's carrying amount of deposits was $228,860 and the bank balance was $228,860. Of the bank balance, the total amount of $228,860 was covered by federal depository insurance.

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 $28,910 at June 30, 2010.

Note F - Schedule of Utility Plant

The following is a schedule of Northwest Tennessee Regional Port Authority's capital assets at June 30, 2010.

	Balance 6/30/09	Increases	Decreases	Balance 6/30/10
Capital assets, not being depreciated				
Land and land rights	$ 1,773,375	$ -	$ -	$ 1,773,375
Construction in progress	5,164,998	293,257		5,458,255
Total assets, not being depreciated	6,938,373	293,257	-	7,231,630
Total capital assets, net	$ 6,938,373	$ 293,257	$ -	$ 7,231,630

Note G – 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, 2010 Obion County paid $550,000 to retire its portion of the debt it guaranteed. The balance at June 30, 2010 was $1,650,000.

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. The balance at June 30, 2010 was $341,667.

During the year ending June 30, 2009 the Port Authority borrowed $250,085 from First Citizens National Bank. The loan matures on June 16, 2011 and bears interest at 3.75%. The balance at June 30, 2010 was $125,801.

The following is a summary of long-term debt transactions for the year ended June 30, 2010:

	Balance 6/30/09	Borrowings	Retirements	Balance 6/30/10
Revenue and tax notes	$ 2,200,000	$ -	$ 550,000	$ 1,650,000
Notes payable	643,002		175,534	467,468
	$ 2,843,002	$ -	$ 725,534	$ 2,117,468

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

For Year(s) Ending June 30	Principle	Interest	Total
2011	$ 177,051	$ 73,193	$ 250,244
2012	1,701,250	68,475	1,769,725
2013	51,250		51,250
2014	51,250		51,250
2015	51,250		51,250
2016-2020	85,417		85,417
	$ 2,117,468	$ 141,668	$ 2,259,136

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:

	June 30, 2010	
	Carrying Amount	Estimated Fair Value
Long-term debt	$ 341,667	$ 298,029

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
For the Year Ending June 30, 2010

Grantor/Pass-Through Grantor	Federal CFDA Number	Contract Number	(Accrued) Deferred June 30, 2009	Cash Receipts	Expenditures	(Accrued) Deferred June 30, 2010
State Awards						
State of Tennessee - Department of Economic and Community Development	N/A	GG-07-12917-00	$ -	$ 157,501	$ 157,501	$ -
				$ 157,501	$ 157,501	

See accompanying notes and accountant's report.

JOE M. ENOCH & ASSOCIATES, PLLC • Certified Public Accountants

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2010

Port Authority Revenue and Tax Notes, Series 2007

Due For Year Ending June 30	Principal Balance	Principal Payment	Interest Payment	Total Payment
2011	$ 1,650,000	$ -	$ 68,475	$ 68,475
2012	1,650,000	1,650,000	68,475	1,718,475
		$ 1,650,000	$ 136,950	$ 1,786,950

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2010

Note Payable - Gibson Electric Membership Corporation

Due For Year Ending June 30	Principal Balance	Principal Payment	Interest Payment	Total Payment
2011	$ 341,667	$ 51,250	$ -	$ 51,250
2012	290,417	51,250	-	51,250
2013	239,167	51,250	-	51,250
2014	187,917	51,250	-	51,250
2015	136,667	51,250	-	51,250
2016	85,417	51,250	-	51,250
2017	34,167	34,167	-	34,167
		$ 341,667	$ -	$ 341,667

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2010

Note Payable - First Citizens National Bank

Due For Year Ending June 30	Principal Balance	Principal Payment	Interest Payment	Total Payment
2011	$ 125,801	$ 125,801	$ 4,718	$ 130,519
		$ 125,801	$ 4,718	$ 130,519

See accompanying notes and accountant's report.

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

Board of 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, 2010, and have issued our report thereon dated November 5, 2010. 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.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the Schedule of Findings, Recommendations and Responses as Finding 2009-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or 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.

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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.

Joe M. Enoch & Associates

Dyersburg, Tennessee
November 5, 2010

Segregation of Duties

Finding 2009-1
The Port Authority is in the initial planning and 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.