

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
AUDITED FINANCIAL STATEMENTS
June 30, 2012

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY

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INTRODUCTORY SECTION

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY

Dyersburg, Tennessee
Year Ended June 30, 2012

LIST OF OFFICIALS

BOARD OF COMMISSIONERS

LAKE COUNTY

Marcia Perkins Mills
Mack Forrester
Tony White
Bubba Tolar

DYER COUNTY

Jimmy Williamson, Chairman
Ralph Henson

OBION COUNTY

Dave Frankum
Richard Arnold

FINANCIAL SECTION

Members

American Institute of Certified Public Accountants
Tennessee Society of Certified Public Accountants
Private Companies Practice Section

CERTIFIED PUBLIC ACCOUNTANTS

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, 2012, 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, 2012, 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 August 15, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port Authority's financial statements as a whole. The introductory section and other supplementary information listed on pages 15 through 16 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying 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 financial statements. The financial statements and the schedule of Federal Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and the other supplementary information on page 16 have 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 them.

Dyersburg, Tennessee
August 15, 2012

A handwritten signature in black ink that reads "Joe M. Enoch & Associates". The signature is written in a cursive, flowing style.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY

MANAGEMENT' S DISCUSSION AND ANALYSIS

Fiscal Year 2012

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, 2012. 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 \$183,533 and lease income receivable of \$339. 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 except for the work on the harbor portion of the build. The building work of the harbor has been completed, and its value is being carried on the book as a non-depreciated fixed asset. The current year Construction in Progress has increased due to the on-going engineering work. Current liabilities include \$35,000 of consulting work performed earlier in the year, but it has not been paid due to the firm has not sent NTRPA the report from the findings. Once the report has been furnished the NTRPA will pay the firm the remaining amount due. NTRPA also paid off its indebtedness due to bonds. The remaining balance of the Gibson EMC loan is listed in Notes Payable under Long-term Liabilities. The amount due to the counties has increased this year due to the county contributing to the NTRPA by making payments on the bonds and notes.

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, 2012 (Condensed)

	<u>Assets</u>	2012	2011
<u>Current Assets</u>			
Cash in Bank		\$ 183,533	\$ 69,742
Lease Income Receivable		339	
Grants Receivable			127,591
		183,872	197,333
<u>Capital Assets</u>			
Land		2,334,041	1,773,375
Fixed Assets		4,998,736	
Construction in Progress		9,094,257	5,902,196
		16,427,034	7,675,571
<u>Other Assets</u>			
Unamortized Debt Expense			2,700
Total Assets		\$ 16,610,906	\$ 7,875,604
<u>Liabilities & Net Assets</u>			
<u>Current Liabilities</u>			
Accounts Payable		\$ 35,000	\$ 127,591
Accrued Interest Payable			20,120
Bonds Payable - current			1,650,000
Notes Payable - current		51,250	51,250
		86,250	1,848,961
<u>Long-term Liabilities</u>			
Notes Payable		187,917	239,167
County Bond Interest & Loan re-pay		2,366,561	449,255
Less: Bond discount			(2,954)
		2,554,478	685,468
Total Liabilities		2,640,728	2,534,429
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt		13,821,306	5,291,553
Unrestricted Net Assets		148,872	49,622
Total Net Assets		13,970,178	5,341,175

Statement of Revenues, Expenses, and Changes in Net Assets

NTRPA currently operates without producing Operating Revenue. 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 2012, NTRPA received developmental grants totaling \$5,599,627 from the State of Tennessee and \$3,094,096 from the Federal government. The \$23,333 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 \$8,629,003 in Net Assets for the year.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

June 30, 2012 (Condensed)

	2012	2011
<u>Operating Revenue</u>		
Operating Income	\$ 23,333	\$ 12,500
Total Operating Revenue	<u>23,333</u>	<u>12,500</u>
<u>Operating Expenses</u>		
Operating Expenses	\$ 90,588	\$ 23,530
Total Operating Expenses	<u>90,588</u>	<u>23,530</u>
<u>Nonoperating Revenue and (Expenses)</u>		
Grant Revenue	8,693,723	339,050
Contributed funds	0	10,000
Interest earned on deposits	2,535	1,505
Total Nonoperating Revenue	<u>8,696,258</u>	<u>350,555</u>
Increase (Decrease) in Net Assets	8,629,003	339,525
Net Assets - Beginning	<u>5,341,175</u>	<u>5,001,650</u>
Net Assets - Ending	<u>\$ 13,970,178</u>	<u>\$ 5,341,175</u>

Financial and Operational Highlights

In October 2010 NTRPA was approved for a TIGER II grant from the Federal government for \$13 million to help complete the project and bring it into operation. In addition, NTRPA was awarded a \$7 million grant from the State of Tennessee. NTRPA was approved for additional grants from the State of Tennessee Department of Transportation. Dyer, Lake and Obion counties continued to share in the cost of an operational loan from Gibson EMC and Dyer and Lake Counties also made interest payments on the \$1.65 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.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS

<u>Current Assets</u>		
Cash in bank	\$ 183,533	
Lease Income Receivable	339	
Total Current Assets		\$ 183,872
 <u>Capital Assets</u>		
Land	2,334,041	
Harbor	4,998,736	
Construction in progress	9,094,257	
Net capital assets		16,427,034
 TOTAL ASSETS		 \$ 16,610,906

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts payable	\$ 35,000	
Notes payable - current	51,250	
Total Current Liabilities		\$ 86,250
 <u>Long-term Liabilities</u>		
Notes payable	187,917	
Due to county governments	2,366,561	
Total Long-term Liabilities		2,554,478
 TOTAL LIABILITIES		 2,640,728
 <u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt		13,821,306
Unrestricted Net Assets		148,872
TOTAL NET ASSETS		13,970,178
 TOTAL LIABILITIES AND NET ASSETS		 \$ 16,610,906

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, 2012

<u>Operating Income</u>	
Farm land lease	\$ 23,333
<u>Operating Expenses</u>	
General insurance	10,000
Supplies	75
Miscellaneous expenses	125
Professional Services	74,735
Amortization expense	5,653
Total Operating Expenses	<u>90,588</u>
Net Operating Income (Loss)	<u>(67,255)</u>
<u>Nonoperating Revenue</u>	
State grant funds	3,094,096
Federal grant funds	5,599,627
Interest earned on deposits	2,535
Total Nonoperating Revenue	<u>8,696,258</u>
Increase (Decrease) in Net Assets	8,629,003
Net Assets - Beginning	<u>5,341,175</u>
Net Assets - Ending	<u><u>\$ 13,970,178</u></u>

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ending June 30, 2012

<u>Cash Flows From Operating Activities</u>	
Receipts from land rental	\$ 23,333
Payments to suppliers	(70,393)
Net cash provided (used) by operating activities	<u>(47,060)</u>
 <u>Cash Flows From Capital and Related Financing Activities</u>	
Purchases of capital assets	(8,751,463)
Receipts from county governments	1,917,306
Principal payment on debt	(1,701,250)
Grants received	8,693,723
Net cash provided (used) by capital and related financing activities	<u>158,316</u>
 <u>Cash Flows From Investing Activities</u>	
Interest received on deposits	2,535
Net cash provided (used) by investing activities	<u>2,535</u>
 Net increase (decrease) in cash and cash equivalents	 113,791
Balances - beginning of year	<u>69,742</u>
Balances - end of the year	<u>\$ 183,533</u>
 <u>Reconciliation of Operating Income (Loss) to Net Cash</u> <u>Provided (Used) by Operating Activities</u>	
Operating income (loss)	\$ (67,255)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Amortization expense	5,654
Changes in assets and liabilities:	
Accounts payable	(92,591)
Accounts receivable	127,252
Accrued Interest	(20,120)
Net cash provided (used) by operating activities	<u>\$ (47,060)</u>
 <u>Noncash investing, capital and financing activities:</u>	
Capitalized interest, accrued	<u>\$ -</u>

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 and serves as the Industrial Board. 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. 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, 2012

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:

<u>Asset</u>	<u>Depreciable Life</u>
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, 2012, the Port Authority incurred \$48,007 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, 2012 and August 15, 2012, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012

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, 2012 the Port Authority's carrying amount of deposits was \$183,533 and the bank balance was \$183,533. Of the bank balance, the total amount of \$183,533 was covered by federal depository insurance. The Port Authority has its bank accounts with a member of the State of Tennessee bank collateral pool to protect itself if its bank accounts exceed the FDIC limits.

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 \$97,622 at June 30, 2012.

Note F - Schedule of Utility Plant

The following is a schedule of Northwest Tennessee Regional Port Authority's capital assets at June 30, 2012.

	<u>Balance</u> <u>6/30/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/12</u>
Capital assets, not being depreciated				
Land and land rights	\$ 1,773,375	\$ 560,666	\$ -	\$ 2,334,041
Harbor	-	4,998,736	-	4,998,736
Construction in progress	5,902,196	8,892,195	5,700,134	9,094,257
Total assets, not being depreciated	<u>7,675,571</u>	<u>14,451,597</u>	<u>5,700,134</u>	<u>16,427,034</u>
Total capital assets, net	<u>\$ 7,675,571</u>	<u>\$ 14,451,597</u>	<u>\$ 5,700,134</u>	<u>\$ 16,427,034</u>

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012

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. During the 2012 fiscal year Lake and Dyer County paid off their portion of the debt which resulted in the retirement of all of the Port Authority Revenue and Tax Notes, Series 2007.

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, 2012 was \$239,167.

The following is a summary of long-term debt transactions for the year ended June 30, 2012:

	Balance 6/30/11	Borrowings	Retirements	Balance 6/30/12
Revenue and tax notes	\$ 1,650,000	\$ -	\$ 1,650,000	\$ -
Notes payable	290,417		51,250	239,167
	<u>\$ 1,940,417</u>	<u>\$ -</u>	<u>\$ 1,701,250</u>	<u>\$ 239,167</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
2013	\$ 51,250		\$ 51,250
2014	51,250		51,250
2015	51,250		51,250
2016	51,250		51,250
2017	34,167		34,167
	<u>\$ 239,167</u>	<u>\$ -</u>	<u>\$ 239,167</u>

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012

Note H – Debt due to Obion, Lake, and Dyer County

A resolution was made at the December, 2011 commissioners meeting regarding the debt owed to Obion, Lake, and Dyer County as a result of each of those counties paying off their share of the Port Authority Revenue and Tax Notes, Series 2007 as discussed in Note G. The resolution stated that the Port Authority will reimburse the counties for bonds issued on the Port Authority's behalf, but will have the discretion as to when they will be repaid. The Port Authority is not obligated to reimburse all three counties at once, but can choose to make partial payments. Flexibility is built into the resolution because the Port Authority cannot say if or when the port will become profitable.

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, 2011</u>	
	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Long-term debt	<u>\$ 239,167</u>	<u>\$ 220,601</u>

OTHER SUPPLEMENTARY INFORMATION

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
For the Year Ending June 30, 2012

<u>Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>(Accrued) Deferred June 30, 2011</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>(Accrued) Deferred June 30, 2012</u>
<u>Federal Awards</u>						
US Department of Transportation	20.933	DTMA1G11004	\$ (127,591)	\$ 5,599,627	\$ 5,472,036	\$ -
<u>State Awards</u>						
State of Tennessee - Department of Finance and Administration	N/A	529/000-02-2011	\$ -	\$ 3,094,096	\$ 3,094,096	\$ -
				<u>\$ 8,693,723</u>	<u>\$ 8,566,132</u>	

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2012

Note Payable - Gibson Electric Membership Corporation

<u>Due For Year</u> <u>Ending June 30</u>	<u>Principal</u> <u>Balance</u>	<u>Principal</u> <u>Payment</u>	<u>Interest</u> <u>Payment</u>	<u>Total</u> <u>Payment</u>
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
		<u>\$ 239,167</u>	<u>\$ -</u>	<u>\$ 239,167</u>

See accompanying notes and accountant's report.

Members

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CERTIFIED PUBLIC ACCOUNTANTS

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, 2012, and have issued our report thereon dated August 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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.

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
August 15, 2012

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
June 30, 2012

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.

Members

American Institute of Certified Public Accountants
Tennessee Society of Certified Public Accountants
Private Companies Practice Section

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Northwest Tennessee Regional Port Authority

Compliance

We have audited the Northwest Tennessee Regional Port Authority's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Northwest Tennessee Regional Port Authority's major federal programs for the year ended June 30, 2012. Northwest Tennessee Regional Port Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Northwest Tennessee Regional Port Authority's management. Our responsibility is to express an opinion on Northwest Tennessee Regional Port Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northwest Tennessee Regional Port Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Northwest Tennessee Regional Port Authority's compliance with those requirements.

In our opinion, Northwest Tennessee Regional Port Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Northwest Tennessee Regional Port Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Northwest Tennessee Regional Port Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northwest Tennessee Regional Port Authority's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Northwest Tennessee Regional Port Authority

Page 2

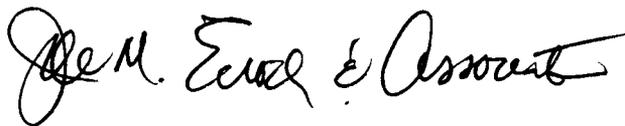
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Port Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Port Authority's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, others within the organization, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dyersburg, Tennessee
August 15, 2012



NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____yes	__x__no
Significant deficiencies identified not considered to be material weaknesses?	__x__yes	_____no
Noncompliance material to financial statements noted?	_____yes	__x__no

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	_____yes	__x__no
Significant deficiencies identified not considered to be material weaknesses?	_____yes	__x__no

Type of auditor's report issued on compliance for major programs:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____yes	__x__no
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Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
20.933	United States Department of Transportation

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
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Auditee qualified as low-risk auditee:	_____yes	__x__no
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NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

2009-1 Internal Control (Significant Deficiency)

Criteria: The Port Authority is required to maintain a system of internal control over reporting and compliance.

Condition: The Port Authority is in the construction phase of this project. The general books and records are being maintained by the Chairman of the Board and therefore segregation of duties is not in place. In regards to the administration of grant funds, the Port has adopted a system of internal control that is sufficient to ensure proper reporting and compliance of the grant funds.

Recommendation: The Port Authority should strive to achieve as much of a system of internal control as economically feasible considering the activity and nature of the financial matters of the Port Authority. The Board should be heavily involved in supplementing the system of internal control since limited personnel are involved in the record keeping.

Response: We concur that there is a lack of internal control over reporting and compliance in the administration of general funds of the Port. However, it is not economically feasible to hire the additional personnel necessary to have a system of internal control. The Board will endeavor to be more involved in the record keeping. We will continue to utilize the internal controls over grants funds as previously adopted and put in place.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported