

**CHEATHAM COUNTY
RAIL AUTHORITY**

JUNE 30, 2022

**TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT**

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**CHEATHAM COUNTY RAIL AUTHORITY
SCHEDULE OF OFFICIALS
JUNE 30, 2022**

Ed Cole, Chairman
3022 23rd Ave. S.
Nashville, TN 37211
Work: (615) 297-9918
Cell: (615) 838-2659
Email: edcole1@me.com

Mayor Kerry McCarver
100 Public Square, Ste. 105
Ashland City, TN 37015
Work: (615) 792-4316
Cell: (615) 456-0056
Email: Kerry.mccarver@cheathamcountyttn.gov

Amber Locke, Secretary
515 Leaf Lane
Ashland City, TN 37015
Cell: (615) 856-3282
Email: Amber.locke11@outlook.com

Mayor JT Smith
233 TN Waltz Pkway, STE 103
Ashland City, TN 37015
Work: (615) 792-7553, ext: 5729
Email: JTsmith2843@yahoo.com

Joy Styles
1756 Bridgecrest Dr.
Ashland City, TN 37015
Phone: 917-593-4463
Email: Joy.styles@nashville.gov

Wade Reed
1050 Wade Reed Rd.
White Bluff, TN 37187
Cell: (615) 972-4951
Email: gatlinviewfarm@att.net

Gina Anzaldua
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Ashland City, TN 37015
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Sabrina Cantrell, Auditor

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Cheatham County Rail Authority
Ashland City, Tennessee 37015

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying government activities and the major fund financial statements of Cheatham County Rail Authority, a jointly governed organization with Metropolitan Davidson County and Cheatham County, TN as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Cheatham County Rail Authority's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Cheatham County Rail Authority as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Cheatham County Rail Authority Emergency Communications District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cheatham County Rail Authority

Emergency Communications District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cheatham County Rail Authority Emergency Communications District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cheatham County Rail Authority Emergency Communications District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cheatham County Rail Authority Emergency Communications District's basic financial statements. The Budget and Actual schedule, Schedule of Changes in Long-Term Debt by Individual Issue, and Schedule of Long-Term Debt, Principal, and Interest Requirements are presented for purposes of additional analysis and is not a required part of the basic financial statements. The Budget and Actual schedule, Schedule of Changes in Long-Term Debt by Individual Issue, and Schedule of Long-Term Debt, Principal, and Interest Requirements are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplemental information present is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section but does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements does not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 13, 2023 on my consideration of Cheatham County Rail Authority Emergency Communications District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Cheatham County Rail Authority Emergency Communications District's internal control over financial reporting and compliance.

Tamara L. Beckman, CPA

February 13, 2023
Smithville, Tennessee

CHEATHAM COUNTY RAIL AUTHORITY
350 Frey St.
Ashland City, TN 37015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Cheatham County Rail Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority's performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the Authority's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis, the independent accountants' audit report and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private companies. These statements offer both short-term and long-term financial information about its activities. The statement of net position includes all of the Authority's assets and liabilities and provides information about where the Authority has invested its resources (assets) and the obligations to the Authority's credit (liabilities).

All of the current year's revenue and expenses are accounted for in the statement of revenue, expenses and change in net position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balances during the reporting period.

FINANCIAL ANALYSIS OF THE AUTHORITY

One of the most important questions asked about the Authority's finances is, "Is the Authority better off or worse off as a result of this year's activities?" The statement of net position and the statement of revenue, expenses and change in net position report information about the Authority's activities in a way that will help answer this question. The two statements report the net position of the Authority and the changes in it. One can think of the Authority's net position, the difference between assets and liabilities, as one way to measure financial health. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. A summary of the

Authority's net position and change in it is presented below:

SUMMARIZED FINANCIAL INFORMATION

	<u>2022</u>	<u>2021</u>
NET POSITION		
Current Assets	\$ 217,098.39	\$ 379,951.40
Capital Assets	3,294,204.15	3,392,732.42
Other Non-Current Assets	-	-
Deferred Outflow of Resources	-	-
	<u>3,511,302.54</u>	<u>3,772,683.82</u>
Current Liabilities	\$ 187,862.48	\$ 395,474.30
Other Non-Current Liabilities	-	180,835.24
Deferred Inflow of Resources	-	-
	<u>187,862.48</u>	<u>576,309.54</u>
Net Position:		
Net Investment in Capital Assets	3,113,368.91	3,040,291.55
Restricted - Pensions	-	-
Unrestricted	<u>210,071.15</u>	<u>156,082.73</u>
	<u>\$ 3,323,440.06</u>	<u>\$ 3,196,374.28</u>
CHANGE IN NET POSITION		
Operating Revenue	\$ 58,103.64	\$ 60,263.51
Operating Expenses	<u>128,783.81</u>	<u>116,639.26</u>
Income (Loss) from Operations	(70,680.17)	(56,375.75)
Non-Operating Revenue/(Expense)	<u>197,745.95</u>	<u>375,817.39</u>
Change in Net Position	127,065.78	319,441.64
Beginning Net Position	<u>3,196,374.28</u>	<u>2,876,932.64</u>
Ending Net Position	<u>\$ 3,323,440.06</u>	<u>\$ 3,196,374.28</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Authority completed the year ended June 30, 2022 with net position of \$3,323,440.06, which is \$127,065.78 more than the prior year's ending net position of \$3,196,374.28, an increase of 3.975% compared to the prior year. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by \$53,988.42 or 34.59% during the year ended June 30, 2022. Current year's change in net position decreased compared to last year's change in net position due to a decrease in grant income.

The operations of the District are primarily funded as follows:

	<u>2022</u>	<u>2021</u>
Rail Income	\$ 35,773.72	\$ 36,960.37
Lease Income	22,329.92	23,303.14
	<u>\$ 58,103.64</u>	<u>\$ 60,263.51</u>

CAPITAL ASSETS

The Authority's investment in capital assets as of June 30, 2022 amounted to \$7,358,306.23 with accumulated depreciation of \$4,064,102.08. Capital assets include Land, Track and Bridge Rehabilitation. There were additions of Construction in Progress in the amount of \$4,815.79 and no disposals during the year ended June 30, 2022.

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing the Authority is the grant revenues distributed by the State for short line railroads.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general view of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any question or need additional information, please contact Ed Cole, Chairman of the Cheatham County Rail Authority, 3022 23rd Avenue S., Nashville, TN 37211.

CHEATHAM COUNTY RAIL AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 184,996.92	
Accounts Receivable	32,101.47	
<u>Total Current Assets</u>		\$ 217,098.39

Capital Assets

Land	260,212.00	
Bridge Rehabilitation	4,425,567.88	
Track Rehabilitation	2,419,863.29	
Less: Accumulated Depreciation	(4,064,102.08)	
Construction in Progress	252,663.06	
<u>Total Capital Assets</u>		<u>3,294,204.15</u>

<u>Total Assets</u>		\$ 3,511,302.54
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LIABILITIES

Current Liabilities

Accounts Payable	6,640.80	
Interest Payable - FRA Note	386.44	
FRA Note Payable - current portion	180,835.24	

<u>Total Current Liabilities</u>		187,862.48
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Long-term Debt - FRA Note Payable	-	
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<u>Total Liabilities</u>		<u>187,862.48</u>
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NET POSITION

Net Investment in Capital Assets	3,113,368.91	
Unrestricted Net Position	210,071.15	

<u>Total Net Position</u>		<u><u>\$ 3,323,440.06</u></u>
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The accompanying notes are an integral part of the financial statements

CHEATHAM COUNTY RAIL AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

<u>Operating Revenues</u>		
Rail Income	\$ 35,773.72	
Lease Income	22,329.92	
Total Operating Revenues		\$ 58,103.64
 <u>Operating Expense</u>		
Accounting	2,400.00	
Audit	4,000.00	
Engineering	13,136.37	
Office Supplies	3.38	
Legal	5,400.00	
Postage	-	
Dues & Fees	500.00	
Depreciation Expense	103,344.06	
Total Operating Expenses		128,783.81
Net Operating Income (Loss)		\$ (70,680.17)
 <u>Non-operating Revenue and Expense</u>		
Interest Expense	(14,658.82)	
Grant Income	25,779.09	
Contributions from NWRC	186,625.68	
Total Non-operating Revenue and Expense		197,745.95
 Increase (Decrease) in Net Position		 127,065.78
Total Net Position - June 30, 2021		3,196,374.28
Total Net Position - June 30, 2022		\$ 3,323,440.06

The Accompanying notes are an integral part of the financial statements

CHEATHAM COUNTY RAIL AUTHORITY
STATEMENT OF CASH FLOW
JUNE 30, 2022

Cash Flows From Operating Activities

Cash Received from Operations	\$ 51,915.93	
Cash Payments for Goods and Services	<u>(241,919.95)</u>	
Net Cash Provided (Used) by Operating Activities		\$ (190,004.02)

Cash Flows from Capital & Related Financing Activities

New Infrastructure (Construction in Progress)	<u>(4,815.79)</u>	
Net Cash Provided (Used) by Capital & Related Financing Activities		(4,815.79)

Cash Flows from Non-Capital Financing Activities

Grant Income Received	<u>25,779.09</u>	
Net Cash Provided (Used) by Non-Capital Financing Activities		<u>25,779.09</u>

Net Increase (Decrease) in Cash and Cash Equivalents		(169,040.72)
Cash and Cash Equivalent at 6-30-21		<u>354,037.64</u>
Cash and Cash Equivalent at 6-30-22		<u><u>\$ 184,996.92</u></u>

Reconciliation of Net Operating Income (Loss) to Net Cash

<u>Provided (Used) by Operating Activities</u>		
Net Operating Income (Loss)	\$ (70,680.17)	
Depreciation	103,344.06	
Other NonCash	-	
Increase in Accounts Receivable	(6,187.71)	
Increase in Prepaid Expenses	-	
Decrease in Accounts Payable	<u>(216,480.20)</u>	
<u>Net Cash Provided (Used) by Operating Activities</u>		<u><u>\$ (190,004.02)</u></u>

Non-Cash Activity

Nashville & Western payments on FRA loan booked as contributions.		<u><u>\$ 186,625.68</u></u>
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The Accompanying notes are an integral part of the financial statements

**CHEATHAM COUNTY
RAIL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 1 – General Statement and Summary of Significant Accounting Policies

The Cheatham County Rail Authority was established in 1986 as a state governmental entity under the laws of Tennessee to acquire the unused facilities of a short-line railroad of approximately twenty-eight miles running between Nashville and Ashland City, and to encourage the continuation of railroad service to Cheatham County. Cheatham County Rail Authority is a jointly governed organization between Cheatham County and Metropolitan Davidson County, Tennessee. Metropolitan Davidson County appoints two members to the Rail Authority’s Board of Directors. The other members are approved by the Cheatham County Commission. The legislative bodies have the authority to reject all nominations and make nominations from the floor. All changes to the By-Laws are subject to approval by the Cheatham County Commission. In 1988, Metropolitan Nashville and Davidson County established a railroad authority to join with the Cheatham County Rail Authority to share in the operation and ownership of the railroad. The Authority incorporated under Tennessee law as a Municipal Corporation on July 25, 1994. The Authority has contracted with an independent corporation to operate the railroad.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis of accounting when the exchange takes place. Non-exchange transactions, in which the District receives value without directly giving value, in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. On an accrual basis, expenses are recognized at the time they are incurred.

The following is a summary of the Authority’s significant accounting policies.

A. Basis of Accounting

The Cheatham County Rail Authority presents its financial statements on the accrual basis of accounting. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. Revenues are recognized when they become measurable, and expenses are recognized when the related liabilities are incurred.

B. Measurement Focus

The operations of the Authority are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenditures. Measurement focus refers to what is being measured. The Authority uses the economic resources measurement focus. Accordingly, it reports all assets and liabilities on the statement of net position. The reported net position is segregated into three components: net investment in capital assets; restricted; and unrestricted. The Authority’s operating statement presents increases (revenues) and decreases (expenses) in net position.

C. Property, Plant & Equipment and Depreciation

Capital assets are recorded at cost. Construction period interest is capitalized. The Authority capitalizes any capital assets with a cost over \$500 that have an estimated life of more than one year, using the straight-line depreciation method.

D. Budgetary Data

Annual operating budgets are to be adopted each year and amended as required on the same basis of accounting to reflect actual revenues and expenditures recognized by generally accepted accounting principles.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affects certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions.

G. Operating and Non-operating Income

The Authority considers rail and easement and lease income to be operating and grants income and contributions from NWRC to be non-operating.

Note 2 – Cash and cash investments

The following is a schedule of bank accounts at June 30, 2022:

Checking – Reliant Bank	<u>\$184,996.92</u>
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At June 30, 2022, the carrying amount of the Cheatham County Rail Authority’s cash deposits was \$184,996.92. The Authority’s deposit accounts are covered up to \$250,000 by the Federal Deposit Insurance Corporation. Any amounts over \$250,000 are covered by the government collateralization pool of which Community Bank & Trust is a member. The Authority is authorized to deposit and invest funds according to the provisions of Section 5-8-301 of the Tennessee Code Annotated. [Acts 1992, ch. 891, section 10].

Legal Provisions

All deposits with financial institutions in excess of FDIC limits are required to be secured by one of two methods. Excess funds can be deposited with financial institutions that participate in the State of Tennessee Bank Collateral Pool administered by the state treasurer. For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the district’s deposits may not be returned to it. None of the district’s deposits were exposed to custodial credit risk because all balances were entirely insured by the FDIC or through the Bank Collateral Pool with the state of Tennessee.

Note 3 – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority has elected not to obtain insurance policies to transfer risk to a commercial insurance company either directly or through the Tennessee County Services Pool and is, in effect, self-insured with an unfunded plan. The Authority was named as “an additional insured” on the NWRC’s liability insurance policy but only with respect to liability arising out of the operations of the Operator.

Note 4 – Schedule of Capital Assets

The schedule of capital assets and accumulated depreciation is as follows:

	Balance 6/30/2021	Additions	Adjustments & Disposals	Balance 6/30/2022
<u>Assets not Capitalized</u>				
Land	\$ 260,212.00	\$ -	\$ -	\$ 260,212.00
Construction in Progress	247,847.27	4,815.79	-	252,663.06
Subtotal	<u>508,059.27</u>	<u>4,815.79</u>	<u>-</u>	<u>512,875.06</u>
<u>Assets Capitalized</u>				
Rail Line Rehabilitation	2,419,863.29	-	-	2,419,863.29
Bridge Rehabilitation	4,425,567.88	-	-	4,425,567.88
Subtotal	<u>6,845,431.17</u>	<u>-</u>	<u>-</u>	<u>6,845,431.17</u>
Total Capital Assets	<u>\$ 7,353,490.44</u>	<u>\$ 4,815.79</u>	<u>\$ -</u>	<u>\$ 7,358,306.23</u>

	Accumulated Depreciation 6/30/2021	Current Year Depreciation	Current Year Adjustments & Disposals	Accumulated Depreciation 6/30/2022
Rail Line Rehabilitation	\$ 1,222,295.30	\$ 41,407.39	\$ -	\$ 1,263,702.69
Bridge Rehabilitation	2,738,462.72	61,936.67	-	2,800,399.39
Total Accum. Depr.	<u>\$ 3,960,758.02</u>	<u>\$ 103,344.06</u>	<u>\$ -</u>	<u>\$ 4,064,102.08</u>

Note 5 – Notes Payable

On April 21, 2003, the Authority and the Operator (Nashville & Western Railroad; NWRC) entered into a Federal Railroad Administration (FRA) loan agreement with the State of Tennessee in the amount of \$2.244,004 million. The State agreed to make periodic payments to the Authority/Operator to the extent that such funds are allocated by the State to the Authority/Operator. The State agreed that 85% of the funds received from Tennessee Department of Transportation (TDOT) can be used to pay the FRA loan each year. The loan remains on the Rail Authority’s records because they own the collateral for the loan.

However, all payments to the FRA are to be made directly from Nashville & Western with reimbursement coming from the Rail Authority after funds are received from TDOT. Beginning in 2013, TDOT suspended all allocations of funds to the Rail Authority for payment on this loan. Per the loan agreement with NWRC, Nashville & Western continued to make payments on the loan. These amounts are recorded as payments on the FRA loan and contributions income from NWRC. All outstanding direct borrowings contain an event of default that changes the timing of repayment of outstanding amounts to become immediately due if the Board is unable to make payment. Current year activity and amortization of the loan are as follows:

a) Amortization Schedule
For Fiscal Year Ended June 30,

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2023	\$ 180,835.24	\$ 5,790.44	\$ 186,625.68
Total	<u>\$ 180,835.24</u>	<u>\$ 5,790.44</u>	<u>\$ 186,625.68</u>

b) Schedule of Changes in Long-Term Notes Payable

Interest payable for this FRA loan at June 30, 2022 was \$386.44 and interest expense was \$14,658.82.

	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date
USDA Bond	\$ 2,244,004.00	5.20%	5/15/2004	6/15/2023

<u>Description</u>	6/30/2021 <u>Outstanding</u>	Issued During Period	Paid and/or Matured During Period	Refunded During Period	6/30/2022 <u>Outstanding</u>	Due in One Year
USDA Bond	\$ 352,440.87	\$ -	\$ 171,605.63	\$ -	\$ 180,835.24	\$ 180,835.24

Note 6 – Operating Agreement

In June 2001, the Authority entered into an operating agreement with NWRC to provide rail services and to maintain and manage the trackage and right-of-way, which the Authority owns. The terms of this agreement require NWRC to pay the Authority quarterly plus 4% of gross revenue.

Note 7 – Net Investment in Capital Assets

The calculation for Net Investment in Capital Assets as stated on the Statement of Net Position is as follows:

Net Capital Assets	\$3,294,204.15
FRA Note Payable – current portion	(180,835.24)
Net Investment in Capital Assets	<u>\$3,113,368.91</u>

Note 8 – Merger/Sale and Purchase of Equity Interests between NWRC and RJC Railroad Company

On December 6, 2018, the Rail Authority’s Board of Director approved a merger between Nashville & Western Railroad Corporation (NWRC) and R. J. Corman Railroad Company, LLC (RJC). The results of this agreement are that the Merger will constitute a transfer of control of NWRC. RJC will receive all of the property, rights, privileges, immunities, powers, franchises, licenses and authority of NWRC and all debts, liabilities, obligations, restrictions and duties of NWRC, including its rights and obligations under the Operating Agreement between NWRC and the Cheatham County Rail Authority established June 7, 2001. RJC will change its name and will continue to operate and provide common carrier freight and rail services over the trackage and right-of-way owned by the Rail Authority under the name “Nashville & Western Railroad Corporation”.

Note 9 – Subsequent Events

The Authority has evaluated subsequent events through February 13, 2023, the date in which the financial statements were available to be issued.

CHEATHAM COUNTY RAIL AUTHORITY
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2022

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Outstanding 6/30/2021</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2022</u>
<u>Bonds Payable</u>									
USDA Bond	<u>\$ 2,244,004.00</u>	5.20%	5/15/2004	6/15/2023	<u>\$ 352,440.87</u>	<u>\$ -</u>	<u>\$ 171,605.63</u>	<u>\$ -</u>	<u>\$ 180,835.24</u>
Total Notes Payable	<u><u>\$ 2,244,004.00</u></u>				<u><u>\$ 352,440.87</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 171,605.63</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 180,835.24</u></u>

CHEATHAM COUNTY RAIL AUTHORITY
SCHEDULE OF LONG-TERM DEBT, PRINCIPAL, AND INTEREST REQUIREMENTS
JUNE 30, 2022

<u>Fiscal year</u> <u>Ended June 30,</u>	<u>USDA</u> <u>Bonds Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 28,074.55	\$ 51,665.45	\$ 28,074.55	\$ 51,665.45
	-	-	-	-
	<u>\$ 28,074.55</u>	<u>\$ 51,665.45</u>	<u>\$ 28,074.55</u>	<u>\$ 51,665.45</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of the
Cheatham County Rail Authority
Ashland City, Tennessee 37015

I have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cheatham County Rail Authority, a jointly governed organization with Metropolitan Davidson County and Cheatham County, TN, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Cheatham County Rail Authority's basic financial statements, and have issued my report thereon dated February 13, 2023.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Cheatham County Rail Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cheatham County Rail Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Cheatham County Rail Authority's internal control.

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

My 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. Given these limitations, during my audit I did not identify any

deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cheatham County Rail Authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of my 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.

Tamara L. Beckman, CPA

February 13, 2023
Smithville, Tennessee

**CHEATHAM COUNTY RAIL AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

PRIOR YEAR FINDING #	FINDING TITLE & ORIGINAL FINDING #	STATUS/ CURRENT YEAR FINDING #
	The Authority did not have any prior year findings	