

**MONTGOMERY COUNTY
RAIL SERVICE AUTHORITY
FINANCIAL STATEMENTS
AND
REPORT OF AUDIT
JUNE 30, 2009**

**MONTGOMERY COUNTY RAIL SERVICE AUTHORITY
REPORT OF AUDIT
JUNE 30, 2009**

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**MONTGOMERY COUNTY RAIL SERVICE AUTHORITY
GENERAL INFORMATION
JUNE 30, 2009**

GENERAL

The Montgomery County Rail Service Authority was established by resolution of the Montgomery County Commission on July 11, 1988, pursuant to Tennessee Code Annotated, Section 7-56-201. The Authority was established for the purpose of providing a continuation of rail service within the area of Montgomery County.

The Authority is governed by a board of directors composed of four members. The members serve a term of four years with the original members serving staggered terms.

The Authority's accounting is handled by and through the office of the Montgomery County Accounts and Budgets.

BOARD OF DIRECTORS

Carolyn Bowers, Chairman, County Mayor

Johnny Piper, City Mayor

Stan Williams, Director

Carl Wilson, Director



THURMAN CAMPBELL GROUP, PLC
CERTIFIED PUBLIC ACCOUNTANTS

Members

American Institute of
Certified Public Accountants

Tennessee Society of
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Robert E. Yates, II
Paul S. Ellis
Michael E. Wallace
Christopher C. Johns
Jeffery Proctor
Brian Demps

Jerry Weatherspoon
Kendra S. Bucciarelli
Stacy Boone

November 30, 2009

Board of Directors
Montgomery County Rail Service Authority
Montgomery County Courthouse
Clarksville, TN 37040

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities of Montgomery County Rail Service Authority as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Montgomery County Rail Service Authority management. Our responsibility is to express an opinion 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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Manual for Governmental Units and Recipients of Grant Funds* published by the Tennessee office of the Comptroller of the Treasury. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Montgomery County Rail Service Authority as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2009, on our consideration of Montgomery County Rail Service 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Montgomery County Rail Service Authority has not presented a management's discussion and analysis, that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements .

Thurman Campbell Group, PLC

**MONTGOMERY COUNTY RAIL SERVICE AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2009**

ASSETS

ASSETS

Cash in Bank	<u>\$ 27,682</u>
Total Assets	<u><u>27,682</u></u>

LIABILITIES AND FUND BALANCE/NET ASSETS

FUND BALANCE/NET ASSETS

Unrestricted	<u>27,682</u>	
Total Fund Balance/Net Assets		<u>27,682</u>
Total Liabilities and Fund Balance/Net Assets		<u><u>\$ 27,682</u></u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

**MONTGOMERY COUNTY RAIL SERVICE AUTHORITY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

PROGRAM REVENUES

Operating Grant		\$ 15,937
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EXPENDITURES/EXPENSES

Engineering Inspection	15,938	
Legal & Audit Fees	<u>2,800</u>	
Total Expenditures/Expenses		<u>18,738</u>

Net Change in Fund Balance/Net Assets		(2,801)
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<u>FUND BALANCE/NET ASSETS - BEGINNING OF THE YEAR</u>		<u>30,483</u>
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<u>FUND BALANCE/NET ASSETS - END OF YEAR</u>		<u><u>\$ 27,682</u></u>
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SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

MONTGOMERY COUNTY RAIL SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Montgomery County Rail Service Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies for the Authority are described as follows:

A. The Financial Reporting Entity

The Authority is responsible for assisting in the continuation of rail service within the area of Montgomery County. One of the four board members of the Authority is appointed by the Montgomery County Mayor with the Montgomery County Commission's approval; one is appointed by the Mayor of Clarksville with the Clarksville City Council's approval; the County Mayor and the City Mayor are the remaining two members of the Board. The Authority is treated as a joint venture because of the ongoing financial interest maintained by Montgomery County. Management functions are handled by County personnel, and cash funds are commingled with County funds. Neither the County nor the City has any financial responsibility for, or in, the Authority. The financial reporting entity of the Authority only includes the assets and operations of the Authority and does not include any other fund, organization, institution, agency, department, or office of Montgomery County or the City of Clarksville.

B. Combination Government -Wide and Fund Financial Statements

Combination government-wide and fund financial statements are presented for the Authority. The governmental fund financial statements and the reconciliation with the government-wide statements have not been presented because the fund financial statements and the government-wide statements are essentially the same.

C. Measurement Focus/Basis of Accounting

The operations of the Authority are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures. Measurement focus refers to what is being measured; 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.

The government-wide financial statements include a statement of net assets and a statement of activities. These statements present summaries of governmental activities for the Authority. The government-wide statements are presented on an economic resource measurement focus and the accrual basis of accounting. Accordingly, all the Authority's assets and liabilities, including capital assets and long-term liabilities, if any, are included in the accompanying statement of net assets.

Fund financial statements report detailed information about the Authority. The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus and modified accrual basis of accounting. The financial statements for governmental funds are a

balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which report on sources and uses of current financial resources.

Revenues are recognized when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within thirty days of the end of the fiscal year. Expenditures are generally recognized under modified accrual basis of accounting when the related liabilities are incurred.

The major source of revenue is grant revenue as discussed below:

Grant Revenue

Grant revenue is received annually from the Tennessee Department of Transportation to be used in maintaining and upgrading the railroad assets within the Authority's jurisdiction.

D. Use of Estimates

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

E. Other Significant Accounting Policies

Other significant accounting policies are described throughout the notes section of this audit report or are disclosed in the statement formats.

2. CASH DEPOSITS

Cash deposits are carried at cost and the carrying amount of deposits is separately displayed on the balance sheet. At June 30, 2009, the deposits of the Authority were held by the Montgomery County Trustee and were deposited into a bank that was a member of the State Collateral Pool.

3. CONTINGENCIES

In the event of discontinued rail service by the operating company (R.J. Corman Railroad Company), the Authority must return to the state a portion of the funds granted based on the state's pro-rata share of the amortized value of materials installed.

We are not aware of any other contingencies that should be disclosed in these financial statements.

4. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts and errors and omissions. The Authority (through its primary government, Montgomery County), has elected to obtain various insurance policies to transfer risk to a commercial insurance company either directly or through the Tennessee County Services Pool. Insurance settlements have not been in excess of insurance coverage in any of the prior four fiscal years.



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November 30, 2009

Board of Directors
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Montgomery County Courthouse
Clarksville, TN 37040

**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**

We have audited the accompanying financial statements of the governmental activities of Montgomery County Rail Service Authority, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Manual for Government Units and Recipients of Grant Funds* published by the Tennessee office of the Comptroller of the Treasury.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montgomery County Rail Service Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montgomery County Rail Service Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Montgomery County Rail Service Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Montgomery County Rail Service Authority's financial statements that is more than inconsequential will not be prevented or detected by the Montgomery County Rail Service Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Montgomery County Rail Service Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montgomery County Rail Service 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management, awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Thurman Campbell Group, PLC