AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

TRI-COUNTY RAILROAD AUTHORITY, INC.

Sparta, Tennessee
June 30, 2012

WINNETT
Associates, PLLC
Certified Public Accountants and Consultants

CONTENTS

Independent Auditors' Report ..... Page 3

Basic Financial Statements:
- Statement of Net Assets and Governmental Fund Balance Sheet 5
- Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances 6
- Notes to Financial Statements 7

Supplementary Information:
- Accountants' Report on Supplementary Information 14
- Schedule of Expenditures of Federal Awards and State Financial Assistance 15
- Organizational Data 16

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* 17

Schedule of Findings 19

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

514 Elm Street, P. O. Box 745
Shelbyville, Tennessee 37162

INDEPENDENT AUDITORS' REPORT

Tri-County Railroad Authority, Inc.
Sparta, Tennessee

We have audited the accompanying financial statements of the governmental activities and the general fund of Tri-County Railroad Authority, Inc. as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Tri-County Railroad Authority's management. 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 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Tri-County Railroad Authority, Inc. as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Tri-County Railroad Authority, Inc. has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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 financial statements is not affected by this missing information.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2013, on our consideration of Tri-County Railroad Authority, Inc'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.

Winnett Associates, PLC

January 16, 2013

TRI-COUNTY RAILROAD AUTHORITY, INC.

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET

June 30, 2012

	General Fund	(Note H) Adjustments	Statement of Net Assets
ASSETS			
Cash in bank	$ 112,508	$ -	$ 112,508
Certificates of deposit	101,532	-	101,532
State grants receivable	21,277	-	21,277
Lease income receivable	10,210	-	10,210
Prepaid expenses	688	-	688
Capital assets	-	1,339,993	1,339,993
TOTAL ASSETS	$ 246,215	1,339,993	1,586,208
LIABILITIES			
Accounts payable	$ 7,459	-	7,459
TOTAL LIABILITIES	7,459	-	7,459
FUND BALANCES/ NET ASSETS			
Fund balances:			
Nonspendable - prepaid insurance	688	(688)	-
Unassigned	238,068	(238,068)	-
TOTAL FUND BALANCES	238,756	(238,756)	-
TOTAL LIABILITIES AND FUND BALANCES	$ 246,215		
Net assets:			
Invested in capital assets		1,339,993	1,339,993
Unrestricted		238,756	238,756
TOTAL NET ASSETS		$ 1,578,749	$ 1,578,749

The accompanying notes are an integral part of this financial statement.

TRI-COUNTY RAILROAD AUTHORITY, INC.

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year ended June 30, 2012

	General Fund	(Note I) Adjustments	Statement of Activities
Expenditures/expenses:			
Railroad - operations	$ 471,999	$ 36,006	$ 508,005
Capital outlay	-	-	-
Total expenditures/expenses	471,999	36,006	508,005
Program revenue:			
Charges for services	44,248	-	44,248
Operating grants	467,750	-	467,750
Capital grants	-	-	-
Total program revenues	511,998	-	511,998
Net program revenue			3,993
General revenues:			
Investment earnings	1,130	-	1,130
Miscellaneous revenues	11,252	-	11,252
Total general revenues	12,382	-	12,382
Excess of revenues over expenditures	52,381	(52,381)	-
Change in net assets	-	16,375	16,375
Fund balance/ net assets:			
Beginning of the year	186,375	1,375,999	1,562,374
End of the year	$ 238,756	$ 1,339,993	$ 1,578,749

The accompanying notes are an integral part of this financial statement.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tri-County Railroad Authority, Inc. (the Authority) was created by an act of the Tennessee legislature in 1981 to purchase from Seaboard System Railroad, Inc., the property, track, and roadbed along 60.1 miles in Coffee, Warren, and White Counties known as the Sparta Branch line.

The operations of the Authority are conducted by a board of directors whose members are appointed by the governing bodies of Coffee, Warren, and White Counties of Tennessee.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below:

(1) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

(2) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available, and expenditures generally are recorded when a liability is incurred, as under accrual accounting. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

Invested in capital assets - This component of net assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets."

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. Also, when expenditures are incurred for purposes for which amounts in committed, assigned, and unassigned fund balance classifications could be used, the Authority's Board of Directors will determine the best use of funds based on the specific facts and circumstances at that time.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable fund balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal vote of the Authority's Board of Directors, the Authority's highest level of decision-making authority.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned fund balance – includes amounts that are constrained by the Authority's intent to be used for specific purposes, but are neither restricted nor committed. The Authority's Board of Directors has not authorized anyone to make assignments.

Unassigned fund balance – the residual classification of the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

(3) Accounts Receivable

All significant receivables are due from the State of Tennessee Department of Transportation; therefore, no provision for uncollectible accounts at June 30, 2012, is deemed necessary.

(4) Budgeting

There is no legal requirement that a budget be established and no budget was adopted by the Authority for the year ended June 30, 2012.

(5) Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation is calculated over the estimated useful lives of the individual assets on a straight-line basis.

The Authority has elected not to report major general infrastructure assets retroactively. The result of this election is that all costs of the railroad and related infrastructure, such as bridges, incurred prior to July 1, 2003, are excluded from these financial statements.

NOTE B - CONTRACTS

The Authority has entered into a fifty-year lease with Caney Fork and Western Railroad, Inc. to operate the railroad line. This lease grants the operator an option to purchase all existing real and personal property owned by the Authority. The lease may be terminated by agreement of both parties upon ten days written notice.

Under the terms of the lease, the Authority is required to rehabilitate the line. After the rehabilitation, the operator will provide appropriate maintenance of the line. The operator is to make annual payments between 1% and 4% of its gross revenues. Amounts paid by the operator for the year ended June 30, 2012, totaled $41,606.

NOTE C - GRANTS

Tennessee Department of Transportation Grants

The Authority receives grants from the Tennessee Department of Transportation for the rehabilitation, repair and improvement of its rail line. A description of grants outstanding and the remaining amounts that are available follows:

Description	Amount Available
Contract Z08020901	$ 259
Contract Z08020924	46,819
Contract Z08020925	32,844
Contract Z08020942	4
Contract Z08020883	797
Contract Z09213092	4,864
Contract Z09213050	171
Contract Z09213068	723
Contract GG1030803	397
Contract Z10RR003	8,942
Contract Z10220822	11,745
Contract Z10220840	1
Contract GG1133248	6,392
Contract Z11RE2040	2,025
Contract Z11RR1020	36,936
Contract Z11RE2059	13,529
Contract Z12RE1055	34,600
Contract Z12RE1037	36,912
Contract Z12RE1019	38,384
AMOUNT AVAILABLE AS OF JUNE 30, 2012	$ 276,344

In the event the railroad discontinues service, the Authority is required to return to the State of Tennessee a portion of the grants based on the State's pro rata share of the amortized value of materials installed as a result of these grants.

Should the Tennessee Department of Transportation cease funding the rehabilitation, repair and improvement of the rail line, the Authority's ability to continue operations would be threatened.

NOTE D - 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, personal injuries and natural disasters. The Authority's only two significant assets are cash and capital assets. To insure cash, the Authority purchases fidelity bonds on the two board members who handle cash. The capital assets are not normally insurable. Management believes that any other losses would not be significant and handled through the Authority's general fund at the time of the loss.

NOTE E - EXEMPTION FROM INCOME TAX

As a public governmental corporation the Authority is exempt from federal, state, county and municipal income taxes.

NOTE F - DEPOSITS AND INVESTMENTS

The Authority is authorized by law to invest idle funds in obligations of the U.S. Government or its agencies, repurchase agreements, secured certificates of deposit and other evidences of deposit at state and federal chartered banks and savings and loan associations. The Authority may also choose to invest idle funds in the pooled investment fund established by Title 9, Chapter 4, Part 7, *Tennessee Code Annotated.*

The Authority does not have a formal policy that limits custodial credit risk for deposits. Custodial credit risk is the risk that in the event of a bank failure the Authority's deposits may not be returned to it. However, the Authority follows state statutes requiring all deposits with financial institutions to be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure. 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. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the government.

The Authority has chosen to invest all idle funds in certificates of deposit which, along with its checking account balance, are entirely covered by federal depository insurance.

NOTE G - CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims may constitute a liability. The amount, if any, of expenditures which may be disallowed by grantor agencies cannot be determined at this time; however, the Authority expects such amounts, if any, to be insignificant.

NOTE H - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund balance sheet. Historical cost of capital assets net of depreciation at June 30, 2012 totaled $1,339,993.

NOTE I - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES

Governmental funds report capital outlays as expenditures while governmental activities report the cost of capital outlays as an asset and report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense for the year ended June 30, 2012, totaled $36,006.

NOTE J - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Right of way	$ 80,647	$ -	$ -	$ 80,647
Capital assets, being depreciated				
Buildings	230,000	-	-	230,000
Bridges	1,210,250	-	-	1,210,250
Total capital assets, being depreciated	1,440,250	-	-	1,440,250
Less accumulated depreciation for:				
Buildings	(99,666)	(5,750)	-	(105,416)
Bridges	(45,232)	(30,256)	-	(75,488)
Total accumulated depreciation	(144,898)	(36,006)	-	(180,904)
Total capital assets being depreciated, net	1,295,352	(36,006)	-	1,259,346
Capital assets, net	$1,375,999	$ (36,006)	-	$1,339,993

SUPPLEMENTARY INFORMATION

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

514 Elm Street, P. O. Box 745
Shelbyville, Tennessee 37162

ACCOUNTANTS' REPORT ON SUPPLEMENTARY INFORMATION

Tri-County Railroad Authority, Inc.
Sparta, Tennessee

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tri-County Railroad Authority's financial statements as a whole. The information presented hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements taken as a whole. The organizational data has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Winnett Associates, PLC

January 16, 2013

TRI-COUNTY RAILROAD AUTHORITY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year ended June 30, 2012

Grantor Agency	CFDA Number	Contract Number	Beginning Accrued	Cash Receipts	Expenditures	Adjustments	Ending Accrued
FEDERAL AWARDS							
None							
STATE FINANCIAL ASSISTANCE							
TN Dept. of Transportation	N/A	Z09213050	$ -	$ (1,130)	$ 1,130	$ -	$ -
TN Dept. of Transportation	N/A	GG1030803	1,869	(1,869)	-	-	-
TN Dept. of Transportation	N/A	Z10220840	1,719	(19,398)	17,679	-	-
TN Dept. of Transportation	N/A	Z10220822	-	(26,329)	29,868	-	3,539
TN Dept. of Transportation	N/A	GG1133248	327,140	(339,065)	11,925	-	-
TN Dept. of Transportation	N/A	Z11RE2040	-	(18,778)	24,099	-	5,321
TN Dept. of Transportation	N/A	Z11RR1020	59,015	(413,864)	354,849	-	-
TN Dept. of Transportation	N/A	Z11RE2059	-	-	11,742	-	11,742
TN Dept. of Transportation	N/A	Z12RE1055	-	(15,785)	16,460	-	675
TOTAL STATE FINANCIAL ASSISTANCE			$ 389,743	$ (836,218)	$ 467,752	$ -	$ 21,277

Note 1: This Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of Tri-County Railroad Authority, Inc. under programs of the federal and state governments for the year ended June 30, 2012. The schedule is presented using the modified accrual basis of accounting.

See accountants' report on supplementary financial information.

ORGANIZATIONAL DATA

TRI-COUNTY RAILROAD AUTHORITY, INC.

June 30, 2012

CREATED

April 3, 1981, pursuant to Tennessee Code Annotated 7-56-201, et seq.

PURPOSE OF AUTHORITY

To provide for the continuation of rail service on a section of existing rail and spur lines located within Coffee, Warren, and White Counties between the cities of Tullahoma and Sparta.

OFFICERS

Herd Sullivan	Chairman
Jody Balts	Vice-Chairman
Jana Wilson-Ringemann	Secretary
Johnnie Brown	Treasurer

DIRECTORS

Tom Rice
Royce Davenport
Ernie Cheek
Jim Ward
Ray Spivey
Terry Denby
Lonnie Norman
Jim Brock
Pete Sands
Donald Miller
Sue Anderson
Jeff Young
Wallace G. Austin
Lee Yoder

See accountants' report on other financial information.

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

514 Elm Street, P. O. Box 745
Shelbyville, Tennessee 37162

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*

Tri-County Railroad Authority, Inc.
Sparta, Tennessee

We have audited the financial statements of the governmental activities and the general fund of Tri-County Railroad Authority, Inc. as of and for the year ended June 30, 2012, which collectively comprise Tri-County Railroad Authority Inc.'s basic financial statements and have issued our report thereon dated January 16, 2013. 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.

Internal Control Over Financial Reporting

Management of Tri-County Railroad Authority, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Tri-County Railroad Authority Inc.'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 Tri-County Railroad Authority Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tri-County Railroad Authority Inc.'s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we consider the following deficiencies described in the accompanying schedule of findings to be material weakenesses in internal control over financial reporting: 2012-1 and 2012-2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tri-County Railroad Authority Inc.'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 or other matters that are required to be reported under *Government Auditing Standards*.

Tri-County Railroad Authority Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit Tri-County Railroad Authority Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management, the State Comptroller's office, others within the Authority, and government oversight organizations and is not intended to be and should not be used by anyone other than these specified parties.

Winnett Associates, PLC

January 16, 2013

FINDING 2012–1 Lack of Segregation of Duties

Condition, Criteria, Cause and Effect: Due to the lack of administrative personnel employed by the Authority, there is an inappropriate segregation of duties related to accounting responsibilities. Specifically, the duties of depositing customer payments, recording customer payments and all disbursements in the accounting records, reconciling the checking account, and preparing financial reports reviewed by the Board are performed by one individual.

Recommendation: We acknowledge that the limited number of personnel precludes ideal segregation of duties for cash receipts and disbursements functions. However, we recommend that, whenever possible, responsibilities be reassigned to prevent an individual from having control over a transaction from beginning to end.

Management Response: We feel the cost to fully correct this internal control weakness would exceed the benefits. However, we will review our procedures and segregate duties where possible.

FINDING 2012–2 Lease Income

Condition, Criteria, Cause and Effect: The railroad operator prepares reports detailing the quarterly calculation of lease payments to the Authority. It is our understanding that these reports are the only information the Authority relies on as to the accuracy of the lease payments. It is our understanding that the Authority has the right to inspect the revenue records of the railroad operator.

Recommendation: We recommend the Authority review revenue records of the operator sufficient to determine the correctness of the lease payments.

Management Response: We will review this situation and related contracts and proceed accordingly.