WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005

Auditor of State
Betty Montgomery

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

West Central Ohio Port Authority
Clark County
76 East High Street
Springfield, Ohio 45502

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of the West Central Ohio Port Authority, Clark County, (the Port Authority), as of and for the year ended December 31, 2005, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Port Authority's 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 and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 business-type activities of the Port Authority, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof 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 August 4, 2006, 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, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussions and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to opine on the financial statements that collectively comprise the Port Authority's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Betty Montgomery

Betty Montgomery
Auditor of State

August 4, 2006

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)

The discussion and analysis of West Central Ohio Port Authority (the Port Authority) financial performance provides an overall review of the financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Total net assets increased by $1,857,624 during 2005, due to a approximately $1.7 million capital contribution from the Ohio Department of Transportation, Public Utilities Commission of Ohio, and the Ohio Rail Development Commission towards capital improvement projects on the Port Authority property during 2005. The Port Authority also received additional $72,000 trackage and use fees from the Indiana and Ohio Rail Central Railroad. Overall expenses decreased $91,263 during 2005, primarily due to decrease in repairs and maintenance and other expenses.

- Total assets increased by $1,696,213 which represents a 2.07 percent increase from the prior year. The increase was primarily due to approximately $2 million increase in capital assets, net of current year depreciation. The Port Authority's cash and cash equivalents decreased $370,202 since the Port Authority paid a percentage of the capital improvements costs incurred during 2005. Accounts receivable increased by $58,275.

- Total liabilities decreased by $161,411 resulting from principal payments on the Ohio Department of Transportation loans during 2005.

- The operating income reported of $137,745 for 2005 was $129,560 more than the operating income reported for 2004. The increase was primarily due to increase in use and trackage fee revenues combined with $49,490 decrease in railroad track repairs and maintenance expenses and depreciation expense decrease of $17,440 during 2005.

Using this Financial Report

This financial report contains the basic financial statements of the Port Authority, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the Port Authority reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Net assets are reported in three broad categories (as applicable):

> **Net Assets, Invested in Capital Assets, Net of Related Debt:** This component of net assets consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.
>
> **Restricted Net Assets:** This component of net assets consists of restricted assets which constraints are placed on asset by grantors, contributors, laws, regulations, etc.
>
> **Unrestricted Net Assets:** Consists of net assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of related debt" or "Restricted Net Assets."

Table 1 provides a summary of the Port Authority's net assets for 2005 compared with 2004.

Table 1
Net Assets

	2005	2004
Assets:		
Current and other assets	$1,528,714	$1,866,258
Capital assets, net	8,373,258	6,339,501
Total Assets	9,901,972	8,205,759
Liabilities:		
Current liabilities	265,757	192,187
Non-current liabilities	679,456	914,437
Total Liabilities	945,213	1,106,624
Net Assets:		
Invested in capital assets, net of related debt	7,500,429	5,287,064
Restricted for capital improvements		335,392
Unrestricted	1,456,330	1,476,679
Total Net Assets	$8,956,759	$7,099,135

Total net assets of the Port Authority increased by $1,857,624 or 26.17 percent. The increase in total net assets from 2004 was primarily due to a change in capitalization policy effective 2005 that resulted in the Port Authority recording capital contributions of $1,731,749 from the Ohio Department of Transportation, Public Utilities Commission of Ohio, and the Ohio Rail Development Commission used towards the Upper Valley Pike bridge replacement and four grade crossing upgrade project. The bridge replacement construction was completed in 2005 and the grade crossing project was completed subsequently in early 2006.

As noted in Table 1 above, reported restricted net assets for capital improvements at December 31, 2004 was $335,392. The balance represented the unspent portion of the capital contributions received from the Indiana & Ohio Central Railroad. The unrestricted net assets as of December 31, 2005 decreased by $20,349.

The net assets invested in capital assets, net of related debt increased by $2,213,365 resulting from current year capital asset net acquisitions in the amount of $2,296,463, current year depreciation of capital assets ($262,706), and the repayment of $179,608 debt used to acquire capital assets in previous years.

Table 2 shows the changes in net assets for the year ended December 31, 2005, as well as revenue and expense comparisons to 2004.

Table 2
Changes in Net Assets

	2005	2004
Operating Revenues:		
Use Fees - Operations	$170,659	$98,649
Lease Receipt - Property	61,558	63,561
Maintenance Fees	280,312	278,363
Other Operating Revenues	20,713	12,747
Non-Operating Revenues		
Interest Income	33,916	14,802
		28,407
Total Revenues	567,158	496,529
Opearting Expenses:		
Legal Fees	8,794	7,696
Real Estate Service	2,021	5,061
Bookkeeping Service	8,009	7,000
Accounting Service	9,280	9,539
Administration - Clark County TCC	46,920	34,272
Planning - Clark County TCC	5,000	5,000
Track Studies/ Inspection/ Construction Management	13,623	3,188
Taxes, Licenses and Fees	11,651	14,254
Insurance - Bond	611	299
State Audit	6,708	5,824
Amortization of Organizational Costs	812	812
Depreciation	262,706	280,146
Nuisance & Abatement		7,372
Repairs and Maintenance	4,000	53,490
Advertising	849	3,635
Bad Debts	2,195	
Other Operating Expenses	12,318	7,547
Non-Operating Expenses:		
Other Expenses		40,000
Interest Expense	45,786	47,411
Total Expenses	441,283	532,546
Excess (Deficiency) Before Contributions	125,875	(36,017)
Capital Contributions	1,731,749	421,664
Increase in Net Assets	1,857,624	385,647
Net Assets, Beginning of Year	7,099,135	6,713,488
Net Assets, End of Year	$8,956,759	$7,099,135

The increase in use and trackage rights fees was due to an increase in the number of carloads transported during the year – 7,108 railcars served in 2005 compared to 6,003 railcars during 2004. The maintenance fees increased slightly as a result of increase usage by a couple of customers during 2005. Interest income increased by $19,114 during 2005 resulting from a new deposit agreement and higher interest yield.

Total expenses of the Port Authority reported for the year were $91,263 lower than those reported for the previous year. The following factors contributed to this decrease during 2005: real estate taxes decreased by $2,603, depreciation decreased by $17,440, nuisance and abatement expenses decreased $7,372, repairs and maintenance expenses decreased by $49,490 and other expenses decreased by $40,000 since the Port Authority did not participate financially in economic development of property adjacent to the rail lines owned by the Port Authority during 2005 as it did in the amount of $40,000 during 2004. The administrative expenses, legal fees, real estate management services and track studies and inspection expenses increased cumulatively in the amount of approximately $21,000 during 2005.

Capital Assets

At December 31, 2005 capital assets of the Port Authority were $11,234,857 off-set by $2,861,599 in accumulated depreciation resulted in net capital assets of $8,373,258. Table 3 shows the categories of capital assets maintained by the Port Authority, net of accumulated depreciation, at December 31, 2005 and 2004.

Table 3
Capital Assets, Net of Depreciation

	2005	2004
Land	$1,243,733	$1,243,733
Equipment and Appendices	992,175	992,175
Spur	207,951	207,951
Railroad	8,263,957	6,474,794
Construction in Progress	527,041	19,741
Total Capital Assets	11,234,857	8,938,394
Less Accumulated Depreciation	(2,861,599)	(2,598,893)
Totals	$8,373,258	$6,339,501

The $2,296,463 increase in total capital assets was due to the following factors: (1) the Port Authority amended its fixed assets policy effective January 1, 2005 to essentially capitalize the total costs of the capital expenditures on its property and to recognize capital contributions by others towards the improvement; and (2) three major capital improvement projects were undertaken during 2005. The fixed assets policy amendment resulted in capital contributions of $1,731,749 by the Ohio Department of Transportation, Public Utilities Commission of Ohio and the Ohio Rail Development Commission being recorded as income and capitalized in the Upper Valley Pike Bridge replacement project and four grade crossings project. The Port Authority spent the remaining $335,392 Indiana and Ohio Railroad contributed towards the bridge replacement project and used $229,322 of its maintenance fees to fund the capital improvement projects. Depreciation expense for 2005 and 2004 were $262,706 and $280,146, respectively.

See Note 6 of the notes to the basic financial statements for more detailed information on the Port Authority's capital assets.

Debt

At December 31, 2005, the debt obligations of the Port Authority consisted of two separate loan obligations with the Ohio Department of Transportation entered in prior years to for the purpose of financing railroad track rehabilitation projects. See Note 9 to the basic financial statements for additional details.

Contacting the Port Authority

This financial report is designed to provide a general overview of the finances of the West Central Ohio Port Authority and to show the Port Authority's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: West Central Ohio Port Authority, 76 East High Street, Springfield, Ohio 45502.

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2005

Assets:	
Current assets:	
Cash and Cash Equivalents	$1,208,018
Accounts Receivable	262,395
Notes Receivable	38,218
Total current assets	1,508,631
Non-current assets:	
Capital Assets (net, where applicable, of accumulated depreciation):	
Property, Plant and Equipment	8,373,258
Organizational Costs	20,083
Total non-current assets	8,393,341
Total Assets	9,901,972
Liabilities:	
Current liabilities:	
Accounts Payable	33,705
ODOT State Infrastructure Bank Loans Payable, current portion	232,052
Total current liabilities	265,757
Non-current liabilities:	
ODOT State Infrastructure Bank Loans Payable, less current portion	640,777
Accrued Interest Payable	38,679
Total non-current liabilities	679,456
Total Liabilities	945,213
Net Assets:	
Invested in capital assets, net of related debt	7,500,429
Unrestricted	1,456,330
Total net assets	$8,956,759

See accompanying notes to the basic financial statements.

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

Operating Revenues:	
Use and Trackage Fees - Operations	$170,659
Lease Receipts - Property	61,558
Maintenance Fees	280,312
Document and Easement Fees	2,224
Marketing Partnership	7,000
Miscellaneous	11,489
Total Operating Revenues	533,242
Operating Expenses:	
Legal Fees - General Council	4,130
Legal Fees - Special Council	4,664
Real Estate Service	2,021
Bookkeeping Service	8,009
Accounting Service	9,280
Administration - Clark County TCC	46,920
Planning - Clark County TCC	5,000
Meetings	1,041
Track Studies/ Inspection/ Construction Management	13,623
Taxes, Licenses and Fees	11,651
Insurance - Bond	611
State Audit	6,708
Amortization of Organizational Costs	812
Depreciation	262,706
Marketing	10,860
Repairs and Maintenance	4,000
Advertising	849
Bad Debts	2,195
Miscellaneous Expense	417
Total Operating Expenses	395,497
Operating income	137,745
Non-Operating Revenue (Expenses)	
Interest Income	33,916
Interest Expense	(45,786)
Total Non-Operating Revenue (Expenses)	(11,870)
Net income before contributions	125,875
Capital contributions	1,731,749
Change in net assets	1,857,624
Net Assets at the Beginning of Year	7,099,135
Net Assets at the End of Year	$8,956,759

See accompanying notes to the basic financial statements.

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

Cash Flow From Operating Activities:	
Cash received from customers	$494,254
Cash payments to suppliers for goods and services	(110,854)
Other operating revenue	20,713
Net Cash Provided by Operating Activities	404,113
Cash Flows From Noncapital Financing Activities:	
Interest Income	31,305
Principal Received from Village of South Charleston	2,500
Principal Received from Landmark	22,305
Interest Received from Landmark	2,611
Net Cash Provided by Noncapital Financing Activities	58,721
Cash Flow from Capital and Related Financing Activities:	
Capital acquisitions	(2,296,463)
Principal paid on ODOT Loans	(179,608)
Accrued Interest paid on ODOT Loans	(2,928)
Capital contributions received	1,691,749
Interest paid on Loan	(45,786)
Net Cash Used by Capital and Related Financing Activities	(833,036)
Net Change in Cash and Cash Equivalents	(370,202)
Cash and Cash Equivalents at the Beginning of Year	1,578,220
Cash and Cash Equivalents at the End of Year	1,208,018

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income	137,745
Adjustments to reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization Expense	812
Depreciation Expense	262,706
Change in Receivables	(18,275)
Change in Accounts Payables	21,125
Total Adjustments	266,368
Net Cash Provided by Operating Activities	$404,113

See accompanying notes to the basic financial statements.

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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 Ohio 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 Champaign County, two of whom are appointed by the commissioners of Clark County, two by the commissioners of Fayette County and one by a majority action of the three counties. 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

These financial statements of West Central Ohio Port 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

Enterprise accounting is 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, pubic policy, management control, accountability or other purposes.

The Port Authority has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", and GASB Statement No. 38, "Certain Financial Statement Note Disclosures".

GASB 34 creates new basic financial statements for reporting on the Port Authority's financial activities and requires the inclusion of the Management Discussion and Analysis section which provides a narrative introduction and overview of the financial statements to enhance the user's ability to interpret the information within the statements

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Equity (i.e., net assets) consists of retained earnings. The 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. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Accounts Receivable

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, 2005 consisted of rent or lease account billings, use and trackage rights. All receivables are considered collectible in full.

F. Fixed Assets and Depreciation

Property, plant and equipment are recorded at either historical cost for capital assets acquired by the Port Authority or estimated fair market value for donated capital assets 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	6 -10 Years

G. 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 2005, the Port Authority incurred no interest which was capitalized.

H. Organizational Costs

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

I. Operating and non-operating revenues and expenses

Operating revenues are those revenues that are generated directly at the Port Authority's primary mission. For the Port Authority, operating revenues include railroad track use and trackage fees, property lease income, railroad maintenance fees and related market and document fees. Operating expenses are necessary costs incurred to support the Port Authority's primary mission, including depreciation.

Non-operating revenues and expenses are those that are not generated directly by the Port Authority's primary mission. Various state grants, capital contributions, interest income, and expenses comprise the non-operating revenues and expenses of the Port Authority.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation and net of related debt. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Port Authority in 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.

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, pass book 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 passbook accounts.

Protection of Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, but 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.

As of December 31, 2005, the carrying amount of the Port Authority's deposits totaled $1,208,018 and its bank balance was $1,208,268. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of December 31, 2005, $1,108,268 was exposed to custodial risk as discussed below, while $100,000 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Port Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

4. 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 amounts are recorded as revenue.

5. LOANS RECEIVABLE

On May 15, 2001, the Port Authority entered into an agreement to advance payment to Champaign Landmark, Inc. for expenses incurred to rehabilitate tracks known as the Champaign Landmark yard area at Mechanicsburg at a total cost of $127,501. The loan was issued for a period of six years at a rate of 5.25% from August 15, 2001 through May 15, 2007.

Principal and interest receivable at December 31, 2005 are as follows:

Year Ending December 31	Principal	Interest	Total
2006	$23,500	$1,416	$24,916
2007	12,218	240	12,458
	$35,718	$1,656	$37,374

On December 18, 2003, the Port Authority entered into an agreement to sell approximately 29,346 square feet of the Port Authority land located in South Charleston, Ohio to the Village of South Charleston, Ohio for $7,500. A promissory note for $7,500 with 0% interest was issued for a period of three years, requiring equal payments of $2,500 each on January 10, 2004, January 10, 2005 and January 10, 2006. The remaining principal balance of $2,500 at December 31, 2005 is included in the notes receivable amount of $38,218 on the statement of net assets.

6. CAPITAL ASSETS

A summary of the property, plant and equipment purchased as of December 31, 2005, follows. These assets are substantially leased to a third party:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$1,243,733			$1,243,733
Construction in Progress	19,741	$527,041	$19,741	527,041
	1,263,474	527,041	19,741	1,770,774
Capital Assets Being Depreciated				
Equipment and Appendices	992,175			992,175
Spur	207,951			207,951
Railroad	6,474,794	1,789,163		8,263,957
	7,674,920	1,789,163		9,464,083
Less Accumulated Depreciation on:				
Equipment and Appendices	(857,453)	(14,691)		(872,144)
Spur	(126,629)	(10,695)		(137,324)
Railroad	(1,614,811)	(237,320)		(1,852,131)
	(2,598,893)	(262,706)		(2,861,599)
Capital Assets, Net	$6,339,501	$2,053,498	$19,741	$8,373,258

7. 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 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 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.

8. 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.

9. LONG-TERM OBLIGATIONS

The Port Authority has the following loan obligations with the Ohio Department of Transportation:

On June 1, 2001, the Port Authority entered into a loan agreement for $870,000 with the Ohio Department of Transportation for the purpose of financing the Mechanicsburg and Maitland lines rehabilitation projects. The loan was issued for a period of eight years at a rate of 5.25%, including administrative cost of .25% from January 1, 2001 through July 1, 2009, with payment commencing August 2002.

On April 18, 2003, the Port Authority entered into a loan agreement for $605,000 with the Ohio Department of Transportation for the purpose of financing railroad track rehabilitation on the Urbana Industrial Track. The Port Authority needed only $363,910 to complete the rehabilitation project. The note bears a zero percent interest rate for the first twelve months and a three percent interest rate thereafter. Interest accrues on the loan balance from December 24, 2004 through December 24, 2005, with semi-annual payments of $50,082 commencing December 24, 2005.

Combined principal and interest requirements to retire the loans with the Ohio Department of Transportation are as follows:

Year Ending December 31	Principal	Interest/ Admin	Total
2006	$232,052	$46,352	$278,404
2007	242,453	35,951	278,404
2008	253,350	25,053	278,403
2009	144,975	9,080	154,055
Total	$872,830	$116,436	$989,266

10. 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.

There has been no significant reduction in coverage in relation to the prior year. Settled claims have not exceeded commercial coverage in any of the last three years.

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	**Pass Through Entity Number**	**Federal CFDA Number**	**Disbursements**
UNITED STATES DEPARTMENT OF TRANSPORTATION ***Passed Through Ohio Department of Transportation***			
Highway Planning and Construction	24483	20.205	$921,035
Total			$921,035

The accompanying notes are an integral part of this schedule.

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Port Authority's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

The Federal program required that the Port Authority contribute non-Federal funds (matching funds) to support the Federally-funded program. The Port Authority has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

West Central Ohio Port Authority
Clark County
76 East High Street
Springfield, Ohio 45502

To the Board of Directors:

We have audited the financial statements of the business-type activities of the West Central Ohio Port Authority, Clark County, (the Port Authority), as of and for the year ended December 31, 2005, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated August 4, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Port Authority's management dated August 4, 2006, we reported a matter involving internal control over financial reporting we did not deem to be a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Port Authority's management dated August 4, 2006, we reported matters related to noncompliance we deemed immaterial.

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We intend this report solely for the information and use of the audit committee, management, Board of Directors, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

August 4, 2006

Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

West Central Ohio Port Authority
Clark County
76 East High Street
Springfield, Ohio 45502

To the Board of Directors:

Compliance

We have audited the compliance of the West Central Ohio Port Authority, Clark County, (the Port Authority), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the Port Authority's major federal program. The Port Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. Our responsibility is to express an opinion on the Port Authority's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Port Authority's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Port Authority's compliance with those requirements.

In our opinion, the Port Authority complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The Port Authority's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Port Authority's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, the Board of Directors, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

August 4, 2006

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	CFDA # 20.205: Highway Planning and Construction
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

Auditor of State
Betty Montgomery

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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 31, 2006