Yellow Creek State
Inland Port Authority

FINANCIAL STATEMENTS

June 30, 2017

Yellow Creek State Inland Port Authority
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June 30, 2017

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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 the business-type activities of the Yellow Creek State Inland Port Authority, as of and for the year ended June 30, 2017, and the related notes to the 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.

Auditors' 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 statements.

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

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 amounts at which capital assets (net of accumulated depreciation) are recorded in the accompanying Statement of Net Position at June 30, 2017, (stated at $17,626,559), net of accumulated depreciation, and the amount at which the related depreciation expense for the year then ended (stated at $726,731) 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 the cost 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 the Yellow Creek State Inland Port Authority as of June 30, 2017, 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.

Emphasis of Matters

As discussed in Note 1, the financial statements referred to above are intended to present only the financial position and results of operations of the Yellow Creek State Inland Port Authority, an agency of the State of Mississippi. The statements are not intended to present the financial position and results of operations of the State of Mississippi, of which the Yellow Creek State Inland Port Authority is a part.

As discussed in Note 11, pursuant to an agreement dated July 25, 2017, the Authority, the Mississippi Development Authority, the Tennessee Valley Authority, and the Tombigbee River Valley Water Management District agreed to transfer certain real property interests to the Authority and terminate Contract TV-62000A which released the Authority from any and all debt obligations under the contract, including $12,790,608 of debt recorded in the accompanying statement of net position as of June 30, 2017.

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. We have applied certain limited procedures to the required supplementary information presented, as described in the accompanying table of contents, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 12, 2018, on our consideration of the 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 the Yellow Creek State Inland Port Authority's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi
January 12, 2018

June 30, 2017	
Assets	
Current Assets	
Cash and cash equivalents	$ 2,481,371
Accounts receivable	115,863
Prepaid expenses	26,948
Total current assets	2,624,182
Noncurrent Assets	
Investments	2,108,330
Capital assets:	
Capital assets not being depreciated	6,741,689
Other capital assets, net of depreciation	10,884,870
Note receivable	607,119
Total noncurrent assets	20,342,008
Total assets	22,966,190
Deferred Outflows of Resources	
Related to pensions	401,909
Liabilities	
Current Liabilities	
Accounts payable	572,395
Other accrued liabilities	27,491
Current portion of long term notes payable	5,067,027
Total current liabilities	5,666,913
Noncurrent Liabilities	
Compensated absences	31,154
Notes payable, net of current portion	7,723,581
Net pension obligation	1,310,929
Total noncurrent liabilities	9,065,664
Total Liabilities	14,732,577
Deferred Inflows of Resources	
Related to pensions	69,652
Net Position	
Net investment in capital assets	4,263,726
Unrestricted	4,302,144
Total net position	$ 8,565,870

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

Year ended June 30, 2017	
Operating Revenues	
User fees	$ 1,231,896
Rental income	835,016
Total operating revenues	2,066,912
Operating Expenses	
Personnel services	595,728
Travel	24,664
Contractual	347,100
Commmodities	47,734
Property taxes	19,334
Depreciation	726,731
Pension expense	179,578
Total operating expenses	1,940,869
Operating income	126,043
Non-Operating Revenue (Expense)	
Miscellaneous	229
Interest income	23,848
Loss on sale of assets	(10,248)
Intergovernmental revenue	59,969
Total non-operating revenues	73,798
Change in Net Position	199,841
Net position - beginning of year	8,366,029
Net position - end of year	$ 8,565,870

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

Year ended June 30, 2017	
Cash Flows From Operating Activities	
Receipts from customers and users	$ 2,160,698
Payments to suppliers	(489,140)
Payments to employees	(660,082)
Net cash provided by operating activities	1,011,476
Cash Flows From Investing Activities	
Interest received	17,192
Miscellaneous	229
Net cash provided by investing activities	17,421
Cash Flows From Noncapital Financing Activities	
Intergovernmental revenue	59,969
Net cash provided by non capital and related financial activities	59,969
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	30,000
Acquisition of capital assets	(3,791,332)
Net cash used in non capital and related financing activities	(3,761,332)
Net decrease in cash	(2,672,466)
Cash and cash equivalents at beginning of year	5,153,837
Cash and cash equivalents end of year	$ 2,481,371

(continued)

Year ended June 30, 2017	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	$ 126,043
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	726,731
Changes in assets and liabilities:	
Accounts receivable	93,786
Prepaid expenses	(5,384)
Accounts payable	(44,924)
Other accrued liabilities	13,010
Net pension cost	102,214
Total adjustments	885,433
Net cash provided by operating activities	$ 1,011,476

(concluded)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Yellow Creek State Inland Port Authority ("the 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.

The Authority complies with accounting principles generally accepted in the United States of America (GAAP), which includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The 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.

Measurements Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The Statement of Net Position and Statement of Revenues, Expenditures and Net Position are presented using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources associated with their activities are reported. Equity is reported as net position.

The Authority uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred of the economic asset is used. The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of amounts on deposit with financial institutions and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased. Cash equivalents and investments are stated at cost which approximates fair market value.

The Authority may invest in interest bearing time certificates of deposit or any bonds or other direct obligations of the United States of America, the State of Mississippi, or any county, municipality, or school district of Mississippi, provided certain provisions have been met.

Receivables

Accounts receivable consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Receivables consist primarily of amounts due from user charges for loading and unloading freight and rental charges for facilities owned by the Authority.

Management reviews outstanding receivables at year end and establishes a provision for doubtful accounts when collection is deemed doubtful. No provision for uncollectible accounts was recorded as of June 30, 2017.

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.

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 of donation. Maintenance and repairs are expensed as incurred. Replacements that improve or extend the lives of property and exceed the mandated thresholds are capitalized. Depreciation is provided over the assets' useful lives using the straight-line method of depreciation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The range of estimated useful lives by type and related capitalization thresholds are as follows:

	Useful Life	Capitalization Threshold
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

Compensated Absences

The Authority allows 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. However, no employee shall be paid for more than 30 days of accumulated personal leave upon termination. Unused personal leave in excess of thirty days and all unused major medical leave will be counted as creditable service towards an employee's retirement benefit. There is no accrual for unused major medical leave since there is no statutory authority to pay for unused medical leave upon employee termination.

Long Term Obligations

Long term debt and other obligations of the Authority are reported liabilities. The Authority does not engage in conduit debt transactions.

Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's pension plan and additions to/deductions from the plan's net position have been determined on the same basis as they are reported by Public Employees' Retirement System of Mississippi. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources

Deferred outflows of resources are a separate financial statement element that represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows include amounts related to pensions (See Note 6), including contributions to the employee pension plan subsequent to the measurement date of the actuarial valuations for the plan.

Deferred Inflows of Resources

Deferred inflows of resources are a separate financial statement element that represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The financial statements also reflect pension related items resulting from the difference between estimated and actual return on pension plan investments, which are being amortized over a five year period using the straight-line method.

Equity Classifications

Equity is classified as net position and displayed in three components:

a. Net investment in capital assets - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, other borrowings, and related deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position - consists of net position amounts with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position - all other net position amounts that do not meet the definition of "restricted" or "net investment in capital assets."

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 and rental income. Operating expenses include the costs associated with providing the above services, administrative expenses, and depreciation. Revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates and Evaluation of Subsequent Events

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent 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.

In preparing the financial statements, management of the Authority has evaluated subsequent events though January 12, 2018, which is the date the financial statements were available to be issued.

NOTE 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, 2017, the carrying amount of the Authority's deposits and investments with financial institutions was $4,589,701 (which included $2,108,330 of certificates of deposit and bank balances totaling $2,481,371, of which $500,000 was covered by federal depository insurance, and $1,981,371 was covered by the statewide collateral pool program).

Investments

As of June 30, 2017, the Authority had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Certificate of deposit	Not Rated	1-3 years	$ 2,108,330

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.

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Credit Risk -State law limits investments to those prescribe in Sections 27-105-33(d) and 27- I 05-33(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 Risk - 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, 2017, the Authority had the following investments:

Issuer	Fair Value	% of Total Investments
Community Bank of North Mississippi	$ 2,108,330	100%

NOTE 3: NOTE RECEIVABLE

The note receivable consists of an amount due from one of the Authority's customers in the amount of $607,119 plus interest at 2% per annum. Interest payments are due monthly in the amount of $1,012 until maturity. The customer also leases certain property from the Authority and is required to repay the note at the date of termination of the lease or date of purchase of the building. Interest income recognized during the year ended June 30, 2017, was $12,142.

NOTE 4: CHANGES IN CAPITAL ASSETS

Summaries of changes in capital assets are as follows:

Year ended June 30, 2017	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 2,176,592	$ -	$ (30,000)	**$ 2,146,592**
Construction in progress	286,458	4,308,639	-	**4,595,097**
Total capital assets not being depreciated	2,463,050	4,308,639	(30,000)	**6,741,689**
Other capital assets:				
Buildings	11,882,456	-	-	**11,882,456**
Improvements	12,011,000	-	-	**12,011,000**
Furniture and equipment	4,872,418	54,916	(24,112)	**4,903,222**
	28,765,874	54,916	(24,112)	**28,796,678**
Less accumulated depreciation:				
Buildings	3,990,905	224,998	-	**4,215,903**
Improvements	9,347,404	258,752	-	**9,606,156**
Furniture and equipment	3,860,634	242,981	(13,866)	**4,089,749**
	17,198,943	726,731	(13,866)	**17,911,808**
Net other capital assets	11,566,931	(671,815)	(10,246)	**10,884,870**
Capital assets, net	$ 14,029,981	$ 3,636,824	$ (40,246)	**$ 17,626,559**

NOTE 5: LONG-TERM LIABILITIES

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 amended, was terminated on April 13, 1984 by a new contract (#TV-62000A) (the "Agreement") and was signed by the above parties. The 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.

NOTE 5: LONG-TERM LIABILITIES (Continued)

According to the Agreement, after all current expense payments have been made, the Authority shall pay one-half of the remaining balance annually 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, all funds shall be paid into a 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 the Agreement 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. XYECR-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 the Agreement and value which is attributable to the sale, lease or license of buildings and other improvements owned or constructed by the Authority on such tracts, shall be paid into the Trust Fund established pursuant to Article XIII herein".

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".

NOTE 5: LONG-TERM LIABILITIES (Continued)

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 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, 2017. The Authority has not established the "Reserve Fund To Repay TRVWMD" or the "Federal Sinking Fund."

Long-term liabilities activity for the year ended June 30, 2017, consisted of the following:

	Beginning Balance	Additions	Repayments	Ending Balance	Amounts Due Within One Year
TVA	$ 7,290,630	$ -	$ -	**$ 7,290,630**	$ 174,168
TRVWMD-					
Contract #TV-62000A	5,499,978	-	-	**5,499,978**	4,892,859
Compensated absences	31,154	-	-	**31,154**	-
Net pension obligation	941,704	369,225	-	**1,310,929**	-
	$ 13,763,466	$ 369,225	$ -	**$ 14,132,691**	$ 5,067,027

There are no interest rates or maturity dates applicable to either of the note payable amounts noted in the above schedule. The Tennessee Valley Authority (TVA) note should be secured by the "Federal Sinking Fund" and the Tombigbee River Valley Water Management District (TRVWMD) Bond and Interest note payable should be secured by the "Reserve Fund To Repay TRVWMD". Neither of these funds had been established at June 30, 2017.

The TVA and TRVWMD notes payable have no definite repayment schedule. 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.

	Tennessee Valley Authority Note		
June 30, 2017	Principal	Interest	Total
Delinquent	$ 174,168	$ -	$ 174,168
No definite repayment schedule	7,116,462	-	7,116,462
Total	$ 7,290,630	$ -	$ 7,290,630

NOTE 5: LONG-TERM LIABILITIES (Continued)

	TRVWMD Note		
June 30, 2017	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

NOTE 6: PENSION PLAN

Public Employees Retirement Plan

Pension Plan Description

The Authority contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan (the Plan), which covers all eligible employees. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan's provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. § 25-11-1 et seq. (1972, as amended) and may be amended only by the Mississippi Legislature.

PERS is administered by a 10-member Board of Trustees that includes: the State Treasurer; one gubernatorial appointee who is a member of PERS; two state employees; two PERS retirees; and one representative each from public schools and community colleges, state universities, municipalities, and counties. With the exception of the State Treasurer and the gubernatorial appointee, all members are elected to staggered six-year terms by the constituents they represent. The Board of Trustees is responsible for the general administration and proper operation of PERS. The executive director is designated by the Board to lead and conduct all business for PERS. PERS operates under legislative mandate with respect to administrative budgets, human resources, and purchasing guidelines.

The financial statements of PERS are prepared using the economic resources measurement focus and accrual basis of accounting. Member and employer contributions are recognized as revenue when due pursuant to legal requirements; investment income is recognized when earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, PERS is considered a component unit of the State of Mississippi for financial reporting purposes and, as such, the financial statements issued by PERS are included in the State of Mississippi's Comprehensive Annual Financial Report. PERS issues a publicly available financial report that includes financial statements and required supplementary information. Supporting

NOTE 6: PENSION PLAN (Continued)

actuarial information for the Plan is also provided in the GASB Statement No. 68 report for the PERS prepared as of June 30, 2016. The auditor's opinion on that report and an accompanying schedule of collective pension amounts as of June 30, 2016 is also available. All such information is available at www.pers.ms.gov or may be obtained by writing to Public Employees Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided

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 the Plan before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of the Plan before July 1, 2011), plus 2.5% for 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. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of the Plan before July 1, 2007). The Plan also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

A cost-of-living adjustment payment is made to eligible retirees and beneficiaries equal to 3.0% 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 the Plan before July 1, 2011), with 3.0% compounded for each fiscal year thereafter.

Contributions

Employer and member contributions are based on actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due and are determined through the most recent June 30 annual valuation. Employer contribution rates consist of an amount for service cost; the amount estimated to finance benefits earned by current members during the year; and an amount for amortization of the unfunded actuarial accrued liability. Contribution rates are determined using the entry age actuarial cost method and include provisions for an annual 3.0% cost-of-living increase calculated according to the

NOTE 6: PENSION PLAN (Continued)

terms of the plan. The PERS Board of Trustees implemented a revised funding policy aimed at stabilizing the employer contribution rate, resulting in an employer contribution rate of 15.75% for the year ended June 30, 2017. The Authority's contributions to PERS for the fiscal year ending June 30, 2017, were $77,364.

Pension Liability and Pension Expense

At June 30, 2017, the Authority reported a liability of $1,310,929 for its proportionate share of the collective net pension liability of the Plan. The net pension liability (NPL) was measured as of June 30, 2016, and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date. The pension expense recognized by the Authority for the year ended June 30, 2017, was $179,578.

The NPL is the difference between the TPL and the pension plans' fiduciary net position (FNP). The TPL is the present value of the pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic cost of living adjustments. The FNP is determined on the same basis as that used by the Plan. The Authority's proportion of the collective NPL was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating PERS employers. At June 30, 2017, the Authority's proportionate share was 0.007339% as compared to its proportionate share in the prior year of 0.006092%, or an increase of 0.001247%. The proportionate share amounts are based on measurement dates of June 30, 2016 and 2015, respectively. Detailed information about the Plan's fiduciary net position is available in the separately issued PERS financial report.

The following table presents the Authority's net pension liabilities calculated using the discount rate of 7.75%, as well as what the net pension liabilities would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) 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	$ 1,680,904	$ 1,310,929	$ 1,003,969

NOTE 6: PENSION PLAN (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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	$ 36,565	$ -
Net difference between projected and actual earnings on pension plan investments	88,809	-
Changes in assumptions	61,800	3,484
Changes in proportion and differences between Authority contributions and proportionate share of contributions	137,371	66,168
Authority contributions subsequent to the measurement date	77,364	-
Total	$ 401,909	$ 69,652

Deferred outflows of resources related to the Plan resulting from the Authority's contributions subsequent to June 30, 2016 (the measurement date) were $77,364 and will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	$ 120,569	$ (39,471)
2019	104,812	(28,700)
2020	73,266	(1,001)
2021	25,898	(480)
Total	$ 324,545	$ (69,652)

NOTE 6: PENSION PLAN (Continued)

Actuarial assumptions

For determining employer contribution rates, the actuary evaluates the assets of the Plan based on a five-year smoothed expected return with 20.00% of a year's excess or shortfall of expected return recognized each year for five years. The TPL was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Projected salary increases, including inflation	3.75% - 19.00%
Investment rate of return (net of plan investment expenses)	7.75%

The actuarial assumptions used in the actuarial 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.

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

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:

Investment Asset Class	**Target Allocation**	**Long-Term Expected Rate of Return**
U. S. broad	34.00%	5.20%
International equity	19.00%	5.00%
Emerging markets equity	8.00%	5.45%
Fixed income	20.00%	0.25%
Real assets	10.00%	4.00%
Private equity	8.00%	6.15%
Cash	1.00%	-0.50%
Total	100.00%	

NOTE 6: PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). The assumed investment rate of return, net of pension plan investment expense, and including inflation, was 7.75%. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

NOTE 7: 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.

The Authority participates in a self-insurance program and retains risk of loss resulting from unemployment claims. The Authority is on a cost reimbursement basis for unemployment claims 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.

NOTE 8: 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, 2017, the Authority had extended credit to various customers for accounts and notes receivable totaling $722,982.

NOTE 9: DEPENDENCY ON MAJOR CUSTOMERS

The Authority's business depends on developing and maintaining close relationships with its customers. The Authority derived approximately 37.1% of its operating revenues from one major customer during the year ended June 30, 2017. The customer also owes the Authority approximately $12,000 of accounts receivable and a $607,119 note receivable as discussed in Note 3. The Authority believes its relationship with this customer is satisfactory and will continue; however, the loss of this customer could have a material adverse effect on the financial statements of the Authority.

NOTE 10: 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 would be reduced 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 for such land.

As Lessee

Operating rental expense is for one time rentals and monthly rentals of equipment that can be terminated by returning the equipment. Total rent expense for the year ended June 30, 2017 was $93,350.

NOTE 11: SUBSEQUENT EVENT

Pursuant to an agreement dated July 25, 2017, the Authority, the Mississippi Development Authority, the Tennessee Valley Authority, and the Tombigbee River Valley Water Management District agreed to transfer certain real property interests to the Authority and terminate Contract TV-62000A which released the Authority from any and all debt obligations under the contract, including $12,790,608 of debt recorded in the accompanying statement of net position as of June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Yellow Creek State Inland Port Authority
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years

	2017	2016	2015
Authority's proportion of the net pension liability	**0.007339%**	0.006092%	0.007271%
Authority's proportionate share of the net pension liability	**$ 1,310,929**	$ 941,704	$ 882,566
Authority's covered-employee payroll	**$ 491,200**	$ 469,543	$ 380,622
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	**266.88%**	200.56%	231.87%
Plan fiduciary net position as a percentage of the total pension liability	**57.47%**	61.70%	67.21%

The amounts presented for each year were determined as of the measurements date of June 30, of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to disclose information for the last ten year period. However, GASB 68 was implemented in fiscal 2015, and until a full ten year trend is compiled, the Authority has only presented information for the years in which information is available.

Yellow Creek State Inland Port Authority
Schedule of the Authority's Contributions
Last 10 Fiscal Years

	2017	2016	2015
Contractually required contribution	**$ 77,364**	$ 73,953	$ 59,948
Contributions in relation to the contractually required contribution	**77,364**	73,953	59,948
Contribution deficiency (excess)	**$ -**	$ -	$ -
Authority's covered-employee payroll	**$ 491,200**	$ 469,543	$ 380,622
Contributions as a percentage of covered-employee payroll	**15.75%**	15.75%	15.75%

This schedule is presented to illustrate the requirement to disclose information for the last ten year period. However, GASB 68 was implemented in fiscal 2015, and until a full ten year trend is compiled, the Authority has only presented information for the years in which information is available.

NOTE 1: SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

The Authority's proportionate share of the net pension liability was determined based on the Authority's allocation percentage of actual contributions to the Public Employees' Retirement System of Mississippi System's (PERS) total actual contributions as of and for the year ended June 30, 2016. The total pension liabilities used in the development of the ratio of the plan fiduciary net position to total pension liabilities presented in the schedule was provided by the Public Employees' Retirement System of Mississippi System's (PERS) actuarial consultants, Cavanaugh Macdonald Consulting, LLC. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position for PERS as of and for the year ended June 30, 2016.

NOTE 2: SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS

The employer contribution rate for the Authority was 9.75% in fiscal year 2005 with an increase in fiscal year 2006 to 10.75%. Beginning in fiscal year 2007, the employer contribution rate increased from 10.75% in .55% percent increments until the target rate was met in fiscal year 2008. Use of the phased-in employer contribution rate increase resulted in an annual contribution deficit for fiscal year 2007. The purpose of the phased-in approach was to moderate the impact to the State of Mississippi of a contribution rate increase. A slight increase in the employer contribution rate was implemented in fiscal year 2010, from 11.85% to 12.0%. In fiscal year 2010, the actuary's recommended employer contribution rate was to increase from 12.0% to a projected 13.56% for fiscal year 2011. In lieu of the employer contribution rate increase, the member contribution rate was increased to 9.0% for fiscal year 2011, which produced a decrease in employer normal cost. The reduction in normal cost, coupled with favorable investment experience, resulted in a revised recommended employer contribution rate from 13.56% to 12.93%, which became effective January 1, 2012. The employer contribution rate increased in fiscal year 2013 to 14.26% and in fiscal year 2014, the Board implemented a revised funding policy aimed at stabilizing the employer contribution rate, which was set at 15.75%.

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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 the Yellow Creek State Inland Port Authority, as of and for the year ended June 30, 2017, 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 January 12, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on 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 the attention of 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. We did identify certain deficiencies in internal control, described as item 2017-1 in the accompanying schedule of findings and responses that we considered to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 2017-2.

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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi
January 12, 2018

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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 the Yellow Creek State Inland Port Authority as of and for the year ended June 30, 2017, and have issued our report dated January 12, 2018. The report was qualified due to insufficient audit evidence existing prior to July, 1992 to support the amounts at which capital assets (net of accumulated depreciation) are recorded in the accompanying Statement of Net Position at June 30, 2017 (stated at $17,626,559) and the amount at which the related depreciation expense (stated at $726,731) is recorded in the accompanying Statement of Revenues, Expenses and Changes in 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi
January 12, 2018

Significant Deficiency

Internal Control

Finding Number 2017-1

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

Compliance

Finding Number 2017-2

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 believed 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:
Pursuant to agreement dated July 25, 2017, the Authority has been released from all obligations related to Contract No. TV-62000A and there will be no further instances of noncompliance with this contract.