WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2009

Mary Taylor, CPA
Auditor of State

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

TABLE OF CONTENTS

This page intentionally left blank.

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 basic financial statements of the West Central Ohio Port Authority, Clark County, (the Port Authority), as of and for the year ended December 31, 2009, 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 financial position of West Central Ohio Port Authority, as of December 31, 2009, and the changes in its financial position and its cash flows 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 18, 2010, 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.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Management's Discussion 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

August 18, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(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, 2009. 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 2009 are as follows:

- Total net assets decreased by $11,554 in 2009, due to $141,485 decrease in operating revenues and $165,722 decrease in capital contributions during 2009. The decrease in operating revenues and capital contributions was partially offset by the Port Authority earning railroad maintenance tax credits of $111,801 during 2009 from shippers, while no such awards were granted in 2008. Overall expenses increased $85,023 during 2009, primarily due to increases in depreciation, bad debt expense and repairs and maintenance.

- Total assets increased by $418,610 which represents a 3.39 percent increase from the prior year. The increase was primarily due to $559,610 increase in capital assets, net of current year depreciation and a $92,892 increase in grants receivable offset by $211,730 decrease in cash and cash equivalents and $21,350 decrease in accounts receivable. The Port Authority's cash and cash equivalents decreased since the Port Authority paid a percentage of the capital improvements costs incurred during 2009. A significant portion of the accounts receivable is due from shippers for track maintenance revenues and railroad maintenance tax credits.

- Total liabilities increased by $430,164 resulting from $375,560 increase in accounts payable related to a track rehabilitation project and approximately $400,000 in additional borrowings for two track repair projects during 2009, offset by $300,809 principal payments on the existing debt.

- The net operating loss reported of $346,806 for 2009 increased by $225,088 from the operating loss of $121,718 for 2008, primarily due to decrease in operating revenues of $141,485, combined with an increase in depreciation expense of $59,051, bad debt expense of $21,132 and repairs and maintenance expenses of $15,036 during 2009.

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 2009 compared with 2008.

Table 1
Net Assets

	2009	2008
Assets:		
Current and other assets	$ 840,517	$ 980,705
Capital assets, net	11,926,719	11,367,921
Total Assets	12,767,236	12,348,626
Liabilities:		
Current liabilities	1,025,116	741,693
Non-current liabilities	978,296	831,555
Total Liabilities	2,003,412	1,573,248
Net Assets:		
Invested in capital, net of related debt	10,745,594	10,296,214
Unrestricted	18,230	479,164
Total Net Assets	$10,763,824	$10,775,378

Total net assets of the Port Authority decreased by $11,554 in 2009 or 0.11 percent. The decrease in total net assets from 2008 was primarily due to maintenance fees and lease receipts decreasing by $132,043 and overall expenses increasing by $85,023. The Port Authority capital contributions for 2009 were $165,722 less than the amount for 2008.

As noted in Table 1 above, the unrestricted net assets as of December 31, 2009 decreased by $460,934. The net assets invested in capital assets, net of related debt increased by $449,380 resulting from current year capital asset acquisition in the amount of $1,063,046, offset by current year disposal of $3,773 and depreciation of $499,663, repayment of $300,809 debt used to acquire capital assets, and the additional borrowings of $411,039 for capital additions during 2009.

Table 2 shows the changes in net assets for the year ended December 31, 2009, as well as revenue and expense comparisons to 2008.

Table 2
Changes in Net Assets

	2009	2008
Operating Revenues:		
Use Fees – Operations	$ 137,595	$ 142,737
Lease Receipts – Property	56,741	86,020
Maintenance Fees	181,430	284,194
Document Fees	2,125	6,425
Non-Operating Revenues:		
Other Non-Operating Revenues	112,058	6,625
Gain on sale of assets	1,415	
Interest Income	748	14,625
Total Revenues	492,112	540,626
Operating Expenses:		
Legal Fees	8,339	13,372
Real Estate Service	5,977	3,590
Bookkeeping Service	9,000	9,000
Accounting Service	13,000	12,000
Administration – Clark County TCC	71,238	79,367
Planning – Clark County TCC	5,000	5,000
Appraisals		6,500
Track Studies/Inspection/Construction Management	11,396	9,333
Taxes, Licenses and Fees	45,823	45,817
Insurance – Bond	364	364
State Audit	9,748	10,455
Amortization of Organizational Costs	812	812
Depreciation	499,663	440,612
Nuisance & Abatement	1,289	
Repairs and Maintenance	17,015	1,979
Advertising	3,997	2,172
Bad Debts	21,132	
Other operating expenses	904	721
Non-Operating Expenses:		
Loan Fees and Letter of Credit	4,000	5,000
Interest Expense	16,257	13,837
Total Expenses	744,954	659,931
Loss Before Contributions	(252,842)	(119,305)
Capital Contributions	241,288	407,010
(Decrease) increase in net assets	(11,554)	287,705
Net assets, beginning of year	10,775,378	10,487,673
Net assets, end of year	$10,763,824	$10,775,378

The decrease in use fees was due to decrease in the number of carloads transported during the year – 4,742 railcars served in 2009 compared to 5,545 railcars in 2008. Trackage rights fees increased due to additional "overhead" traffic being routed onto the Port Authority's tracks during 2009. The maintenance fees decreased as a result of less usage despite a 50 percent increase in maintenance fee rates in effect during 2009. Interest income decreased by $13,877 during 2009 resulting from significantly lower interest rate and lower average cash and equivalents balance during the year. Lease receipts and other operating decreased by approximately $33,579. The Port Authority received commitments from shippers and Indiana & Ohio Railway Company to reinvest $111,801 into the maintenance fund from refunds obtained from the Internal Revenue Service under the Section 42G Railroad Maintenance Tax Credits program during 2009, while no such commitments were provided in 2008, resulting in an increase in other non-operating revenues.

Total expenses of the Port Authority reported for the year were $85,023 higher than those reported for the previous year. The following factors contributed to this increase in 2009: real estate services increased by $2,387, depreciation increased by $59,051, bad debt expense increased by $21,132, and repairs and maintenance increased by $15,036. Legal, bookkeeping and accounting fees decreased by $4,033, administration expenses decreased by $8,129, and appraisal/track studies/inspection/construction management expenses decreased by $4,437. Interest and loan fees increased by $1,420.

Capital Assets

At December 31, 2009 capital assets of the Port Authority were $16,411,887 off-set by $4,502,003 in accumulated depreciation resulted in net capital assets of $11,909,884. Table 3 shows the categories of capital assets maintained by the Port Authority, net of accumulated depreciation, at December 31, 2009 and 2008.

Table 3
Capital Assets, Net of Depreciation

	2009	2008
Land	$ 1,239,960	$ 1,243,733
Equipment and Appendices	2,399,947	2,399,947
Spur	207,951	207,951
Railroad	11,804,094	11,162,786
Construction in progress	759,935	338,197
Total capital assets	16,411,887	15,352,614
Less accumulated depreciation	(4,502,003)	(4,002,340)
Totals	$11,909,884	$11,350,274

The $1,059,273 increase in total capital assets was due to the following factors: (1) track rehabilitation in South Charleston, Ohio totaling $303,111; and (2) planning, design and construction in progress on railroad track totaling $759,935, offset by disposal of $3,773. Capital contributions of $47,929 by the Ohio Department of Transportation were recorded as income and capitalized for the capital projects noted above. Grants totaling $193,359 were utilized to fund the above mentioned capital projects. The remainder of the capital improvements were funded by borrowing from loans and maintenance fees received from shippers. Depreciation expense for 2009 and 2008 were $499,663 and $440,612, respectively.

See Note 5 of the notes to the basic financial statements for more detailed information on the Port Authority's capital assets.

Debt

At December 31, 2009, the debt obligations of the Port Authority consisted of four outstanding loan obligations, one with the Ohio Department of Transportation (State Infrastructure Bank) and three with Ohio Rail development Commission. Three of these loans were entered in prior years and a new loan in the amount of $400,000 was obtained during 2009 from the Ohio Rail Development Commission for the purpose of financing railroad track rehabilitation projects. Two existing loans were paid off during 2009. The outstanding balance of four loans as of December 31, 2009 totaled $1,164,290, of which $185,994 is due within one year. See Note 8 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, Springview Government Center, 3130 East Main Street, Suite 2B, Springfield, Ohio 45505.

This page intentionally left blank.

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2009

Assets:	
Current assets:	
Cash and Cash Equivalents	$565,796
Accounts Receivable	181,829
Grants Receivable	92,892
Total current assets	840,517
Non-current assets:	
Non-depreciable Capital Assets	1,999,895
Depreciable Capital Assets, Net	9,909,989
Organizational Costs	16,835
Total non-current assets	11,926,719
Total Assets	12,767,236
Liabilities:	
Current liabilities:	
Accounts Payable	708,194
Accrued Real Estate Taxes	91,312
Deferred Revenue	36,845
ORDC Loan Payable, current portion	136,544
ODOT State Infrastructure Bank Loans Payable, current portion	49,450
Accrued Interest Payable	2,771
Total current liabilities	1,025,116
Non-current liabilities:	
ORDC Loan Payable, less current portion	696,666
ODOT State Infrastructure Bank Loans Payable, less current portion	281,630
Total non-current liabilities	978,296
Total Liabilities	2,003,412
Net Assets:	
Invested in capital assets, net of related debt	10,745,594
Unrestricted	18,230
Total net assets	$10,763,824

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 YEAR ENDED DECEMBER 31, 2009

Operating Revenues:	
Use and Trackage Fees - Operations	$137,595
Lease Receipts - Property	56,741
Maintenance Fees	181,430
Document Fees	2,125
Total Operating Revenues	377,891
Operating Expenses:	
Legal Fees - General Counsel	8,339
Real Estate Service	5,977
Bookkeeping Service	9,000
Accounting Service	13,000
Administration - Clark County TCC	71,238
Planning - Clark County TCC	5,000
Track Studies/ Inspection/ Construction Management	11,396
Taxes, Licenses and Fees	45,823
Insurance - Bond	364
State Audit	9,748
Amortization of Organizational Costs	812
Depreciation	499,663
Marketing	700
Nuisance & Abatement	1,289
Repairs and Maintenance	17,015
Advertising	3,997
Bad Debts	21,132
Miscellaneous Expense	204
Total Operating Expenses	724,697
Operating Loss	(346,806)
Non-Operating Revenue (Expenses):	
Interest Income	748
Gain on sale of assets	1,415
Other Income	112,058
Loan Fees and Letter of Credit	(4,000)
Interest Expense	(16,257)
Total Non-Operating Revenue (Expenses)	93,964
Net loss before contributions	(252,842)
Capital contributions	241,288
Change in net assets	(11,554)
Net Assets at the Beginning of Year	10,775,378
Net Assets at the End of Year	$10,763,824

See accompanying notes to the basic financial statements.

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

Cash Flow From Operating Activities:	
Cash received from customers	$366,908
Cash payments to suppliers for goods and services	(235,962)
Other operating revenue	2,125
Net Cash Provided by Operating Activities	133,071
Cash Flows From Noncapital Financing Activities:	
Interest Income	748
Tax Credit Proceeds	114,572
Other non-operating revenue	257
Net Cash Provided by Non-capital Financing Activities	115,577
Cash Flow from Capital and Related Financing Activities:	
Capital acquisitions	(700,140)
Sale of property	5,188
Principal paid on ODOT Loans	(192,940)
Principal paid on ORDC Loans	(107,869)
Principal borrowed on ODOT Loan	11,039
Principal borrowed on ORDC Loan	400,000
Loan Fees paid on ORDC Loan	(4,000)
Accrued Interest paid on ODOT Loans	(3,795)
Capital contributions received	148,396
Interest paid on Loans	(16,257)
Net Cash Used in Capital and Related Financing Activities	(460,378)
Net Change in Cash and Cash Equivalents	(211,730)
Cash and Cash Equivalents at the Beginning of Year	777,526
Cash and Cash Equivalents at the End of Year	565,796
Reconciliation of Operating Loss to Net Cash provided by operating activities:	
Operating Loss	(346,806)
Adjustments to reconcile Operating Income to Net Cash Provided by Operating Activities:	
Bad Debt Expense	21,132
Amortization Expense	812
Depreciation Expense	499,663
Change in Receivables	(9,316)
Change in Deferred Revenue	457
Change in Accrued Real Estate Taxes	(52,288)
Change in Accounts Payables	19,417
Total Adjustments	479,877
Net Cash Provided by Operating Activities	$133,071

See accompanying notes to the basic financial statements.

This page intentionally left blank.

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 in the Springfield Township and within the Clark-Shawnee 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, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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 collectability. Receivables at December 31, 2009 consisted of rent or lease account billings, use and trackage rights. All receivables are considered collectible in full.

F. Grants Receivable

Grants receivable represents amounts due from federal and state agencies for the various projects administered by the Port Authority. The receivable includes amounts due on projects closed-out and those in progress as of December 31, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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	10 Years

H. 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 2009, the Port Authority incurred no interest which was capitalized.

I. 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.

J. 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.

K. 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.

L. 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 $241,288 during 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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. Real Estate Taxes Payable was based on a reasonable estimate.

3. DEPOSITS AND INVESTMENTS

Ohio Law requires the classification of funds held by the Port Authority into three categories:

Active funds are those funds required to be kept in “cash” or “near cash” status for immediate use by the Port Authority. Such funds must be maintained either as cash in the Port Authority Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Inactive funds are those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Interim funds are those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Interim deposits in eligible institutions apply for interim funds;

5. Bonds and other obligations of the State of Ohio;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

7. The State Treasurer’s investment pool (STAR Ohio).

3. DEPOSITS AND INVESTMENTS (Continued)

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, 2009, the carrying amount of the Port Authority's deposits totaled $565,796 and its bank balance was $570,280. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of December 31, 2009, $320,280 was exposed to custodial risk as discussed below, while $250,000 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 uninsured 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. CAPITAL ASSETS

A summary of the property, plant and equipment purchased as of December 31, 2009, 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		$ 3,773	$ 1,239,960
Construction in progress	338,197	$759,935	338,197	759,935
	1,581,930	759,935	341,970	1,999,895
Capital assets being depreciated:				
Equipment and Appendices	2,399,947			2,399,947
Spur	207,951			207,951
Railroad	11,162,785	641,308		11,804,094
	13,770,684	641,308		14,411,992
Less accumulated depreciation on:				
Equipment and Appendices	(1,095,298)	(107,899)		(1,203,197)
Spur	(158,825)	(3,639)		(162,464)
Railroad	(2,748,217)	(388,125)		(3,136,342)
	(4,002,340)	(499,663)		(4,502,003)
Capital Assets, Net	$11,350,274	$901,580	$341,970	$11,909,884

6. 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 WESTCO PA 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 WESTCO PA.

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 WESTCO PA 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 WESTCO PA, 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.

6. SHORTLINE RAILROAD AGREEMENT (Continued)

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.

7. 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.

8. LONG-TERM OBLIGATIONS

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

Loans	Balance 12/31/2008	Increases	Decreases	Balance 12/31/2009	Amount Due in One Year
2001 SIB loan, 5.25%	$ 97,080		($ 97,080)		
2003 SIB loan, 3.00%	47,931		(47,931)		
2007 SIB loan, 3.00%	367,970	$ 11,039	(47,929)	$ 331,080	$ 49,450
ORDC loan 5.17%	264,000		(44,000)	220,000	39,581
ORDC loan 5.00%	277,079		(40,060)	237,019	39,820
ORDC loan 2.17%		400,000	(23,809)	376,191	57,143
Total	$1,054,060	$411,039	($300,809)	$1,164,290	$185,994

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.

8. LONG-TERM OBLIGATIONS (Continued)

On May 11, 2007, the Port Authority entered into a loan agreement for an amount up to $377,261 with the Ohio Department of Transportation for the purpose of financing railroad track rehabilitation on the U.S. Route 36 grade crossing separation. The Port Authority needed only $367,970 to complete the rehabilitation project. Accrued interest of $11,039 was added to the principal during 2009. The note bears a zero percent interest rate for the first twelve months and three percent interest rate thereafter.

On November 9, 2007, the Port Authority entered into a loan agreement for $308,000 with the Ohio Railroad Development Commission for the purpose of partially financing the replacement of bridge #224.7 over Sugar Creek in Fayette County. The loan was issued for a period of seven years at a rate of 0% from January 1, 2008 through December 31, 2009 and 5.17% from January 1, 2010, until paid.

On October 16, 2008, the Port Authority entered into a loan agreement for $280,417 with the Ohio Railroad Development Commission for the purpose of partially financing the replacement of bridge #222.2 over Sugar Creek in Fayette County. The loan was issued for a period of seven years at a rate of 0% from December 1, 2009 through December 31, 2010 and 5.00% from December 1, 2010, until paid.

On June 15, 2009, the Port Authority entered into a loan agreement for $400,000 with the Ohio Railroad Development Commission for the purpose of financing railroad track rehabilitation. The loan was issued for a period of seven years at a rate of 0% from August 1, 2009 through July 31, 2011 and 2.17% from August 1, 2011, until paid.

Combined principal and interest requirements to retire these loans are as follows:

Year Ending December 31,	Principal	Interest / Admin.	Total
2010	$ 185,994	$22,203	$ 208,197
2011	188,148	24,252	212,400
2012	192,307	21,960	214,267
2013	198,665	15,602	214,267
2014	205,256	9,011	214,267
2015-2016	193,920	3,630	197,550
Total	$1,164,290	$96,658	$1,260,948

9. 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.

10. RELATED PARTY

The Port Authority received $35,250 in maintenance fees from Damewood Enterprises in 2009. Jerry Damewood, Board member of the Port Authority, is owner of Damewood Enterprises.

11. SUBSEQUENT EVENT

On February 17, 2010, the Board of Directors awarded the contract for rehabilitation to eleven bridges on the Urbana Line and one bridge on Mechanicsburg line to Suburban Maintenance and Construction Inc. in an amount not to exceed $332,000.

This page intentionally left blank.

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 basic financial statements of the West Central Ohio Port Authority, Clark County, (the Port Authority), as of and for the year ended December 31, 2009 and have issued our report thereon dated August 18, 2010. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Port Authority's financial statements will not be prevented, or detected and timely corrected.

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

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

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 did note a certain matter not requiring an inclusion in this report that we reported to the Port Authority's management in a separate letter date August 18, 2010.

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, CPA
Auditor of State

August 18, 2010

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2008-001	Material Weakness – Paragraph 105 of GASB Statement 34 requires direct method of presenting cash flows from operating activity	Yes	

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
SEPTEMBER 14, 2010

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us