

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY

AUDITED FINANCIAL STATEMENTS

June 30, 2013

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY

TABLE OF CONTENTS

June 30, 2013

	<u>Page</u>
INTRODUCTORY SECTION	
List of Officials	1
FINANCIAL SECTION	
Independent Auditor's Report.....	2-4
Management's Discussion and Analysis	5-7
Statement of Net Position.....	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11-15
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards and State Financial Assistance	16
Schedule of Debt Service Requirements	17
Independent Auditor's 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.....	18-19
Schedule of Findings, Recommendations and Responses.....	20
Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	21-22
Schedule of Findings, and Questioned Costs	23-24

INTRODUCTORY SECTION

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
Dyersburg, Tennessee
Year Ended June 30, 2013

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Northwest Tennessee Regional Port Authority (the Port Authority) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Northwest Tennessee Regional Port Authority
Page 2

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Port Authority as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-7 and the Schedule of Expenditures of Federal Awards and State Financial Assistance on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port Authority's basic financial statements. The introductory section and other supplementary information listed on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The introductory section and the other supplementary information on page 17 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.

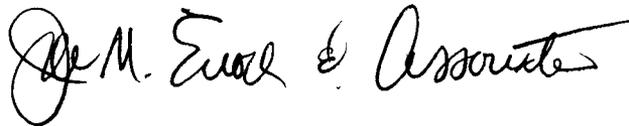
INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Northwest Tennessee Regional Port Authority
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.

Dyersburg, Tennessee
September 25, 2013

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 2013

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, 2013. 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 \$548,238, accounts receivable of \$221, grant receivable of \$693,427 due from the Federal Government and the State of Tennessee, and prepaid insurance in the amount of \$20,175. 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 depreciating fixed asset. The current year Construction in Progress has increased due to the on-going engineering work. Current liabilities include \$1,062,117 of construction work performed in April, May, and June of 2013. NTRPA is waiting to receive requested grant funds to pay the current liability. 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 note.

Net position represents the difference between assets and liabilities. The increase in Net Position reflects the net income of the fiscal year. Net Position contains the amount invested in Capital Assets net of related debt, the amount of Restricted Net Position, and the amount of Unrestricted Net Position.

Statement of Net Position

June 30, 2013 (Condensed)

	<u>Assets</u>	2013	2012
<u>Current Assets</u>			
Cash in Bank		\$ 548,238	\$ 183,533
Accounts Receivable		221	
Lease Income Receivable			339
Grants Receivable		693,427	
Prepaid Insurance		20,175	
		<u>1,262,061</u>	<u>183,872</u>
<u>Capital Assets</u>			
Land		2,334,041	2,334,041
Net Fixed Assets		4,838,306	4,998,736
Construction in Progress		20,233,734	9,094,257
		<u>27,406,081</u>	<u>16,427,034</u>
Total Assets		<u>\$ 28,668,142</u>	<u>\$ 16,610,906</u>
<u>Liabilities & Net Position</u>			
<u>Current Liabilities</u>			
Accounts Payable		\$ 1,062,117	\$ 35,000
Notes Payable - current		51,250	51,250
		<u>1,113,367</u>	<u>86,250</u>
<u>Long-term Liabilities</u>			
Notes Payable		136,667	187,917
County Bond Interest & Loan re-pay		2,422,083	2,366,561
		<u>2,558,750</u>	<u>2,554,478</u>
Total Liabilities		<u>3,672,117</u>	<u>2,640,728</u>
<u>Net Position</u>			
Net Investment in Capital Assets		24,796,081	13,821,306
Unrestricted Net Position		199,944	148,872
Total Net Position		<u>24,996,025</u>	<u>13,970,178</u>
Total Liabilities & Net Position		<u>\$ 28,668,142</u>	<u>\$ 16,610,906</u>

Statement of Revenues, Expenses, and Changes in Net Assets

NTRPA is in the early phase of operations. NTRPA's Operating Revenue consists of \$165 in warfage fees and \$56 in scale usage fees. Also included in Operating Revenue is \$71,638 income from leasing NTRPA owned land for farm operations. Operational expenses consist of depreciation, payroll, insurance premiums, professional services, utilities, and supplies. Grant revenue consists of funds from state and federal grants that were issued to the NTRPA. In fiscal 2013, NTRPA received developmental grants totaling \$3,898,405 from the State of Tennessee and \$7,239,896 from the Federal government. NTRPA also received \$90,300 in contributed funds from the United States Department of Agriculture. NTRPA had an increase of \$11,025,847 in Net Assets for the year.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

June 30, 2013 (Condensed)

	2013	2012
<u>Operating Revenue</u>		
Operating Income	\$ 71,859	\$ 23,333
Total Operating Revenue	<u>71,859</u>	<u>23,333</u>
<u>Operating Expenses</u>		
Operating Expenses	\$ 279,029	\$ 90,588
Total Operating Expenses	<u>279,029</u>	<u>90,588</u>
<u>Nonoperating Revenue and (Expenses)</u>		
Grant Revenue	11,138,301	8,693,723
Contributed funds	90,300	0
Interest earned on deposits	4,416	2,535
Total Nonoperating Revenue	<u>11,233,017</u>	<u>8,696,258</u>
Increase (Decrease) in Net Assets	11,025,847	8,629,003
Net Assets - Beginning	<u>13,970,178</u>	<u>5,341,175</u>
Net Assets - Ending	<u>\$ 24,996,025</u>	<u>\$ 13,970,178</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 continue 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 Lannon (Legal representative for the NTRPA) also continued to provide his firm's legal work almost completely on a "pro bono" basis.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2013

ASSETS

<u>Current Assets</u>			
Cash in bank		\$	548,238
Accounts receivable			221
Grant receivable			693,427
Prepaid insurance			20,175
Total Current Assets			\$ 1,262,061
<u>Capital Assets</u>			
Land			2,334,041
Harbor	\$ 5,005,144		
Accumulated depreciation: harbor	(166,838)		4,838,306
Construction in progress			20,233,734
Total Capital Assets			27,406,081
TOTAL ASSETS			\$ 28,668,142

LIABILITIES AND NET POSITION

<u>Current Liabilities</u>			
Accounts payable		\$	1,062,117
Notes payable - current			51,250
Total Current Liabilities			\$ 1,113,367
<u>Long-term Liabilities</u>			
Notes payable			136,667
Due to county governments			2,422,083
Total Long-term Liabilities			2,558,750
TOTAL LIABILITIES			3,672,117
<u>Net Position</u>			
Net investment in capital assets			24,796,081
Unrestricted net position			199,944
TOTAL NET POSITION			24,996,025
TOTAL LIABILITIES AND NET POSITION			\$ 28,668,142

See accompanying notes and independent auditor's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ending June 30, 2013

<u>Operating Revenues</u>	
Farm land lease	\$ 71,638
Warfage fee	165
Scale usage fee	56
Total Operating Revenues	<u>71,859</u>
 <u>Operating Expenses</u>	
Depreciation expense	166,838
Payroll expense	2,000
Payroll tax expense	219
General insurance	16,563
Supplies	503
Miscellaneous expenses	455
Professional services	91,184
Utilities	1,247
Regulatory fees	20
Total Operating Expenses	<u>279,029</u>
Operating Income (Loss)	<u>(207,170)</u>
 <u>Nonoperating Revenues and Expenses</u>	
Interest earned on deposits	4,416
Income Before Capital Contributions	<u>(202,754)</u>
 <u>Capital Contributions</u>	
State grant funds	3,898,405
Federal grant funds	7,239,896
Other contributed funds	90,300
Total Capital Contributions	<u>11,228,601</u>
Increase (Decrease) in Net Position	11,025,847
Net Position - Beginning of Period	<u>13,970,178</u>
Net Position - End of Period	<u>\$ 24,996,025</u>

See accompanying notes and independent auditor's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ending June 30, 2013

<u>Cash Flows From Operating Activities</u>	
Receipts from land rental	\$ 71,638
Fee income	221
Payments to suppliers	(165,366)
Payments to employees	(2,000)
Net cash provided (used) by operating activities	<u>(95,507)</u>
 <u>Cash Flows From Capital and Related Financing Activities</u>	
Purchases of capital assets	(11,145,885)
Increase in capital related accounts payable	1,062,117
Increase in capital related accounts receivable	(693,309)
Receipts from county governments	55,522
Principal payment on debt	(51,250)
Grants received	11,138,301
Other contributed funds received	90,300
Net cash provided (used) by capital and related financing activities	<u>455,796</u>
 <u>Cash Flows From Investing Activities</u>	
Interest received on deposits	4,416
Net cash provided (used) by investing activities	<u>4,416</u>
 Net increase (decrease) in cash and cash equivalents	 364,705
 Balances - beginning of year	 <u>183,533</u>
 Balances - end of the year	 <u>\$ 548,238</u>
 <u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided (Used) by Operating Activities</u>	
Operating income (loss)	\$ (207,170)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	166,838
Changes in assets and liabilities:	
Accounts payable	(35,000)
Prepaid expenses	(20,175)
Net cash provided (used) by operating activities	<u>\$ (95,507)</u>

See accompanying notes and independent auditor's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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.

Measurement Focus and Basis of Accounting

The Port Authority maintains its books and records using an economic resource measurement focus 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 fully 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, 2013

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, 2013, the Port Authority did not incur 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 Position

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

Events Occurring After Reporting Date

The Port Authority has evaluated events and transactions that occurred between June 30, 2013 and September 25, 2013, 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, 2013

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, 2013 the Port Authority's carrying amount of deposits was \$548,238 and the bank balance was \$553,446. Of the bank balance, the total amount of \$250,000 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. The remaining \$303,446 was covered by the 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 \$148,694 at June 30, 2013.

Note F - Schedule of Utility Plant

The following is a schedule of the Port Authority's capital assets at June 30, 2013

	Balance 6/30/12	Increases	Decreases	Balance 6/30/13
Capital assets, not being depreciated				
Land and land rights	\$ 2,334,041	\$ -	\$ -	\$ 2,334,041
Construction in progress	9,094,257	11,230,838	91,361	20,233,734
Total assets, not being depreciated	<u>11,428,298</u>	<u>11,230,838</u>	<u>91,361</u>	<u>22,567,775</u>
Capital assets, being depreciated				
Harbor	4,998,736	6,408	-	5,005,144
Accumulated Depreciation	-	(166,838)	-	(166,838)
Total assets, being depreciated	<u>4,998,736</u>	<u>(160,430)</u>	<u>-</u>	<u>4,838,306</u>
Total capital assets, net	<u>\$ 16,427,034</u>	<u>\$ 11,070,408</u>	<u>\$ 91,361</u>	<u>\$ 27,406,081</u>

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

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 matured 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, 2013 was \$187,917.

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

	Balance 6/30/12	Borrowings	Retirements	Balance 6/30/13
Notes payable	\$ 239,167	\$ -	\$ 51,250	\$ 187,917
	<u>\$ 239,167</u>	<u>\$ -</u>	<u>\$ 51,250</u>	<u>\$ 187,917</u>

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

<u>Due For Year(s)</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>
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>\$ 187,917</u>	<u>\$ -</u>	<u>\$ 187,917</u>

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

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.

The following is a summary of transactions in long-term debt due to county governments for the year ended June 30, 2013:

	Balance 6/30/12	Borrowings	Retirements	Balance 6/30/13
Due to County Government	\$ 2,366,561	\$ 55,522	\$ -	\$ 2,422,083
	<u>\$ 2,366,561</u>	<u>\$ 55,522</u>	<u>\$ -</u>	<u>\$ 2,422,083</u>

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, 2013	
	Carrying Amount	Estimated Fair Value
Long-term debt	<u>\$ 187,917</u>	<u>\$ 177,695</u>

OTHER SUPPLEMENTARY INFORMATION

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ending June 30, 2013

<u>Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>(Accrued) Deferred June 30, 2012</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>(Accrued) Deferred June 30, 2013</u>
<u>Federal Awards</u>						
US Department of Transportation	20.933	DTMA1G11004	\$ -	\$ 6,923,431	\$ 7,239,896	\$ (316,465)
<u>State Awards</u>						
State of Tennessee - Department of Finance and Administration	N/A	529/000-02-2011	-	3,521,443	3,898,405	(376,962)
			<u>\$ -</u>	<u>\$ 10,444,874</u>	<u>\$ 11,138,301</u>	<u>\$ (693,427)</u>

The schedule was prepared using the accrual basis of accounting.

See accompanying notes and independent auditor's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2013

Note Payable - Gibson Electric Membership Corporation

<u>Due For Year(s)</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>
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>\$ 187,917</u>	<u>\$ -</u>	<u>\$ 187,917</u>

See accompanying notes and independent auditor's report.

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 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Northwest Tennessee Regional Port Authority (the Port Authority), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated September 25, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings, Recommendations and Responses as Finding 2009-1 that we consider to be a significant deficiency.

INDEPENDENT AUDITOR'S 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
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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. The Port Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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



Dyersburg, Tennessee
September 25, 2013

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
June 30, 2013

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 FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

Board of Commissioners
Northwest Tennessee Regional Port Authority

Report on Compliance for Each Major Federal Program

We have audited Northwest Tennessee Regional Port Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Northwest Tennessee Regional Port Authority's major federal programs for the year ended June 30, 2013. 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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northwest Tennessee Regional Port Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Northwest Tennessee Regional Port Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Northwest Tennessee Regional Port Authority complied, in all material respects, with the types of 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, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

Board of Commissioners
Northwest Tennessee Regional Port Authority

Page 2

Report on Internal Control Over Compliance

Management of Northwest Tennessee Regional Port Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northwest Tennessee Regional Port Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over 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.

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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dyersburg, Tennessee
September 25, 2013



NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

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
---	-------------

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____yes	___x___no
--	----------	-----------

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>\$500,000</u>
--	------------------

Auditee qualified as low-risk auditee:	_____yes	___x___no
--	----------	-----------

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

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 beginning operational 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