

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY

AUDITED FINANCIAL STATEMENTS

June 30, 2015

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY

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INTRODUCTORY SECTION

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
Dyersburg, Tennessee
Year Ended June 30, 2015

LIST OF OFFICIALS
(unaudited)
BOARD OF COMMISSIONERS

LAKE COUNTY

Marcia Perkins Mills
Mack Forrester
Tony White
Bubba Tolar

DYER COUNTY

Jimmy Williamson, Chairman
Ralph Henson

OBION COUNTY

Diana Frankum
Richard Arnold

FINANCIAL SECTION



Brownsville | Dyersburg | Jackson | Martin | Milan | Paris

Joe M Enoch, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Northwest Tennessee Regional Port Authority

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Northwest Tennessee Regional Port Authority (Port), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Port'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 Audit 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Port, as of June 30, 2015, 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 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's basic financial statements. The introductory section and other supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance and the schedule of debt service requirements 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 and the schedule of debt service requirements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015, on our consideration of the Port'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 's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Cowart Reese Sargent". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Cowart Reese Sargent CPA's, PC

Dyersburg, Tennessee
November 6, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year 2015

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, and (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, 2015. A condensed format of the Statement of Net Position as well as the Statement of Revenues, Expenses, and Changes in Net Position 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 Position

NTRPA has current assets of cash in the amount of \$176,022, grant receivable of \$5,055 due from the State of Tennessee, and prepaid insurance in the amount of \$12,834. The cost of engineering and legal work has been designated to specific capital assets upon completion of the projects. The Port building projects were completed during the 2013-2014 fiscal year, and their values are being carried on the books as depreciating fixed assets. The Port began work on a railroad extension project that will put into place a 5.5 mile rail spur connecting the Port to the Canadian National Railroad's North American Main Line via the short haul rail operated by the TennKen Railroad. The current year Construction in Progress has increased due to the railroad extension project. Current accounts payable include \$5,993 of railroad related construction in progress performed in June of 2013, \$46,467 due to H.G. Fredriksen Co. for port marketing, and the remaining current accounts payable of \$190, due for normal operating expenses. NTRPA is waiting to receive requested grant funds to pay a portion of 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 REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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June 30, 2015 (Condensed)

	2015	2014
<u>Operating Revenue</u>		
Operating Income	\$ 124,000	\$ 40,200
Total Operating Revenue	<u>124,000</u>	<u>40,200</u>
<u>Operating Expenses</u>		
Operating Expenses	959,898	941,223
Total Operating Expenses	<u>959,898</u>	<u>941,223</u>
<u>Nonoperating Revenue and (Expenses)</u>		
Grant Revenue	119,142	134,198
Contributed funds	0	2,000
Interest earned on deposits	1,604	1,886
Interest paid on capital debt	(366)	(287)
Total Nonoperating Revenue	<u>120,380</u>	<u>137,797</u>
Increase (Decrease) in Net Position	(715,518)	(763,226)
Net Position - Beginning	<u>24,232,799</u>	<u>24,996,025</u>
Net Position - Ending	<u>\$ 23,517,281</u>	<u>\$ 24,232,799</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 TIGER II grant from the State of Tennessee. In August 2013, NTRPA was approved for a \$500,000 grant from the State of Tennessee Economic Development for the purpose of funding a railroad project. 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 Lannom (Legal representative for the NTRPA) also continued to provide his firm's legal work almost completely on a "pro bono" basis.

Requests for Information

This financial report is designated to provide a general overview of Northwest Tennessee Regional Port Authority's finances for the creditor and all others with an interest in the Port's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Northwest Tennessee Regional Port Authority, 4480 Cates Landing Road N., Tiptonville, TN, 38079.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2015

ASSETS

Current Assets

Cash in bank	\$ 176,022	
Grant receivable	5,055	
Prepaid insurance	12,834	
Total Current Assets		\$ 193,911

Capital Assets

Land	\$ 5,622,424	
Land improvements	1,647,090	
Harbor	5,005,144	
Pier	12,123,615	
Buildings	2,150,886	
Equipment	891,583	
Accumulated depreciation	(1,695,920)	
Net Capital Assets before Construction in Progress	25,744,822	
Construction in progress	241,165	
Total Capital Assets		25,985,987
 TOTAL ASSETS		 \$ 26,179,898

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 52,650	
Notes payable - current	51,250	
Total Current Liabilities		\$ 103,900

Long-term Liabilities

Notes payable	34,167	
Due to county governments	2,524,550	
Total Long-term Liabilities		2,558,717
TOTAL LIABILITIES		2,662,617

Net Position

Net investment in capital assets		23,376,020
Unrestricted net position		141,261
TOTAL NET POSITION		23,517,281

TOTAL LIABILITIES AND NET POSITION		\$ 26,179,898
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NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ending June 30, 2015

<u>Operating Revenues</u>	
Farm land lease	\$ 115,000
Foreign trade zone sub-zoning revenue	9,000
Total Operating Revenues	<u>124,000</u>
 <u>Operating Expenses</u>	
Depreciation expense	764,541
Payroll expense	27,092
Payroll tax expense	2,249
General insurance	49,843
Supplies	2,568
Advertising	27
Dues & subscriptions	105
Maintenance & repair	10,261
Professional services	75,791
Utilities	10,247
Regulatory fees	657
Travel expenses	16,517
Total Operating Expenses	<u>959,898</u>
Operating Income (Loss)	<u>(835,898)</u>
 <u>Nonoperating Revenues and Expenses</u>	
Interest earned on deposits	1,604
Interest expense	(366)
Income Before Capital Contributions	<u>(834,660)</u>
 <u>Capital Contributions</u>	
State grant funds	<u>119,142</u>
Total Capital Contributions	<u>119,142</u>
Increase (Decrease) in Net Position	(715,518)
Net Position - Beginning of Year	<u>24,232,799</u>
Net Position - End of Year	<u>\$ 23,517,281</u>

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ending June 30, 2015

Cash Flows From Operating Activities

Receipts from operations	\$ 124,000
Payments to suppliers	(124,958)
Payments to employees	(27,092)
Net cash provided (used) by operating activities	<u>(28,050)</u>

Cash Flows From Capital and Related Financing Activities

Purchase of capital assets	(125,194)
Refund of land mitigation costs	145,745
Receipts from county governments	51,217
Principal payment on debt	(131,250)
Interest paid on capital related debt	(366)
Grants received	228,439
Net cash provided (used) by capital and related financing activities	<u>168,591</u>

Cash Flows From Investing Activities

Interest received on deposits	1,604
Net cash provided (used) by investing activities	<u>1,604</u>

Net increase (decrease) in cash and cash equivalents 142,145

Balances - beginning of year 33,877

Balances - end of the year \$ 176,022

Reconciliation of Operating Income (Loss) to Net Cash

Provided (Used) by Operating Activities

Operating income (loss)	\$ (835,898)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	764,541
Changes in assets and liabilities:	
Accounts payable	32,951
Prepaid expenses	10,356
Net cash provided (used) by operating activities	<u>\$ (28,050)</u>

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note A - Significant Accounting Policies

Reporting Entity

The Northwest Tennessee Regional Port Authority (the Port) 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 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'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 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 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'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 distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services with the Port's principal ongoing operations. When the Port 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'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).

Cash and Cash Equivalents

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash represents money on deposit in various banks. Cash and investments are stated at cost, which approximates market value. A summary of cash balances is as follows:

Unrestricted \$ 176,022

Investments

State of Tennessee law authorizes the Port to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (the LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note A - Significant Accounting Policies (Continued)

Capital Assets

The Port is currently in the late stages of organization which consists principally of construction. As capital assets are placed in service the Port 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	5-20
Buildings & Land Improvements	30
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, 2015, the Port 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 has evaluated events and transactions that occurred between June 30, 2015 and November 6, 2015, 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 expects the State of Tennessee to guarantee the debt financing.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note B – Economic Dependency (Continued)

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

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2015 were entirely insured through the Federal Deposit Insurance Corporation or fully collateralized.

Note D - Risk Management

The Port manages the various types of risk through the use of commercial insurance. The Port 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 was \$90,011 at June 30, 2015.

Note F - Schedule of Capital Assets

The following is a schedule of the Port's capital assets at June 30, 2015.

	Balance 6/30/2014	Increases	Decreases	Balance 6/30/2015
Capital assets, not being depreciated				
Land and land rights	\$ 5,768,169	\$ -	\$ 145,745	\$ 5,622,424
Construction in progress	115,971	125,194	-	241,165
Total assets, not being depreciated	<u>5,884,140</u>	<u>125,194</u>	<u>145,745</u>	<u>5,863,589</u>
Capital assets, being depreciated				
Harbor	5,005,144	-	-	5,005,144
Pier	12,123,615	-	-	12,123,615
Buildings	2,150,886	-	-	2,150,886
Equipment	891,583	-	-	891,583
Land Improvements	1,647,090	-	-	1,647,090
Accumulated Depreciation	(931,379)	(764,541)	-	(1,695,920)
Total assets, being depreciated	<u>20,886,939</u>	<u>(764,541)</u>	<u>-</u>	<u>20,122,398</u>
Total capital assets, net	<u>\$ 26,771,079</u>	<u>\$ (639,347)</u>	<u>\$ 145,745</u>	<u>\$ 25,985,987</u>

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note G – Long-Term Debt

During the year ending June 30, 2007 the Board of Commissioners authorized the issuance of the Port 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 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, 2015 was \$85,417.

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

	Balance 6/30/2014	Borrowings	Retirements	Balance 6/30/2015
Notes Payable	\$ 136,667	\$ -	\$ 51,250	\$ 85,417
	<u>\$ 136,667</u>	<u>\$ -</u>	<u>\$ 51,250</u>	<u>\$ 85,417</u>

Principal and interest maturities for the next two 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>
2016	\$ 85,417	\$ 51,250	\$ -	\$ 51,250
2017	34,167	34,167	-	34,167
		<u>\$ 85,417</u>	<u>\$ -</u>	<u>\$ 85,417</u>

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

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 Revenue and Tax Notes, Series 2007 as discussed in Note G. The resolution stated that the Port will reimburse the counties for bonds issued on the Port's behalf, but will have the discretion as to when they will be repaid. The Port 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 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, 2015:

	Balance 6/30/2014	Borrowings	Retirements	Balance 6/30/2015
Due to County Government	\$ 2,473,333	\$ 51,217	\$ -	\$ 2,524,550
	<u>\$ 2,473,333</u>	<u>\$ 51,217</u>	<u>\$ -</u>	<u>\$ 2,524,550</u>

Note I - Fair Value of Financial Instruments

As discussed in the previous note, the Port 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, 2015	
	Carrying Amount	Estimated Fair Value
Long-term debt	<u>\$ 85,417</u>	<u>\$ 86,364</u>

Note J – Line of Credit

In September 2014, First Citizens National Bank granted the Port a \$500,000 line of credit with a maturity date of September 11, 2015. The line of credit bears an interest rate of 3.8%. The following is a summary of transactions pertaining to the line of credit for the year ended June 30, 2015:

	Balance 6/30/2014	Borrowings	Retirements	Balance 6/30/2015
Line of Credit	\$ 80,000	\$ -	\$ 80,000	\$ -
	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ -</u>

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note K – Grant Contracts

On August 1, 2013 the Port entered into a grant contract with the Tennessee Department of Economic Development effective for the three year period ending July 31, 2016. Under the grant contract, the State will provide the Port with \$500,000 to implement Phase I of the rail extension project. Phase I consists of applying for a rail right-of-way determination for a 5.5 mile rail spur that will connect the Port to the Canadian National Railroad's North American Main Line via the short haul rail operated by the TennKen Railroad. The funds will be expensed for planning engineering, surveying, full environmental assessments, Surface Transportation Board permit application fee, engineering coordination, legal fees, property appraisals, property options, and other related costs necessary to secure permits required for construction of the rail spur. During fiscal year ended June 30, 2015, the Port expended \$119,143 of the grant funds.

OTHER SUPPLEMENTARY INFORMATION

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ending June 30, 2015

<u>Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>(Accrued) Deferred June 30, 2014</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>(Accrued) Deferred June 30, 2015</u>
<u>State Awards</u>						
State of Tennessee - Department of Economic Development	N/A	33006-06914	\$ (74,352)	\$ 188,440	\$ 119,143	\$ (5,055)
			<u>\$ (74,352)</u>	<u>\$ 188,440</u>	<u>\$ 119,143</u>	<u>\$ (5,055)</u>

This schedule was prepared using the accrual basis of accounting.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2015

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>
2016	\$ 85,417	\$ 51,250	\$ -	\$ 51,250
2017	34,167	34,167	-	34,167
		<u>\$ 85,417</u>	<u>\$ -</u>	<u>\$ 85,417</u>

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 Northwest Tennessee Regional Port Authority (Port), as of and for the year ended June 30, 2015, 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 November 6, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port'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's internal control. Accordingly, we do not express an opinion on the effectiveness the Port'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 2009-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port'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's Response to Findings

The Port's response to the findings identified in our audit is described in the accompanying schedule of findings, recommendations, and responses. The Port's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dyersburg, Tennessee
November 6, 2015

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
June 30, 2015

Prior Year Findings Not Implemented

Finding 2009-001: Segregation of Duties

Condition

The Port 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.

Criteria

Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal controls are effective.

Effect

The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation

We recommend that the Port 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.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Financial Statement Findings

Finding Number	Finding Title	Status
2009-001	Segregation of Duties	Repeated

Federal Award Findings and Questioned Costs

Finding Number	Finding Title	Status
There were no prior findings reported.		