YELLOW CREEK STATE INLAND PORT AUTHORITY

IUKA, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

YELLOW CREEK STATE INLAND PORT AUTHORITY
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YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Yellow Creek State Inland Port Authority
Iuka, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of Yellow Creek State Inland Port Authority (the Authority), an agency of the State of Mississippi, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 of 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 statement.

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

Basis for Qualified Opinion

Due to the inadequacy of accounting records prior to July 1, 1992, we were unable to form an opinion regarding the existence of and amounts at which capital assets (net of accumulated depreciation) are recorded in the accompanying statement of net position at June 30, 2016, (stated at $14,029,981), net of accumulated depreciation, and the amount at which the related depreciation expense for the year then ended (stated at $661,214) is recorded in the accompanying statement of revenues, expenses and changes in net position. The effect of any adjustments as might have been determined to be necessary had we been able to examine evidence regarding existence of capital assets and the related depreciation on assets, net position, and expenses has not been determined.

Qualified Opinion

In our opinion, except for the effect of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Yellow Creek State Inland Port Authority as of June 30, 2016, and the changes in financial position and 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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 2, 2016, on our consideration of Yellow Creek State Inland 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 Yellow Creek State Inland Port Authority's internal control over financial reporting and compliance.

Braune, Vanstory & Co., P.A.

November 2, 2016
Booneville, Mississippi

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 5,153,837
Accounts Receivable - Net	209,649
Prepaid Expenses	21,564
Total Current Assets	5,385,050
NONCURRENT ASSETS	
Investments	2,101,674
Capital assets:	
Nondepreciable land, improvements and construction in progress	2,463,050
Capital assets, net of accumulated depreciation	11,566,931
Notes receivable, net	607,119
Total Noncurrent Assets	16,738,774
TOTAL ASSETS	22,123,824
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	202,000
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	45,095
Other accrued liabilities	14,481
Current portion of long term notes payable	174,168
Total Current Liabilities	233,744
NONCURRENT LIABILITIES	
Due to Tombigbee River Valley Water Management District	5,499,978
Compensated absences	31,154
Notes payable, net of current portion	7,116,461
Net Pension Liability	941,704
Total Noncurrent Liabilities	13,589,297
TOTAL LIABILITIES	13,823,041
DEFERRED INFLOWS OF RESOURCES	
Pensions	136,754
NET POSITION	
Net Investment in Capital Assets	6,739,352
Restricted - Capital Projects	443,442
Unrestricted	1,183,235
Total Net Position	$ 8,366,029

The accompanying notes are an integral part of these financial statements.

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

OPERATING REVENUES	
User Fees	$ 1,120,000
Rental Income	864,377
Total Operating Revenue	1,984,377
OPERATING EXPENSES	
Personnel Services	589,949
Travel	30,706
Contractual	705,587
Commodities	159,634
Property taxes	23,397
Depreciation	661,214
Industrial development	696,592
Pension Expense	76,094
Total Operating Expenses	2,943,173
NET OPERATING INCOME (LOSS)	(958,796)
NON-OPERATING REVENUE (EXPENSE)	
Miscellaneous	385
Interest Income	22,394
Gain on Sale of Assets	29,228
Intergovernmental Revenue	736,384
Total Non-Operating Revenues (Expenses)	788,391
CHANGES IN NET POSITION	(170,405)
NET POSITION - BEGINNING OF YEAR	9,129,021
Prior Period Adjustment	(592,587)
NET POSITION - RESTATED	8,536,434
NET POSITION - END OF YEAR	$ 8,366,029

The accompanying notes are an integral part of these financial statements.

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 1,897,373
Cash paid to suppliers of goods and services	(1,104,280)
Cash paid to/for employees or employee benefits	(646,238)
Net Cash Provided (Used) by Operating Activities	146,855
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	22,394
Purchase of Investments	(2,101,674)
Miscellaneous	385
Net Cash Provided (Used) By Investing Activities	(2,078,895)
CASH FLOWS FROM NON CAPITAL AND RELATED FINANCING ACTIVITIES	
Intergovernmental Revenue	736,384
Net Cash Provided by Non Capital and Related Financing Activities	736,384
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Sale of Capital Assets	32,234
Acquisition of Capital Assets	(907,261)
Net Cash Provided (Used) by Non Capital and Related Financing Activities	(875,027)
NET DECREASE IN CASH	(2,070,683)
CASH - BEGINNING OF YEAR	7,224,520
CASH - END OF YEAR	$ 5,153,837

The accompanying notes are an integral part of these financial statements.

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Net operating income (loss)	$	(958,796)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		661,214
Changes in Assets and Liabilities		
Accounts receivable		(87,004)
Prepaid expenses		1,018
Accounts payable		(185,973)
Due to Tombigbee River Valley Water Management District		696,592
Compensated absences payable		17,663
Net Pension Cost		2,141
Total Adjustments		1,105,651
Net Cash Provided (Used) by Operating Activities		146,855
Reconciliation of Cash and Cash Equivalents		
Cash and cash equivalents		5,153,837
Total Cash End of Year	$	5,153,837

The accompanying notes are an integral part of these financial statements.

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies:

A. Reporting Entity

The Yellow Creek State Inland Port Authority was established in 1970 by an act of the legislature of the State of Mississippi. The Authority operates under the direction of a board of directors appointed by local and state governing bodies. Each Board of Supervisors of the four participating Mississippi counties of Alcorn, Itawamba, Prentiss and Tishomingo appoint one director and the Governor of the State of Mississippi appoints four directors. The State of Mississippi holds the corporate powers of the Authority. As such, the Authority is an agency of the State of Mississippi and its financial activities are blended into the State of Mississippi's basic financial statements.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the Authority are included in the Comprehensive Annual Financial Report of the State of Mississippi. The more significant of the Authority's accounting policies are disclosed below.

B. Measurements Focus, Basis of Accounting and Financial Statements Presentation

The term measurement focus is used to denote what is being measured and reported in the Authority's operating statement. The Authority is accounted for on a flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Authority is better off or worse economically as a result of events and transactions of the period.

The term "basis of accounting" is used to determine when a transaction or event is recognized on the Authority's operating statement. The Authority uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The Authority follows GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The adoption of GASB 62 does not have any impact on the Authority's financial statements.

1. Summary of Significant Accounting Policies – Continued

B. Measurements Focus, Basis of Accounting and Financial Statements Presentation (continued)

The Authority follows GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components assets, deferred outflows of resources, liabilities and deferred inflows of resources.

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, 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 limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

The Authority follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective for periods beginning after June 15, 2014, replaces the requirements of GASB Statement Nos. 27 and 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The standard requires government employers to recognize as a liability, for the first time, their long-term obligation for pension benefits. The employer liability is to be measured as the difference between the present value of projected benefit payments to be provided through the pension plan for the past periods of service less the amount of the pension plan's fiduciary net position. Obligations for employers with cost sharing plans will be based on their proportionate share of contributions to the pension plan. The standard also requires more immediate recognition of annual service cost, interest and changes in benefits for pension expense; specifies requirements for discount rates, attribution methods; and changes disclosure requirements.

The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

C. Budgets and Budgetary Accounting

The Authority adopts an annual budget prepared in accordance with the modified cash basis of accounting established by the State of Mississippi. The budget must be submitted to the State of Mississippi for approval by the State of Mississippi legislature. The Executive Director is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures/expenses must be approved by the Board of Directors. Expenditures exceeding 5% of the major object of expense must be submitted to the State of Mississippi for approval.

1. Summary of Significant Accounting Policies – Continued

D. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Authority. For purposes of the statements of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less, when purchased, to be cash equivalents.

State law authorizes the Authority to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the Authority may invest in certain repurchase agreements.

E. Receivables

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Receivables consist of amounts due from user charges for loading and unloading freight and rental charges for facilities. Receivables become delinquent if not paid by the end of the following month. Accounts receivable are written off when customers go bankrupt and authorized by the Board of Directors.

Management reviews outstanding receivables at year end and establishes a provision for doubtful accounts when collection is deemed doubtful. A provision of $-0- was established as of June 30, 2016.

F. Prepaid Items

Payments made to vendors and/or granting agencies that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

G. Capital Assets

Property and equipment exceeding the State of Mississippi's mandated capitalization thresholds are stated at historical cost. Donated assets are valued at their estimated fair value on the date donated. Maintenance and repairs are expensed as incurred. Replacements that improve or extend the lives of property and exceed the mandated thresholds are capitalized. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the related assets. The estimated useful lives and capitalization thresholds are as follows:

	Useful Life	Capitalization Threshold
Land	NA	$ -
Furniture and equipment	3-15 Years	$ 5,000
Land improvements	13-40 Years	$ 25,000
Buildings	40 Years	$ 50,000
Infrastructure improvements	20-50 Years	$ 100,000

1. Summary of Significant Accounting Policies - Continued

H. Use of Estimates

Preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Compensated Absences

The Authority allows permanent employees to accumulate annual leave according to the following schedule:

Period of Service	Annual Leave Allowed
1 month - 3 years	18 days
37 months - 8 years	21 days
97 months - 15 years	24 days
Over 15 years	27 days

There is no limit on the accumulation of personal leave. Upon termination of employment, each employee shall be paid for not more than 30 days of accumulated personal leave. Unused personal leave in excess of thirty days and all unused major medical leave will be counted as creditable service for the purpose of the retirement system. There is no accrual for unused major medical leave due to it not vesting since there is no statutory authority to pay for unused medical leave upon employee termination.

As of June 30, 2016, the liability for annual leave is $31,154.

J. Long Term Obligations

Long term debt and other obligations are reported as Authority's liabilities. The Authority does not engage in conduit debt transactions.

K. Revenues and Expenses

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are fees for loading and unloading freight, rent income, and operating grants and contributions. Operating expenses include the costs associated with providing the above services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

2. Deposits and Investments

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

At June 30, 2016 , the carrying amount of the Authority's deposits with financial institutions was $7,255,511 (which includes $2,101,674 of certificates of deposit with original maturities beyond three months and reported on the Statement of Net Position as investments)and bank balances totaling $7,293,301 of which $500,000 was covered by federal depository insurance and $6,793,301 was covered by the Statewide Collateral Pool Program.

Investments

As of June 30, 2016, the Authority had the following investments.

Investement Type	Rating	Maturities (in years)	Fair Value
Certificate of deposit	Not Rated	1-3 years	$ 2,101,674

Interest Rate Risk –The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk –State law limits investments to those prescribe in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The Authority does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risks – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investments pools, and other pooled investments. As of June 30, 2016, the Authority had the following investments:

Issuer	Fair Value	% of Total Inestments
Community Bank North Mississippi	$ 2,101,674	100%

3. Accounts and Notes Receivable

Accounts receivable consist of the following:

Billed for user charges and rent	$ 209,649
Less provision for doubtful accounts	-
	$ 209,649

Notes receivable consist of a note from Ferrous Metal Processing for deferred rent. The note receivable is as follows:

	Issue Date	Maturity Date	Interest rate	Principal
Note 4	June 1, 2010	*	2%	$ 607,119
				$ 607,119

The above note receivable requires the following payments:

Year ending June 30:	Principal	Interest	Total
*	$607,119	12,142	$619,261
	$607,119	$ 12,142	$619,261

* This note receivable requires monthly payments of $1,012 of interest. The remaining balance of $607,119 is due upon termination of the lease or purchase of the building. Interest will continue until the note is paid off.

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

4. Changes in Capital Assets

Summaries of changes in capital assets are as follows:

	Balance 6/30/2015	Additions	Deletions	Adjustments	Balance 6/30/2016
Capital assets not being depreciated:					
Land	$ 2,168,042	8,550	-	-	2,176,592
Construction on Progress	650,896	241,555	-	(605,993)	286,458
Total capital assets, not being depreciated:	2,818,938	250,105	-	(605,993)	2,463,050
Capital assets being depreciated:					
Buildings	11,882,456	-	-	-	11,882,456
Improvements	12,011,000	-	-	-	12,011,000
Furniture and equipment	4,506,553	657,157	(291,292)	-	4,872,418
Total capital assets being depreciated	28,400,009	657,157	(291,292)	-	28,765,874
Less accumulated depreciation					
Buildings	3,765,909	224,996	-	-	3,990,905
Improvements	9,112,650	262,739	-	(27,985)	9,347,404
Furniture and equipment	3,975,440	173,479	(288,285)	-	3,860,634
Total accumulated depreciation	16,853,999	661,214	(288,285)	(27,985)	17,198,943
Total net capital assets being depreciated	11,546,010	(4,057)	(3,007)	27,985	11,566,931
Total capital assets	$ 14,364,948	246,048	(3,007)	(578,008)	14,029,981

5. Tennessee Valley Authority Agreement

On January 28, 1971, the Authority entered into an agreement with the Tennessee Valley Authority (TVA) and the Tombigbee River Valley Water Management District (TRVWMD) and Mississippi Agricultural and Industrial Board for the purpose of furthering economic development in Northeast Mississippi by acquiring, financing, constructing, and operating a general-commodity public port on Yellow Creek in Tishomingo County, Mississippi. By mutual agreement of the above parties, the original contract (#TV-34832A) dated January 28, 1971, as supplemented was terminated on April 13, 1984. On this date, a new agreement (#TV-62000A) was signed by the above parties which superseded the original agreement. This agreement requires all funds collected from all sources be deposited into an Operating Expense and Amortization Account from which all current expenses are to be paid therefrom.

5. Tennessee Valley Authority Agreement - Continued

After payments have been made as provided above, the Authority shall pay one-half of the remaining annual balance into a reserve account which shall be used to repay TRVWMD, without interest, for amounts paid to underwrite Authority operations as provided in Article XII of the agreement. Upon repayment to TRVWMD in full such funds shall be paid into the Federal Sinking Fund established pursuant to Article X of the agreement.

The Authority shall pay the other one-half of the remaining balance into the Federal Sinking Fund established pursuant to Article X of the agreement.

Upon repayment of TRVWMD in full and repayment of TVA, all such funds shall be paid into the Trust Fund established pursuant to Article of XIII of the agreement.

Section 8.5 under Article VIII Collection, Management and Disposition of Port Revenue states net receipts from the sale or lease of industrial sites, facilities or buildings constructed by or in the custody and control of the Authority shall be deposited in the Trust Fund to be used as provided in Article XIII.

Section 9.1 under Article IX Collection, Management and Disposition of Non-Port Revenue states proceeds received by the Board from the sale of land or interest in land purchased by the State of Mississippi with the proceeds of the bonds issued pursuant to the provisions of Article VIII of Contract No. TV-34832A, or income received from the lease or license of such land or building located thereon, shall be applied as follows: A) To the Bond and Interest Sinking Fund which was established pursuant to the provisions of Article XIII in an amount sufficient to amortize the principal of such bonds maturing and interest accruing during the next two year period. B) Then to the District an amount which would repay all sums advanced by the District to pay the principal and interest on such bonds issued by the State of Mississippi. C) Then to the Bond and Interest Sinking Fund of the Authority until the amount on deposit in such fund when invested is sufficient to amortize the principal and interest of all outstanding bonds. D) Then to the Trust Fund established pursuant to Article XIII. E) Notwithstanding the requirements of Section 9.1 A, B, C, and D herein the value of such land which is received from the sale, lease or license of buildings and other improvements constructed using funds provided by TVA under Sections 7.1 and 10.2 and this subsection herein shall be paid into the Trust Fund established in Article XIII.

Section 9.2 under Article IX Collection, Management and Disposition of Non-Port Revenue states proceeds received from the lease or license of Tract No. XYEXCR-IIE, Parcel Nos. 1, 2, 3, and 4 as shown in Attachment A hereto, over which an industrial easement was transferred by TVA to the State of Mississippi pursuant to the provisions of Supplement No. 2 to Contract No. TV-34832A and value which is attributable to the sale, lease or license of buildings and other improvements owned or constructed by the Port Authority on such tracts, shall be paid into the Trust Fund established pursuant to Article XIII herein.

5. Tennessee Valley Authority Agreement- Continued

Section 9.3 under Article IX Collection, Management and Disposition of Non-Port Revenue states subject to the provisions of Section 14.2, value which is attributable to the sale, lease, or license of buildings or other improvements owned or constructed by the Authority on Tract Nos. XYECR-3 and -4 as shown on Attachment A, shall be paid into the Trust Fund established pursuant to Article XIII.

The January 13, 1999, letter agreement with Tombigbee River Valley Water Management District regarding the $2,347,627 trust fund distribution states the Authority commits to the deposit of one hundred percent (or $200,000 per year) of lease income received from the Ferrous Metal Processing to be deposited back into the Trust Fund Account (CB032) which would allow these funds to be used for the future development of projects at the Authority.

The Authority had not established any of the required restricted bank accounts as of June 30, 2016.

The Authority has not established the "Reserve Fund To Repay TRVWMD" or the "Federal Sinking Fund."

6. Long-Term Debt

Long-term debt activity for the year ended June 30, 2016, consisted of the following:

	Beginning Balance	Additions	Repayments	Ending Balance	Amounts Due Within One Year
TVA	$ 7,290,629	-	-	7,290,629	174,168
TRVWMD- Contract #TV-62000A	4,803,386	696,592	-	5,499,978	-
Compensated absences	24,542	6,612	-	31,154	-
	$ 12,118,557	703,204	-	12,821,761	174,168

Long term debt interest rate and maturity dates are as follows:

	Interest Rate	Final Maturity Date
TVA	0%	N/A
TRVWMD - Contract #TV-62000A	0%	N/A
Compensated absences	0%	N/A

6. Long-Term Debt - Continued

The Tennessee Valley Authority (TVA) note is secured by the "Federal Sinking Fund" that has not been established.

The Tombigbee River Valley Water Management District (TRVWMD) Bond and Interest note payable is secured by the "Reserve Fund To Repay TRVWMD" that has not been established.

The TVA and TRVWMD notes payable have no definite repayment schedule. See Note 5 for debt service requirements for TVA and TRVWMD debt. The current conditions, assuming the continuance of certain rental contracts, to require payments on the TVA and TRVWMD notes under contact number 62000A are shown below. No other payments are required until certain conditions occur. The compensated absences are not included because they have no definite repayment schedule.

	Tennessee Valley Authority Note		
Year Ending June 30,	Principal	Interest	Total
Delinquent	$ 174,168	$ -	$ 174,168
No definite repayment schedule	7,116,461	-	7,116,461
Total	$ 7,290,629	$ -	$ 7,290,629

	TRVWMD Note		
Year Ending June 30,	Principal	Interest	Total
Delinquent	$ 4,892,859	$ -	$ 4,892,859
No definite repayment schedule	607,119	-	607,119
Total	$ 5,499,978	$ -	$ 5,499,978

All debt listed above is paid by the Authority.

7. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description – The Authority contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

7. Defined Benefit Pension Plan – Continued

Benefits provided – Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 for those who became members of PERS before July 1, 2011), plus 2.5 percent of each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with a 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions – PERS members are required to contribute 9.00% of their annual covered salary, and the Authority is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Authority's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were $73,953, $59,948 and $70,044, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Authority reported a liability of $941,704 for its proportionate share of the net pension liability. The net pension liability was measured as June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The Authority's proportionate share used to calculate the June 30, 2016 net pension liability was .006092 percent which was based on a measurement date of June 30, 2015. This was a decrease of .001179 from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

7. Defined Benefit Pension Plan – Continued

For the year ended June 30, 2016 the Authority recognized pension expense of $76,094. At June 30, 2016 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 24,618	$ -
Net difference between projected and actual earnings on pension plan investments	-	162,341
Changes in assumptions	81,125	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	22,304	(25,587)
Authority contributions subsequent to the measurement date	73,953	-
Total	$ 202,000	$ 136,754

$73,953 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	$ 12,787
2018	8,779
2019	(15,275)
2020	(14,998)
Total	(8,707)

Actuarial assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following assumption, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

7. Defined Benefit Pension Plan – Continued

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34%	5.20%
International Equity	19%	5.00%
Emerging Markets Equity	8%	5.45%
Fixed Income	20%	0.25%
Real Assets	10%	4.00%
Private Equity	8%	6.15%
Cash	1%	-0.50%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine to the total pension liability.

7. Defined Benefit Pension Plan – Continued

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate – The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage–point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Authority's proportionate share of the net pension liability	$ 1,241,251	$ 941,704	$ 693,134

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

8. Risk Management

The Authority is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described in the next paragraph, the Authority carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Risk Pools

The Authority finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi State Agencies Self-Insured Workers' Compensation Trust, a public entity risk pool. The Authority pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. Risk of loss is remote for claims exceeding the pool's retention liability.

The Authority manages its exposure to tort claims through the Mississippi Torts Claim Board, a public entity risk pool. Statutory regulations provide some protection, as well as a limitation of liability, for claims filed against state agencies and state employees. The Authority purchases commercial insurance for excess auto liability. In the last three years settled claims have not exceeded commercial coverage. Claim payments are based on an annual assessment based on the amount of payroll and past loss history as determined by the State of Mississippi.

8. Risk Management – Continued

Participation in Public Risk Pools - Continued

The Authority operates a self-insurance program and retains risk of loss for unemployment. The Authority is on a cost reimbursement plan for unemployment with the State of Mississippi. The Authority contributes one percent of the first $14,000 of wages paid to each employee to the State of Mississippi self-insurance program. Management does not expect any additional liability of unemployment because no employees were laid off during the current year and none are expected to be laid off. There has been no material liability for unemployment in excess of the funding during the prior three years.

9. Dependency on Major Customers

The Authority is economically dependent on a small number of major customers. The percentage of revenue derived from each are as follows:

	Revenues
Ferrous Metal Processsng Facility	40.80%
Skyline Steel - Pipe Group	8.05%
Kansas City Southern Railroad	5.17%
Roll Foam Group	8.33%
Nucor Steel	6.14%
Mississippi Silicon	8.36%

10. Concentration of Credit Risk

The majority of the Authority's business is derived from industries within a 75 mile radius of the Yellow Creek Port. Credit is extended to customers without obtaining credit evaluations or collateral. At June 30, 2016, the Authority had extended credit to various customers for accounts and notes receivable totaling $816,768.

11. Litigation and Uncertainty

The Authority receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal or state agencies for expenditures disallowed under the terms and conditions of the appropriate agency.

The amount of any disallowance of grant expenditures, if any, is unknown; therefore, the accompanying financial statements do not include any liability for such disallowances. In the opinion of the Authority management, such disallowances, if any, will not be significant.

12. Operating Leases

As Lessor:

The Authority receives income from property it leases under short-term and long-term operating leases. Short-term leases are generally six-month leases, renewable for six-month periods or as negotiated by the Authority and the lessee. Long-term leases have cancellation clauses, provided certain conditions of the lessee's operations are met.

The Authority has entered into an agreement with Ferrous Metal Processing that gives Ferrous Metal Processing the right to purchase the building it is renting for a price equal to the sum of: (i) the Authority's initial building cost as defined in the agreement plus (ii) the agreed cost of all on-site improvements other than costs resulting from adverse environmental conditions or unsuitable or unexpected soil conditions plus (iii) land valued at $10,000 per acre. The sum of (i), (ii) and (iii) above is considered to be the Authority's investment. This purchase price for Ferrous Metal Processing shall be reduced by an amount equal to the credit for rental payments exceeding a 7% annualized return on the Authority's investment as defined above. If the Authority is unable to transfer the title to the land upon execution of the above agreement, the Authority agrees to enter into a 99 year ground lease renewable forever for a total rental of $1.00 per year in lieu of Ferrous Metal Processing paying $10,000 per acre for such land.

As Lessee:

Rental expense of $64,439 is an operating lease for one time rentals and a monthly rental of equipment that can be terminated by returning the equipment. Total rent expense for the year was $64,439.

13. Subsequent Events

The Authority has evaluated events occurring subsequent to year end through November 2, 2016, which is the date the statements were available to be issued. The following events, that are reported to be recognized or disclosed, have been identified by the Authority for this time period.

The Authority, Mississippi Development Authority and Tombigbee River Valley Water Management District have agreed to modify contract TV-62000A by removing Tombigbee River Valley Water Management District from their obligations and benefits of the contract. Specifically the Authority has paid the debt owed to Tombigbee River Valley Water Management District. The Authority received $500,000 from the trust fund monies established under contract TV-62000A and Tombigbee River Valley Water Management District received the remaining balance of approximately $1,500,000. The Authority will no longer be required to transfer the rent received from certain rental contracts into the trust and can use the money received from rent for Port expansion. This contract must be approved by Tennessee Valley Authority before it becomes effective. If this contract becomes effective, the accruals of the balance due to the trust fund managed by Tombigbee River Valley Water Management District of $5,499,978 could be modified or eliminated. It is at least reasonably possible that the estimate of the amount due to the trust fund established under contract TV 62000A could change in the near term.

14. Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Statement of Activities

Explanation		Amount
1. Reclassify rail spur rehab from construction in progress to expense per State of Mississippi	$	(605,993)
2. Excess depreciation taken in prior year.		27,984
3. Correction of prior year pension expense		(14,578)
Total	$	(592,587)

REQUIRED SUPPLEMENTARY INFORMATION

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
Schedule of the Authority's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years

	2016	2015
Authority's proportion of the net pension liability (asset)	0.006092%	0.007271%
Authority's proportionate share of the net pension liability (asset)	$ 941,704	$ 882,566
Authority's covered-employee payroll	$ 469,543	$ 380,622
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	200.56%	231.87%
Plan fisuciary net posistion as a percentage of the total pension laibility	61.70%	67.21%

The notes to the required supplementary information are an integral part of this schedule.

The amounts are presented for each year and were determined as of the measurements date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, The Authority has only presented information for the years in which information is available.

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
Schedule of the Authority's Contributions
PERS
Last 10 Fiscal Years

	2016	2015
Contracturally required contribution	$ 73,953	$ 59,948
Contributitions in relation to the contractually required contribution	73953	59948
Contribution deficiency (excess)	0	0
Authority's covered-employee payroll	$ 469,543	$ 380,622
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

The notes to the required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, The Authority has only presented information for the years in which information is available.

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

(1) Pension Schedules

Changes of assumptions

In 2015 and later, the expectations of retired life morality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was use prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

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INDEPENDENT AUDITORS' 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

To the Board of Directors of
Yellow Creek State Inland Port Authority
Iuka, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Yellow Creek State Inland Port Authority, an agency of the State of Mississippi, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Yellow Creek State Inland Port Authority's basic financial statements and have issued our report thereon dated November 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yellow Creek State Inland 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 Yellow Creek State Inland Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Yellow Creek State Inland Port Authority's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. These findings and responses are labeled as items 2016-1.

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. There were no significant deficiencies found.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yellow Creek State Inland 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2016-2.

Yellow Creek State Inland Port Authority's Response to Findings

Yellow Creek State Inland Port Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Yellow Creek State Inland 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.

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.

Brawner, Vanstory & Co., P.A.

November 2, 2016
Booneville, Mississippi

BVC BRAWNER VANSTORY& COMPANY, P.A.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

To the Board of Directors of
Yellow Creek State Inland Port Authority
Iuka, Mississippi

We have audited the financial statements of Yellow Creek State Inland Port Authority (an agency of the State of Mississippi) as of and for the year ended June 30, 2016, which collectively comprise the Authority's basic financial statements and have issued our report dated November 2, 2016. The report was qualified due to insufficient audit evidence existing prior to July, 1992 to support the amount at which capital assets (net of accumulated depreciation) are recorded in the accompanying Statement of Net Position at June 30, 2016 (stated at $14,029,981) and the amount at which the related depreciation expense (stated at $661,214) is recorded in the accompanying Statement of Revenues, Expenses and Changes in Fund Net Position. Except as discussed in the preceding sentence, 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.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the financial statements did not disclose any material instances of noncompliance with state laws and regulations.

This report is intended for the information and use of the board of directors and management, others within the entity, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Brawner, Vanstory & Co., P.A.

November 2, 2016
Booneville, Mississippi

YELLOW CREEK STATE INLAND PORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016

Internal Control
Significant deficiencies considered Material Weaknesses

Finding Number 2016-1

Condition: The Authority does not have an adequate segregation of duties.

Criteria: Internal controls should be in place to require segregation of duties among personnel.

Effect: There is an overlapping of duties among office personnel.

Cause: The Authority does not have enough personnel to have an adequate segregation of duties.

Recommendation: Due to the size of the staff and that the expense of hiring additional employees could be cost prohibitive; we recommend that the Board of Directors periodically review the accounting functions to compensate for the lack of segregation of duties.

Response: Agency concurs. Over many years, Yellow Creek State Inland Port Authority has managed without any problems, however, the Agency does agree to focus on more review to compensate for lack of segregation of duties.

Compliance
Significant deficiency considered to be a Material Weakness

Finding Number 2016-2

Condition: The Authority has not established the required reserves and other funds established by Contract No. TV-62000A dated April 13, 1984. The Authority is not making the required deposits into the trust fund established by Contract No. TV-62000A.

Criteria: Contract No. TV-62000A states that the Authority shall deposit certain non port revenues into the required reserves and other funds.

Effect: The reserves and other accounts required by Contract No. TV-62000A have not been established.

Cause: The Authority felt they had a right to use the funds as long as it was for industrial development.

Recommendation: We recommend the Authority comply with Contract No. TV-62000A.

Response: Congress has approved legislation to complete the contract obligation with TVA. Agreements are in progress with all parties of the contract. Finalization of the contract will be completed when the agreements are final between TVA and the State of Mississippi.