



**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

West Central Ohio Port Authority
Clark County
76 East High Street
Springfield, Ohio 45501

To the Members of the Board:

We have audited the accompanying general-purpose financial statements of the West Central Ohio Port Authority, Clark County, (the Port Authority) as of and for the year ended December 31, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these general-purpose 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 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 general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Port Authority, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund type 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 July 10, 2001 on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

JIM PETRO
Auditor of State

July 10, 2001

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**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY
BALANCE SHEET**

FOR THE YEAR ENDED DECEMBER 31, 2000

Assets:

Cash and Cash Equivalents	\$633,335
Accounts Receivable	159,310
Fixed Assets (net, where applicable, of accumulated depreciation):	
Property, Plant and Equipment	5,044,986
Organizational Costs	<u>24,143</u>
 Total Assets	 <u><u>5,861,774</u></u>

Liabilities and Fund Equity:

Liabilities:

ORDC Loan Payable	<u>247,847</u>
 Total Liabilities	 247,847

Equity:

Retained Earnings	(499,173)
Contributed Capital	<u>6,113,100</u>
 Total Equity	 5,613,927

Total Liabilities and Fund Equity	<u><u>\$5,861,774</u></u>
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The notes to the financial statements are in integral part of this statement.

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY
ENTERPRISE FUND
FOR THE YEAR ENDING DECEMBER 31, 2000**

Operating Revenues:

Use Fees - Operations	\$115,266
Lease Receipts - Property	45,023
Trackage Rights - Operations	17,803
Document Fee	2,765
Marketing Partnership	<u>7,000</u>
Total Operating Revenues	<u>187,857</u>

Operating Expenses:

Legal Fees - General Counsel	5,394
Real Estate Service	10,407
Secretarial Service	220
Bookkeeping Service	5,493
CPA Service	4,150
Administration - Clark County TCC	28,841
Planning - Clark County TCC	5,000
Bank Charges	70
Meetings	60
Drainage Assessment	113
Travel and Training	663
Taxes, Licenses, and Fees	47,680
Interest Expense	2,811
Insurance-Bond	299
State Audit	5,494
Amortization or Organizational Costs	812
Depreciation	213,257
Marketing	8,427
Service Recognition Awards	128
Engineering	2,610
Repair	<u>21,699</u>
Total Operating Expense	<u>363,628</u>

Operating Loss (175,771)

Non-Operating Revenue (Expenses)

Interest Income	41,785
Proceeds from Sale of Fixed Assets - Land	42,893
Interest on Loan	<u>(1,455)</u>
Total Non-Operating Revenue (Expenses)	<u>83,223</u>

Net Loss (92,548)

Retained Earnings at Beginning of Year	<u>(406,625)</u>
Retained Earnings at End of Year	<u>(499,173)</u>
Contributed Capital at Beginning of Year	6,124,373
Deletions during the Year	<u>(11,273)</u>
Contributed Capital at End of Year	<u>6,113,100</u>

Total Fund Equity at End of Year \$5,613,927

The notes to the financial statements are an integral part of this statement.

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

**STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (NON-GAAP BASIS) - ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues			
IOCR Use Fees	\$115,000	\$105,346	(\$9,654)
IOCR Trackage Rights	15,000	17,572	2,572
Rents and Leases	30,000	33,020	3,020
Sales	40,000	42,892	2,892
Interest Income	10,000	39,842	29,842
Document Fees		2,764	2,764
First Frontier Partners	7,000	7,000	
	<u>217,000</u>	<u>248,436</u>	<u>31,436</u>
Total Receipts			
Expenses			
Administration	169,500	128,516	40,984
Capital	293,311	102,721	190,590
	<u>462,811</u>	<u>231,237</u>	<u>231,574</u>
Total Expenses			
Excess of Revenue Over(Under) Expenses	(245,811)	17,199	263,010
Fund Equity at Beginning of Year	<u>616,136</u>	<u>616,136</u>	
Fund Equity at Ending of Year	<u><u>\$370,325</u></u>	<u><u>\$633,335</u></u>	<u><u>\$263,010</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

Cash Flows From Operating Activities:

Operating Income(Loss) (\$175,771)

Adjustments to Reconcile Net Income to Net

Cash Provided by Operating Activities:

Amortization Expense	812
Depreciation Expense	213,257
Decrease in Receivables	(24,099)
Decrease in Accounts Payable	(657)
Total Adjustments to Net Income	<u>189,313</u>

Net Cash Provided by Operating Activities: 13,542

Cash Flows From Investing Activities:

Interest Income 41,785

Cash Flows From Capital and Related Financing Activities:

Proceeds from Sale of Fixed Assets	42,893
Principal Paid on ORDC Loan	(79,566)
Interest Paid on ORDC Loan	(1,455)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(38,128)</u>

Related Financing Activities:

Net Decrease in Cash and Cash Equivalents 17,199

Cash and Cash Equivalents at Beginning of Year 616,136

Cash and Cash Equivalents at End of Year \$633,335

The Notes to the Financial Statements are an integral part of this statement.

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000**

1. DESCRIPTION OF THE REPORTING ENTITY

The West Central Ohio Port Authority is a governmental subdivision established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

On February 27, 1990, the Clark County Commission entered into an agreement to become part of a jointly governed organization with the Fayette County Commission for the purpose of purchasing and operating 27.13 miles of railroad between South Charleston, Ohio, in Clark County and Washington Court House, Ohio, in Fayette County. The purpose of forming the jointly governed organization was to protect the economic security of the agricultural community in southeastern Clark County by outright purchase of railway over which to transport grain and other commodities to market outlets. In accordance with the Revised Code, 4582.20.1, the Port Authority was established and named the Clark County - Fayette County Port Authority.

On August 16, 1993, the Clark County-Fayette County Port Authority signed an agreement of Joinder with Champaign County. The purpose of the agreement was to extend the territorial limits of the Port Authority in order to purchase two additional rail segments. The first segment runs between Springfield, Ohio, in Clark County and Bellefontaine, Ohio, in Logan County. The second segment runs between Springfield, Ohio, and Mechanicsburg, Ohio, in Champaign County. Because of the territorial change, the name of the organization was changed from the Clark County-Fayette County Port Authority to the West Central Ohio Port Authority.

The Port Authority is governed by a board of directors, two of whom are appointed by the commissioners of Clark County, two by the commissioners of Fayette County, one by the joint action of both counties and two by the commissioners of Champaign County. The Port Authority provides the services which are defined by Chapter 4582 of the Ohio Revised Code and which services include but are not limited to the power to purchase, construct, re-construct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities.

The Commissioners of Clark, Fayette and Champaign Counties have no authority regarding the day-to-day activities and business affairs of the Port Authority beyond the creation of the Port Authority and the appointment of its directors. All counties maintain their own accounting functions, are separate reporting entities, and their financial activities are not included within the financial statements of the Port Authority.

The general office of the Port Authority is located within the City of Springfield and within the Springfield City School District. These entities maintain their own accounting functions, are separate reporting entities, and their financial activities are not included within the financial statements of the Port Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of West Central Ohio Port Authority have been prepared in conformity with generally accepted accounting principles (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 Port Authority also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Port Authority's accounting policies are described below.

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation - Fund Accounting

The Port Authority uses a fund to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Port Authority functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the Port Authority's general operating fund is grouped into the following generic fund type under the broad fund category:

Proprietary Fund Type is used to account for the Port Authority's ongoing activities which are similar to those found in the private sector. The following is the Port Authority's proprietary fund type:

Enterprise Funds: Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus And Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types fund. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data

Ohio Revise Code Section 4582.13 requires the Port Authority annually prepare a budget. No further approvals or actions are required under Section 4582 of the Ohio Revised Code.

D. Cash And Cash Equivalents

The Port Authority maintains a cash management program whereby cash is deposited with a banking institution in Clark County. The agreements restrict activity to certain deposits. These deposits are stated at cost which approximates market value. Investment procedures are restricted by the provisions of the Ohio Revised Code.

E. Receivables

Receivables recorded on the Port Authority's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation but also, by a reasonable, systematic method of determining their existence, completeness, valuation and collectibility. Receivables at December 31, 2000 consisted of rent or lease account billings and tracking rights. All receivables are considered collectible in full.

F. Fixed Assets And Depreciation

Property, plant and equipment are recorded at cost and are depreciated using the straight-line method over the useful life of the assets as follows:

Signals and equipment	14 Years
Track	30 Years
Office Equipment	5 Years

Capitalization of Interest

The Port Authority's policy is to capitalize net interest on construction projects until substantial completion of the project. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2000, the Port Authority incurred no interest which was capitalized.

G. Organization Costs

Organization costs were capitalized when the Port Authority was originally formed in 1990. Costs are amortized using the straight- line method over a 40 year period.

H. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the proprietary fund that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING

The Statement of Revenues and Expenses - Budget and Actual is presented on the cash basis to provide meaningful comparison of actual results with budget (cash). The major differences between the cash basis and GAAP basis are:

1. Revenues are recorded when received in cash (Cash Basis) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (Cash Basis) as opposed to when the liability is incurred (GAAP).

The acquisition and construction of capital assets are reported as expenditures in the operating statement (Cash Basis) rather than as balance sheet transactions (GAAP).

Reconciliation of GAAP Basis to Budget Basis is as follows:

	ENTERPRISE FUND
Net Income/(Loss) - GAAP Basis	\$(92,548)
Adjustments to Income:	
Revenue Accruals	(24,099)
Expense Accruals	(80,223)
Depreciation Expense	213,257
Amortization Expense	<u>812</u>
Excess of Revenue Over Expenses (Cash Basis)	<u>\$17,199</u>

4. ACCOUNTABILITY

The Port Authority's only fund had a deficit retained earnings balance of \$499,173 as of December 31, 2000. This was a result of the application of Generally Accepted Accounting Principles. An increase in charges for services would alleviate the deficit.

The Port Authority did not file its financial statements with the Ohio Rail Development Commission within 90 days after the end of the fiscal year as required by the loan agreement dated January 13, 1999.

5. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Port Authority three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Port Authority Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that the Port Authority has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

Protection of Port Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS - (Continued)

selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Port Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the Port Authority had no undeposited cash on hand.

The following information classifies deposits by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

Deposits : At fiscal year end, the carrying amount of the Port Authority's deposits was \$318,377 and the bank balance was \$331,391.

1. \$100,000 of the bank balance was covered by federal depository insurance.
2. \$231,391 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the Port Authority to a successful claim by the FDIC.

Investments: The Port Authority's investments are required to be categorized below to give an indication of the level of risk assumed by the Port Authority at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Port Authority or its agent in the Port Authority's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Port Authority's name. Category 3 includes uninsured and unregistered investment for which the securities are held by the counterparty, or by its trust department or agent but not in the Port Authority's name.

	Category 1	Category 2	Category 3	Carrying Amount	Fair Value
Repurchase Agreement	<u>0</u>	<u>0</u>	<u>314,958</u>	<u>314,958</u>	<u>314,958</u>
	<u>\$0</u>	<u>\$0</u>	<u>\$314,958</u>	<u>\$314,958</u>	<u>\$314,958</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS - (Continued)

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement 9	\$633,335	\$0
Investments:		
Repurchase Agreement	<u>(314,958)</u>	<u>314,958</u>
GASB Statement 3	<u>\$318,377</u>	<u>\$314,958</u>

6. USE AND LEASE RECEIPTS

Use and lease receipts are amounts received by the Port Authority for lease of railroad tracks. Amounts due at December 31 but uncollected are recorded as revenue.

7. RECEIVABLES

Receivables at December 31, 2000 consisted of rent or lease account billings. All receivables are considered collectible in full.

8. FIXED ASSETS

A summary of the property, plant and equipment purchased as of December 31, 2000, follows. These assets are substantially leased to a third party:

Land	\$1,271,233
Equipment and Appendices	989,673
Spur	207,951
Railroad	<u>4,161,300</u>
Subtotal	6,630,157
Less Accumulated Depreciation	<u>(1,585,171)</u>
Total	<u>\$5,044,986</u>

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

9. CONTRIBUTED CAPITAL

A summary of various entities participating in the financing of the Port Authority are as follows:

Federal Grant, Farmers Home Administration	\$ 395,000
State Grant, Ohio Department of Transportation	2,772,249
Local Grant, Clark County, Ohio	236,417
Local Grant, Fayette County, Ohio	178,870
Private Grant, Buckeye Countrymark	116,170
Private Grant, Clark Landmark	186,075
Private Grant, Indiana and Ohio Railroad	211,170
State Grant, Ohio Department of Development	884,322
Local Grant, Champaign Landmark	175,000
Private Grant, Champaign Landmark	89,100
Private Grant, Fox River Paper	50,000
Private Grant, Shepard Grain	140,000
Private Grant, Lewis Systems Menasha Corp.	150,000
Private Grant, Ralston Purina	40,000
Local Grant, Local Rail Freight Assistance Grant	500,000
Sale of Fixed Assets (Cost)	<u>(11,273)</u>
Total Contributed Capital	<u>6,113,100</u>

10. RAILROAD OPERATING LEASE

The Port Authority entered into a shortline railroad operating agreement with the Indiana and Ohio Central Railroad, Inc., (IOCR) on September 4, 1990, for operation as a shortline carrier. The lease continues in effect until December 31, 2090, unless sooner terminated, and specifies that an additional 99 year term will be granted at the end of the initial term.

The lease permits the Railroad (IOCR) to terminate the lease after 36 months without cause by delivering a written notice to the Port Authority at least six months before the effective date of the termination.

In accordance with the lease agreement for the railroad, the lessee is required to maintain and operate the facilities in good condition and to make all necessary repairs and replacements. The lease agreement charges the Port Authority as lessor with responsibility for extraordinary maintenance or capital expenditures. As a means of offsetting major extraordinary maintenance expenditures to the Port Authority, the lease specifies the lessee pay to the Port Authority fees based on a schedule.

The Port Authority is entitled to all revenue from rents, leases, and licenses that are derived from ownership of the real property, and related improvements. The Port Authority is responsible for any interest and principal payments which may be associated with its ownership.

The agreement states that a use fee, used to offset major capital or extraordinary maintenance expenditures which may be required, will be paid annually by the IOCR to the Port Authority. The fee will be based upon the following fee scale:

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

10. RAILROAD OPERATING LEASE (Continued)

Originating or Terminating Carloads/Year	Percent of Switch Fee Per Car Within Category
0-1000	0%
1001-1500	10%
1501-2000	15%
Over 2000	20%

The IOCR is entitled to revenues derived from its operation of the railroad including switching fees, per diem charges, and demurrage. IOCR is responsible for all expenses associated with operation of the line including the maintenance of liability insurance coverage with benefits not less than \$5 million. The Port Authority is named as an additional insured on the policy.

The IOCR agrees to indemnify the Port Authority and the Ohio Department of Transportation and hold them harmless from liability for any loss arising from injury or death to person or damage to property including the Shortline property, which may be attributable to IOCR's employees, agents, or contractors.

11. CONTINGENT LIABILITIES

Per an agreement signed on January 3, 1991, between the Indiana and Ohio Central Railroad and the Port Authority, the Port Authority agrees to repay the IOCR contribution of \$116,170 toward the purchase of the railroad, upon the occurrence of any of the following conditions:

- Should the IOCR no longer provide rail service for the line after the line remains unused for a period of twelve months.
- Should the railroad be sold, abandoned, or otherwise disposed of, the Port Authority will repay the IOCR an amount equal to 4.04% of the net proceeds of the sale, or
- The Port Authority will repay the \$116,170 to IOCR within three months of operation of the line by someone other than IOCR.

There is no liability provision for any of these occurrences in the financial statements due to the remoteness of the occurrences.

12. LONG-TERM OBLIGATIONS

Purchase of the railroad was financed by the participants in the joint venture, i.e., Clark County, Fayette County, Buckeye Countrymark, and Clark Landmark. These participants secured additional funding from federal and state agencies.

In January 1999, the Port Authority entered into a loan agreement for \$400,000 with the Ohio Railroad Development Commission for the purpose of partially financing the South Charleston line rehabilitation project. The loan was issued for a period of five years at a rate of 0% from January 1, 1999 through January 31, 2001; 1% from February 1, 2001 through January 2002; 2% from February 1, 2002 through January 2003; and 3% from February 1, 2003, until paid. Principal and interest requirements to retire the loan at December 31, 2000 are as follows:

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year <u>Ending December</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$79,201	\$ 2,967	\$82,168
2002	79,892	3,165	83,057
2003	81,810	1,729	83,539
2004	<u>6,944</u>	<u>20</u>	<u>6,964</u>
Total	<u>\$247,847</u>	<u>\$ 7,881</u>	<u>\$255,728</u>

As part of the loan agreement, the Port Authority has established a letter of credit as collateral for the loan. The Port Authority maintains a savings account from which transfers are made for the loan payments.

13. RISK MANAGEMENT

The Port Authority is covered by general liability and public official liability insurance with the County Risk Sharing Authority. Coverage with a private carrier provides, bonding, liability insurance on the rails, right-of-way, theft and property damage. The Port Authority is co-insured with Indiana and Ohio Railroad for any operational liability.

14. SUBSEQUENT EVENT

On January 24, 2001, the Port Authority approved a grant for \$480,000 and a loan in the amount of \$870,000 from the Ohio Rail Development Commission. The Port Authority also entered into an agreement on May 2, 2001, in the amount of \$1,093,250 with Atlas, Inc. for line rehabilitation.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

West Central Ohio Port Authority
Clark County
76 East High Street
Springfield, Ohio 45501

To the Members of the Board:

We have audited the financial statements of the West Central Ohio Port Authority (the Port Authority), as of and for the year ended December 31, 2000, and have issued our report thereon dated July 10, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether the Port Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-60312-003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Port Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-60312-001 and 2000-60312-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2000-61312-001, to be a material weakness.

West Central Ohio Port Authority
Clark County
Report of Independent Accountants on Compliance and Internal Control
Required by *Government Auditing Standards*

This report is intended for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

July 10, 2001

SCHEDULE OF FINDINGS

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

DECEMBER 31, 2000

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2000-60312-001
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Financial Statements and Accompanying Notes:

The December Year-to-Date statements prepared and presented to the Board in the monthly folder for review included the following errors:

- revenue from the sale of land was omitted which resulted in the understatement of revenue on the income statement by \$42,893, which was consistent with prior years reporting,
- fixed assets were understated by \$31,619 due to posting the amount of sales revenue from the land, rather than the cost,
- an adjusting entry was not made for the sale of the land, which overstated contributed capital by \$11,273,

Additionally, the Budget to Actual statement omitted individual accounts and contained only revenue and expenditure totals. The second revised balance sheet also understated fixed assets by \$2,450 as a result of using an incorrect cost basis for the sale of land. Finally, note 5 to the financial statements omitted current year information and reflected the prior year balances.

Although these errors were corrected on the audited financial statements, failure to provide accurate financial statements and related information could result in erroneous decisions by the Board of Directors, as well as, prospective grantor agencies and contributors.

To provide that Board decisions are based on accurate financial statements, the Port Authority should implement procedures for the timely presentation of accurate yearly financial statements and accompanying notes.

Finding Number	2000-60312-002
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The Port Authority did not maintain a complete fixed asset listing with original cost, useful lives, and acquisition dates. Additionally, revenue on the Statement of Revenues, Expenses, and Changes in Fund Equity was materially understated by the omission of the sale of fixed assets. Fixed Assets were then reduced by the revenue from the sale of certain parcels of land, instead of the land cost, and no adjustment to contributed capital when the transactions occurred. When the correction was made, the incorrect cost of one parcel sold was used to determine the adjustment. The Port Authority also failed to maintain a record of original contributors and any adjustments to individual contributions for fixed assets sold or disposed.

Based on records filed with the Clark County Recorder's Office, the Port Authority purchased the South Charleston land for \$72,000. The Port Authority's calculations assumed a purchase price of \$1,945,140, (which included the cost of the railroad itself) for the original tract of land, and therefore overstated the original cost by \$4,427 per acre resulting in an understatement of fixed assets and contributed capital when the reduction for the sale of a portion of the original parcel was posted. (This error should have been apparent since the fixed asset balance for land owned by the Port Authority did not exceed \$1.4 million.) The audited financial statements were corrected for this error.

SCHEDULE OF FINDINGS

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

**DECEMBER 31, 2000
(Continued)**

<p>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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Failure to maintain a complete fixed asset listing, including accurate description, original cost and actual acquisition date could result in depreciation being included for items fully depreciated, understatement of fixed assets and contributed capital on the balance sheet. Adjusting the fixed asset balance by the revenue from the sale of assets (instead of by the original cost), and failure to adjust contributed capital, caused both fixed assets and contributed capital to be misstated for items disposed. Failure to maintain a record of original contributors of fixed assets resulted in an error in the detailed list of contributed capital in the notes to the financial statements, and failed to provide users of the financial report with accurate, complete information.

The Port Authority should implement procedures to develop, maintain, and periodically review detailed records of acquisition, depreciation, sales, and contributors of fixed assets to provide accurate information for decision making purposes and financial statement presentation.

Finding Number	2000-60312-003
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The Loan Agreement between The Ohio Rail Development Commission and West Central Ohio Port Authority dated January 13, 1999, includes the following covenant:

ARTICLE IV, Section 4.1 (d) requires that the Port Authority furnish or cause to be furnished to the Commission, within ninety (90) days after the last day of each fiscal year of the Port Authority, the reviewed annual consolidating financial statements of the Port Authority, including the balance sheets, as of the end of such fiscal year, together with related statements of income and retained earnings (or accumulated deficit) and changes in financial position for such fiscal year, all examined by and accompanied by a certificate of the Port Authority's chief executive officer to the effect that such financial statements were prepared in accordance with generally accepted accounting principles consistently applied, and present fairly the Port Authority's financial position at the close of such period and the results of the Port Authority's operations for such periods.

The Port Authority did not submit the required report to the Ohio Rail Development Commission for fiscal year 2000. The Port Authority should develop and implement procedures to ensure that all applicable debt covenants are met to the satisfaction of the debt agreement.



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WEST CENTRAL OHIO PORT AUTHORITY

CLARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 7, 2001**