WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006

Mary Taylor, CPA
Auditor of State

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

West Central Ohio Port Authority
Clark County
Springview Government Center
3130 East Main Street, Suite 2B
Springfield, Ohio 45505

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, 2006, 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 West Central Ohio Port Authority, Clark County, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows**,** 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 July 27, 2007, 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.

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Management's Discussion 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.

Mary Taylor, CPA
Auditor of State

July 27, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
(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, 2006. 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 2006 are as follows:

- Total net assets increased by $311,112 in 2006, due to $207,653 capital contribution from the Public Utilities Commission of Ohio, and the Ohio Rail Development Commission towards capital improvement projects on the Port Authority property during 2006. The Port Authority also earned additional $40,258 in use and trackage fees from the Indiana & Ohio Railroad, Inc. (IORY) and additional $28,016 in maintenance fee revenues during 2006 as compared to 2005. Overall expenses increased $102,596 during 2006, primarily due to increases in administration, depreciation and repairs and maintenance expenses.

- Total assets increased by $81,408 which represents a 0.8 percent increase from the prior year. The increase was primarily due to $63,592 increase in accounts receivable, and $181,460 increase in capital assets, net of current year depreciation offset by $136,832 decrease in cash and cash equivalents and $26,000 decrease in notes receivable. The Port Authority's cash and cash equivalents decreased since the Port Authority paid a percentage of the capital improvements costs incurred during 2006. A significant portion of the accounts receivable is due from Indiana & Ohio Railroad, Inc. (IORY) for 2005 and 2006 use fees.

- Total liabilities decreased by $229,704 resulting from principal payments on the Ohio Department of Transportation loans during 2006.

- The net operating income reported of $93,713 for 2006 decreased $44,032 from the operating income reported for 2005, primarily due to an increase in depreciation expense of $74,779, administration expenses of $30,177 and railroad track repairs and maintenance expenses of $14,419.

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 2006 compared with 2005.

Table 1
Net Assets

	2006	Restated 2005
Assets:		
Current and other assets	$1,455,066	$1,555,118
Capital assets, net	8,554,718	8,373,258
Total Assets	10,009,784	9,928,376
Liabilities:		
Current liabilities	288,722	265,757
Non-current liabilities	426,787	679,456
Total Liabilities	715,509	945,213
Net Assets:		
Invested in capital assets, net of related debt	7,913,940	7,500,429
Unrestricted	1,380,335	1,482,734
Total Net Assets	$9,294,275	$8,983,163

Total net assets of the Port Authority increased by $311,112 in 2006 or 3.46 percent. The increase in total net assets from 2005 was primarily recognition of capital contributions of $207,653 from Public Utilities Commission of Ohio, and the Ohio Rail Development Commission used towards four grade crossing safety upgrade projects completed during 2006. The overall revenues (excluding the aforementioned capital contributions) exceeded expenses by $103,459 for 2006.

As noted in Table 1 above, the unrestricted net assets as of December 31, 2006 decreased by $102,399. The net assets invested in capital assets, net of related debt increased by $413,511 resulting from current year capital asset net acquisitions in the amount of $518,945, current year depreciation of capital assets ($337,485), and the repayment of $232,052 debt used to acquire capital assets in previous years.

Table 2 shows the changes in net assets for the year ended December 31, 2006, as well as revenue and expense comparisons to 2005.

Table 2
Changes in Net Assets

	2006	Restated 2005
Operating Revenues:		
Use Fees – Operations	$ 237,321	$ 196,063
Lease Receipts – Property	55,008	61,558
Maintenance Fees	308,328	280,312
Other operating revenues	800	20,713
Non-Operating Revenues:		
Interest Income	45,881	33,916
Total Revenues	647,338	593,562
Operating Expenses:		
Legal Fees	10,286	8,794
Real Estate Service	4,347	2,021
Bookkeeping Service	8,000	8,009
Accounting Service	11,125	9,280
Administration – Clark County TCC	77,097	46,920
Planning – Clark County TCC	5,000	5,000
Track Studies/Inspection/Construction Management	10,862	13,623
Taxes, Licenses and Fees	12,210	11,651
Insurance – Bond	364	611
State Audit	7,710	6,708
Amortization of Organizational Costs	812	812
Depreciation	337,485	262,706
Repairs and Maintenance	18,419	4,000
Advertising	2,077	849
Bad Debts		2,195
Other operating expenses	1,950	12,318
Non-Operating Expenses:		
Interest Expense	36,135	45,786
Total Expenses	543,879	441,283
Excess Before Contributions	103,459	152,279
Capital Contributions	207,653	1,731,749
Increase in net assets	311,112	1,884,028
Net assets, beginning of year	8,983,163	7,099,135
Net assets, end of year	$9,294,275	$8,983,163

The increase in use and trackage rights fees was due to an increase in the number of carloads transported during the year – 7,615 railcars served in 2006 compared to 6,775 railcars in 2005. The maintenance fees increased also as a result of increased usage by customers during 2006. Interest income increased by $11,965 during 2006 resulting from higher interest yield and higher average cash and equivalents balance. Lease receipts and other operating decreased by approximately $26,000.

Total expenses of the Port Authority reported for the year were $102,596 higher than those reported for the previous year. The following factors contributed to this increase in 2006: legal and accounting fees increased by $3,337, real estate services increased by $2,326, administration expenses increased by $30,177, depreciation increased by $74,779, travel and training expenses increased $1,850, repairs and maintenance expenses increased by $14,419, track studies/inspection/construction management expenses decreased $2,761 and marketing decreased by $10,860. Interest expenses decreased by $9,651.

Capital Assets

At December 31, 2006 capital assets of the Port Authority were $11,753,802 off-set by $3,199,084 in accumulated depreciation resulted in net capital assets of $8,554,718. Table 3 shows the categories of capital assets maintained by the Port Authority, net of accumulated depreciation, at December 31, 2006 and 2005.

Table 3
Capital Assets, Net of Depreciation

	2006	2005
Land	$1,243,733	$1,243,733
Equipment and Appendices	1,789,003	992,175
Spur	207,951	207,951
Railroad	8,336,857	8,263,957
Construction in progress	176,258	527,041
Total capital assets	11,753,802	11,234,857
Less accumulated depreciation	(3,199,084)	(2,861,599)
Totals	$8,554,718	$8,373,258

The $518,945 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; (2) four grade crossing projects were completed during 2006; and (3) design and engineering services were started during 2006 on a couple of bridge replacement projects. Capital contributions of $207,653 by Public Utilities Commission of Ohio and the Ohio Rail Development Commission were recorded as income and capitalized for the four grade crossing projects. The Port Authority used $311,292 of its maintenance fees to fund the capital improvement projects. Depreciation expense for 2006 and 2005 were $337,485 and $262,706, 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, 2006, 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, 3130 East Main Street, Suite 2B, Springfield, Ohio 45505.

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2006

Assets:	
Current assets:	
Cash and Cash Equivalents	$1,071,186
Accounts Receivable	352,391
Notes Receivable	12,218
Total current assets	1,435,795
Non-current assets:	
Capital Assets (net, where applicable, of accumulated depreciation):	
Property, Plant and Equipment	8,554,718
Organizational Costs	19,271
Total non-current assets	8,573,989
Total Assets	10,009,784
Liabilities:	
Current liabilities:	
Accounts Payable	46,269
ODOT State Infrastructure Bank Loans Payable, current portion	242,453
Total current liabilities	288,722
Non-current liabilities:	
ODOT State Infrastructure Bank Loans Payable, less current portion	398,325
Accrued Interest Payable	28,462
Total non-current liabilities	426,787
Total Liabilities	715,509
Net Assets:	
Invested in capital assets, net of related debt	7,913,940
Unrestricted	1,380,335
Total net assets	$9,294,275

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, 2006

Operating Revenues:	
Use and Trackage Fees - Operations	$237,321
Lease Receipts - Property	55,008
Maintenance Fees	308,328
Document Fees	800
Total Operating Revenues	601,457
Operating Expenses:	
Legal Fees - General Counsel	9,986
Legal Fees - Special Counsel	300
Real Estate Service	4,347
Bookkeeping Service	8,000
Accounting Service	11,125
Administration - Clark County TCC	77,097
Planning - Clark County TCC	5,000
Track Studies/ Inspection/ Construction Management	10,862
Taxes, Licenses and Fees	12,210
Insurance - Bond	364
State Audit	7,710
Amortization of Organizational Costs	812
Depreciation	337,485
Travel and Training	1,850
Repairs and Maintenance	18,419
Advertising	2,077
Miscellaneous Expense	100
Total Operating Expenses	507,744
Operating income	93,713
Non-Operating Revenue (Expenses)	
Interest Income	45,881
Interest Expense	(36,135)
Total Non-Operating Revenue (Expenses)	9,746
Net income before contributions	103,459
Capital contributions	207,653
Change in net assets	311,112
Net Assets at the Beginning of Year, Restated	8,983,163
Net Assets at the End of Year	$9,294,275

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, 2006

Cash Flow From Operating Activities:	
Cash received from customers	$497,065
Cash payments to suppliers for goods and services	(156,883)
Other operating revenue	800
Net Cash Provided by Operating Activities	340,982
Cash Flows From Noncapital Financing Activities:	
Interest Income	44,464
Principal Received from Village of South Charleston	2,500
Principal Received from Champaign Landmark	23,500
Interest Received from Champaign Landmark	1,416
Net Cash Provided by Noncapital Financing Activities	71,880
Cash Flow from Capital and Related Financing Activities:	
Capital acquisitions	(518,945)
Principal paid on ODOT Loans	(232,052)
Accrued Interest paid on ODOT Loans	(10,217)
Capital contributions received	247,655
Interest paid on Loans	(36,135)
Net Cash Used by Capital and Related Financing Activities	(549,694)
Net Change in Cash and Cash Equivalents	(136,832)
Cash and Cash Equivalents at the Beginning of Year	1,208,018
Cash and Cash Equivalents at the End of Year	1,071,186
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	93,713
Adjustments to reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization Expense	812
Depreciation Expense	337,485
Change in Receivables	(103,592)
Change in Accounts Payables	12,564
Total Adjustments	247,269
Net Cash Provided by Operating Activities	$340,982

See accompanying notes to the basic financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

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 adopted the provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation. This statement requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. This statement had no effect on net assets. The Association also adopted the provisions of GASB Statement No. 47, Accounting for Termination Benefits. This statement provides guidance on how employers should account for benefits associated with voluntary or involuntary terminations. These statements had no effect on net assets.

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.

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, 2006 consisted of rent or lease account billings, use and trackage rights. All receivables are considered collectible in full.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital 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 2006, the Port Authority incurred no interest which was capitalized.

H. Organizational 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.

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.

K. Capital Contributions

Capital contributions arise from outside contributions of capital assets or outside contributions of resources restricted to capital acquisition and construction. The Port Authority had capital contributions of $207,653 during 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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, 2006, the carrying amount of the Port Authority's deposits totaled $1,071,186 and its bank balance was $1,089,137. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of December 31, 2006, $989,137 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, 2006 are as follows:

Year Ending December 31	Principal	Interest	Total
2007	$12,218	$240	$12,458

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 final $2,500 payment was received during 2006.

6. CAPITAL ASSETS

A summary of the property, plant and equipment purchased as of December 31, 2006, 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	527,041	$176,258	$527,041	176,258
	1,770,774	176,258	527,041	1,419,991
Capital asses being depreciated:				
Equipment and Appendices	992,175	796,828		1,789,003
Spur	207,951			207,951
Railroad	8,263,957	72,900		8,336,857
	9,464,083	869,728		10,333,811
Less Accumulated Depreciation on:				
Equipment and Appendices	(872,144)	(50,920)		(923,064)
Spur	(137,324)	(10,695)		(148,019)
Railroad	(1,852,131)	(275,870)		(2,128,001)
	(2,861,599)	(337,485)		(3,199,084)
Capital assets, net	$8,373,258	$708,501	$527,041	$8,554,718

7. SHORTLINE RAILROAD AGREEMENT

The Port Authority entered into a Shortline railroad operating agreement with the Indiana & Ohio Railroad, Inc., (IORY) on September 4, 1990, for operation as a shortline carrier. In light of current and ongoing operation and ownership of the Shortline, both parties entered into a revised and updated 2005 Agreement during 2006, terms of which went in effect retro-active as of May 1, 2005. The 2005 Agreement 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 2005 Agreement permits (a) the Port Authority to terminate this Agreement: (i) upon an arbitration board determining that IORY has not performed services that would reasonably be expected of a similar carrier given the circumstances such termination to be effective as specified in a written notice provided by the Port Authority to IORY; (ii) Upon the failure of IORY for a period of 90 days after the due date to pay any applicable Use and/or Trackage Fee and/or (b) IORY shall have the right to terminate this Agreement in the event that overhead traffic and online customer revenue base do not provide sufficient monetary return over and above associated expenses. Termination by IORY is to be effective 120 days after written notice by IORY to the Port Authority.

In accordance with the 2005 Agreement, IORY is required to perform at its own expense all routine maintenance on the Shortline up to the limits specified in the agreement and maintain the Shortline at not less than Federal Railroad Administration Class II track standards ("Class II Condition"). Any damage to the Shortline, other than normal wear, that occurs as a result of IORY operations shall be repaired at IORY's expense. The Port Authority is solely responsible for any extraordinary maintenance or capital improvements required to maintain the line to its current Class II condition.

The 2005 Agreement states that a use fee for any cars originating or terminating on the Shortline, will be paid within thirty days after the close of the calendar quarter by the IORY to the Port Authority.

The 2005 Agreement also states that for use of Trackage by IORY or any other railroad authorized in writing by IORY and the Port Authority for overhead (bridge) traffic, not originating or terminating on the Shortline, between Springfield (MP 202.7) and Fayne (MP 229.83), a distance of 27.13 miles, IORY shall pay directly to the Port Authority, for each car (empty or loaded), locomotive and caboose handled by IORY over the Trackage pursuant to this Agreement. For purposes of computing the fee, locomotives shall be counted as two cars. Trackage fee payments will be paid on a monthly basis on or before thirty (30) days after the close of the month in which the applicable Trackage Fees accrue.

The agreement restricts the use of both the use and trackage fees solely for extraordinary maintenance and/or capital expenditures directly related to rail infrastructure and freight operations over the Shortline Property.

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 IORY is entitled to revenues derived from its operation of the Shortline, including switching fees, per diem and demurrage and other accessorial charges per IORY 8000 and 6001 series tariffs. IORY is responsible for all freight rail expenses associated with operation of the Shortline 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.

Both parties agree to indemnify and hold harmless each other, its agents, directors, officers and employees, from and against liabilities from any claims, liabilities, costs or expenses (including reasonable attorneys' fees) for damage to any property, personal injuries or deaths caused by or resulting from any acts or omissions, its agents, employees, independent contractors or otherwise by the their operations.

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 IORY contribution of $116,170 toward the purchase of the railroad, upon the occurrence of any of the following conditions:

- Should the IORY 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 IORY an amount equal to 4.04% of the net proceeds of the sale, or
- The Port Authority will repay the $116,170 to IORY within three months of operation of the line by someone other than IORY.

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:

Loans	Balance 12/31/2005	Increases	Decreases	Balance 12/31/2006	Amount Due in One Year
2001 SIB loan, 5.25%	$552,073		($143,792)	$408,281	$151,526
2003 SIB loan, 3.00%	320,756		(88,260)	232,496	90,927
Total	$872,829		($232,052)	$640,777	$242,453

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
2007	$242,453	$35,951	$278,404
2008	253,350	25,053	278,403
2009	144,975	9,080	154,055
Total	$640,778	$70,084	$710,862

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.

11. PRIOR PERIOD ADJUSTMENT

As noted in footnote 7, the Port Authority entered into a revised and updated Shortline Railroad Agreement with the Indiana & Ohio Railroad, Inc. during 2006, terms of which went in effect retro-active as of May 1, 2005. This resulted in the Port Authority receiving $26,404 additional use fee for 2005 than was estimated by management as of December 31, 2005. The following account balances for 2005 were restated as a result of this adjustment:

	As Previously Reported	Adjustments	Restated Amounts
Accounts receivable	$ 262,395	$26,404	$ 288,799
Net assets	$8,956,759	$26,404	$8,983,163

12. SUBSEQUENT EVENTS

On January 24, 2007, the Port Authority approved the following subsequent events:

- A contract with Armstrong Steel Erectors, Inc. in the amount of $800,863 for the rehabilitation and enhancement of the bridge over Miami Street.
- A contract with Complete General Construction in the amount of $477,354 for the replacement of the railroad bridge #224.7 over Sugar Creek in Fayette County.
- Contracts with the State of Ohio, Ohio Rail Development Commission, for grants in the total amount of $207,000 and a loan agreement not to exceed $513,000 and other collateral agreements, including the pledging of the Port Authority’s assets to guarantee debt service payments, as necessary, to partly finance the replacement of the railroad bridge #224.7.

Mary Taylor, CPA
Auditor of State

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
Springview Government Center
3130 East Main Street, Suite 2B
Springfield, Ohio 45505

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, 2006, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated July 27, 2007. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Port Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Port Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Port Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Port Authority's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Port Authority's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain matter that we reported to the Port Authority's management in a separate letter dated July 27, 2007.

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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*.

We intend this report solely for the information and use of the audit committee, management, and Board of Directors. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 27, 2007

Mary Taylor, CPA
Auditor of State

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
JANUARY 17, 2008