



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

WEST CENTRAL OHIO PORT AUTHORITY  
CLARK COUNTY

REGULAR AUDIT

For the Year Ended December 31, 2014  
Fiscal Year Audited Under GAGAS: 2014





# Dave Yost • Auditor of State

Board of Directors  
West Central Ohio Port Authority  
3130 East Main Street, Suite 2B  
Springfield, Ohio 45505

We have reviewed the *Independent Auditor's Report* of the West Central Ohio Port Authority, Clark County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The West Central Ohio Port Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 25, 2015

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WEST CENTRAL OHIO PORT AUTHORITY  
CLARK COUNTY

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# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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## Independent Auditor's Report

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

To the Board of Directors:

### Report on the Financial Statements

We have audited the accompanying financial statements of West Central Ohio Port Authority, Clark County, Ohio, (the Authority), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Central Ohio Port Authority, Clark County, Ohio, as of December 31, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2015, on our consideration of the 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Balestra, Harr & Scherer, CPAs*  
Balestra, Harr & Scherer, CPAs, Inc.  
Worthington, Ohio  
May 29, 2015

**WEST CENTRAL OHIO PORT AUTHORITY  
CLARK COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014  
(Unaudited)

This Management Discussion and Analysis (MD&A) of West Central Ohio Port Authority's (the Port Authority) financial performance provides an overall review of the financial activities for the year ended December 31, 2014. 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 MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its 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 2014 are as follows:

- Total net position increased by \$7,174 in 2014 compared to an increase of \$4,114 in 2013. This increase was primarily due to \$23,544 increase in use fees, \$75,062 increase in maintenance fees, \$13,600 increase in other non-operating revenues, decrease in repairs and maintenance expenses of \$33,916, administration expenses decrease of \$4,396, interest expense decrease of \$6,615 and Fayne project contribution decrease of \$50,895. These positive changes to the net position were offset by \$142,993 decrease in trackage fee revenue and \$12,233 increase in depreciation.
- Total assets decreased by \$101,652 which represents a 0.8 percent decrease from the prior year. The decrease was primarily due to decreases of \$88,348 in accounts receivable due to better collections and \$240,483 in net capital assets due to depreciation exceeding additions for the year. These decreases were offset, in part, by a \$227,991 increase in cash and cash equivalents reported.
- Total liabilities decreased by \$108,826 which represents a 20.61 percent decrease from the prior year. This decrease was due to \$205,256 in principal payments on the existing debt somewhat offset by an increase in accounts payable of \$96,630 due primarily to timing of payments on capital projects.
- The 2014 net operating loss of \$2,428 decreased by \$19,072 from the operating income of \$16,644 for 2013, due to a \$43,787 decrease in operating revenues offset in part by a \$24,715 decrease in operating expenses. Operating revenues decreased during 2014 due to a decrease of \$142,993 in trackage rights caused by to a decrease in "overhead" traffic being routed onto the Port Authority's tracks. In addition, in 2013 the Port Authority reported a \$48,984 gain from sale of land, which was not repeated for 2014. Use and maintenance fees did increase during 2014 by \$98,606 due to a 16.9 percent increase in carloads for the year. Operating expenses decreased in 2014 due to a \$33,916 decrease in repair and maintenance expenses and a decrease of \$6,615 in interest expense for the year.

### **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 position, statement of revenues, expenses and changes in net position, 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 presentation information is the same.

**WEST CENTRAL OHIO PORT AUTHORITY  
CLARK COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014  
(Unaudited)

**Statement of Net Position**

The statement of net position 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 position is reported in three broad categories (as applicable):

Net Investment in Capital Assets: This component of net position 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 Position: This component of net position consists of restricted assets which constraints are placed on asset by grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of net position that does not meet the definition of "Net Investment in Capital Assets" or "Restricted Net Position."

Table 1 provides a summary of the Port Authority's net position for 2014 compared with 2013.

<b>Table 1</b>			
<b>Condensed Statement of Net Position</b>			
		<b>2014</b>	<b>2013</b>
<b>Assets:</b>			
Current and other assets	\$	1,528,911	1,389,268
Capital assets, net		11,134,362	11,375,657
<b>Total Assets</b>		<b>12,663,273</b>	<b>12,764,925</b>
<b>Liabilities:</b>			
Current liabilities		384,369	335,929
Non-current liabilities		34,948	192,214
<b>Total Liabilities</b>		<b>419,317</b>	<b>528,143</b>
<b>Net Positions</b>			
Net investment in capital assets		10,929,373	10,964,600
Unrestricted		1,314,583	1,272,182
<b>Total Net Position</b>	<b>\$</b>	<b>12,243,956</b>	<b>12,236,782</b>

Total net position of the Port Authority increased by \$7,174 in 2014 or 0.06 percent compared to an increase of \$4,114 in 2013.

As noted in Table 1 above, the unrestricted net position as of December 31, 2014 increased by \$42,401. The net investment in capital assets, component of net position, decreased by \$35,227 resulting from current year depreciation of \$586,063 offset by repayment of \$205,256 debt used to acquire capital assets and current year capital asset acquisitions totaling \$345,580.

**WEST CENTRAL OHIO PORT AUTHORITY  
CLARK COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014  
(Unaudited)

Table 2 shows the changes in revenues and expenses for the Port Authority for 2014 and 2013.

<b>Table 2</b>			
<b>Statement of Revenues, Expenses and Changes in Net Position</b>			
		<u>2014</u>	<u>2013</u>
<b>Operating Revenues:</b>			
Use and Trackage Fees - Operations	\$	178,948	298,397
Lease Receipts - Property		53,310	52,735
Maintenance Fees		520,472	445,410
Document Fees		3,900	3,875
<b>Non-Operating Revenues:</b>			
Other Non-Operating Revenues		17,753	4,153
Gain on sale of assets		-	48,984
Interest income		126	120
<b>Total Revenues</b>		<u>774,509</u>	<u>853,674</u>
<b>Operating Expenses:</b>			
Legal Fees		9,453	7,619
Real Estate Service		3,638	2,488
Bookkeeping Service		9,750	9,750
Accounting Service		14,000	14,000
Administration - Clark County TCC		80,499	84,895
Planning - Clark County TCC		5,000	5,000
Taxes, Licenses and Fees		33,473	34,512
Insurance - Bond		364	364
Audit fees		5,185	5,185
Amortization of Organizational Costs		812	812
Depreciation		586,063	573,830
Repairs and Maintenance		7,958	41,874
Advertising		1,611	1,010
Bad debt		227	1,567
Miscellaneous Expense		1,025	867
<b>Non-Operating Expenses:</b>			
Fayne project contribution		-	50,895
Interest Expense		8,277	14,892
<b>Total Expenses</b>		<u>767,335</u>	<u>849,560</u>
<b>Change in Net Position</b>		7,174	4,114
<b>Net Position at the Beginning of Year</b>		12,236,782	12,232,668
<b>Net Position at the End of Year</b>	<b>\$</b>	<u>12,243,956</u>	<u>\$ 12,236,782</u>

**WEST CENTRAL OHIO PORT AUTHORITY  
CLARK COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014  
(Unaudited)

There was a decrease in trackage fees by \$142,993 over the prior year based on a significant decrease in "overhead" traffic being routed onto the Port Authority's tracks during 2014. The Port Authority entered into an agreement during 2011 to contribute \$200,000 to Indiana & Ohio Railway Company for the rehabilitation of Fayne yard owned by Indiana & Ohio Railway Company. The contribution was funded through a reduction in trackage rights fee by \$3.68 per railcar until the \$200,000 contribution commitment was met in September 2013. The Port Authority contributed \$50,895 during 2013 towards this commitment. Increase in use fees of \$23,544 was due to an increase in the number of carloads transported during the year – 7,026 railcars served in 2014 compared to 6,009 railcars in 2013. The increase in maintenance fees of \$75,062 was also due to the increase in carloads. The increase in other income of \$13,600 was due to a residual payment from a sale of real property to Community Improvement Corporation. Unlike the prior year gain of \$48,984 from sale of land, the Port Authority reported no such gain for 2014, which contributed to the decrease in other non-operating revenue.

Total expenses of the Port Authority reported for the year were \$82,225 lower than those reported for the previous year. The following factors contributed to this decrease in 2014: repair and maintenance expenses decreased by \$33,916, interest expense decreased by \$6,615 and Fayne project contributions decreased by \$50,895.

**Capital Assets**

At December 31, 2014 capital assets of the Port Authority were \$18,410,210 off-set by \$7,288,623 in accumulated depreciation resulting in net capital assets of \$11,121,587. Table 3 shows the categories of capital assets maintained by the Port Authority and total accumulated depreciation, at December 31, 2014 and 2013.

<b>Table 3</b>		
<b>Capital Assets, Net of Depreciation</b>		
	<b>2014</b>	<b>2013</b>
Land	\$ 1,205,368	1,205,368
Construction in Progress	251,983	11,973
Equipment and Appendices	2,513,631	2,408,061
Spur	207,951	207,951
Railroad	14,231,277	14,231,277
Total capital assets	18,410,210	18,064,630
Less accumulated depreciation	(7,288,623)	(6,702,560)
Totals	\$ 11,121,587	11,362,070

The \$345,580 increase in total capital assets was due to three slow order projects (\$105,570) being added to equipment and appendices and \$240,010 of construction in progress projects at year end, consisting of the tie replacement project for the Urbana & Mechanicsburg lines, active signal crossing project, and grade crossing rehabilitation projects. Depreciation expense for 2014 and 2013 were \$586,063 and \$573,830, respectively.

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

**WEST CENTRAL OHIO PORT AUTHORITY  
CLARK COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014  
(Unaudited)

**Debt**

At December 31, 2014, the debt obligations of the Port Authority consisted of three outstanding loan obligations, one with the Ohio Department of Transportation (State Infrastructure Bank) and two with Ohio Rail Development Commission. The outstanding balance of three loans as of December 31, 2014 totaled \$192,214, of which \$157,266 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.

**West Central Ohio Port Authority**  
**CLARK COUNTY**  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014

**Assets:**

**Current assets:**

Cash and Cash Equivalents	\$	1,293,345
Accounts Receivable		<u>235,566</u>
Total current assets		<u>1,528,911</u>

**Non-current assets:**

Nondepreciable Capital Assets		1,457,351
Depreciable Capital Assets, Net		9,664,236
Organizational Costs		<u>12,775</u>
Total non-current assets		<u>11,134,362</u>
Total Assets		<u>12,663,273</u>

**Liabilities:**

**Current liabilities:**

Accounts Payable		126,713
Accrued Real Estate Taxes		66,663
Prepaid Rents		33,132
ORDC Loan Payable, current portion		97,898
ODOT State Infrastructure Bank Loans Payable, current portion		59,368
Accrued Interest Payable		<u>595</u>
Total current liabilities		<u>384,369</u>

**Non-current liabilities:**

ORDC Loan Payable, less current portion		<u>34,948</u>
Total non-current liabilities		<u>34,948</u>
Total Liabilities		<u>419,317</u>

**Net Position:**

Net Investment in Capital Assets		10,929,373
Unrestricted		<u>1,314,583</u>
Total net position	\$	<u><u>12,243,956</u></u>

See accompanying notes to the basic financial statements.

**West Central Ohio Port Authority**  
**CLARK COUNTY**  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Operating Revenues:**

Use and Trackage Fees - Operations	\$ 178,948
Lease Receipts - Property	53,310
Maintenance Fees	520,472
Document Fees	3,900
Total Operating Revenues	756,630

**Operating Expenses:**

Legal Fees - General Counsel	9,271
Legal Fees - Special Counsel	182
Real Estate Service	3,638
Bookkeeping Service	9,750
Accounting Service	14,000
Administration - Clark County TCC	80,499
Planning - Clark County TCC	5,000
Taxes, Licenses and Fees	33,473
Insurance - Bond	364
Audit fees	5,185
Amortization of Organizational Costs	812
Depreciation	586,063
Repairs and Maintenance	7,958
Advertising	1,611
Bad Debts	227
Miscellaneous Expense	1,025
Total Operating Expenses	759,058

Operating Loss	(2,428)
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**Non-Operating Revenue (Expenses):**

Interest Income	126
Other Income	17,753
Interest Expense	(8,277)
Total Non-Operating Revenue (Expenses)	9,602

Change in net position	7,174
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Net position at the Beginning of Year	12,236,782
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Net position at the End of Year	\$ 12,243,956
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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, 2014

<b>Cash Flow From Operating Activities:</b>	
Cash received from customers	\$ 842,520
Cash payments to suppliers for goods and services	(183,472)
Other operating revenue	3,900
	<u>662,948</u>
Net Cash Provided by Operating Activities	
<b>Cash Flows From Noncapital Financing Activities:</b>	
Other non-operating revenue	17,753
Fayne project contribution	(1,698)
	<u>16,055</u>
Net Cash Provided by Noncapital Financing Activities	
<b>Cash Flow from Capital and Related Financing Activities:</b>	
Capital acquisitions	(236,870)
Principal paid on ODOT Loans	(57,626)
Principal paid on ORDC Loans	(147,630)
Change in accrued Interest on ODOT Loans	(735)
Interest paid on Loans	(8,277)
	<u>(451,138)</u>
Net Cash Used in Capital and Related Financing Activities	
<b>Cash Flows From Investing Activities:</b>	
Interest Income	126
	<u>126</u>
Net Change in Cash and Cash Equivalents	
	227,991
Cash and Cash Equivalents at the Beginning of Year	
	<u>1,065,354</u>
Cash and Cash Equivalents at the End of Year	
	<u>\$ 1,293,345</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating Loss	\$ (2,428)
Adjustments to reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Amortization Expense	812
Depreciation Expense	586,063
Change in Accounts Receivables	90,045
Change in Deferred Revenue	(29)
Change in Accrued Real Estate Taxes	563
Change in Accounts Payables	(12,078)
	<u>665,376</u>
Total Adjustments	
	<u>\$ 662,948</u>
Net Cash Provided by Operating Activities	
<b>Non-Cash Item:</b>	
Capital assets acquired through accounts payable	<u>\$ 117,037</u>

See accompanying notes to the basic financial statements.

**WEST CENTRAL OHIO PORT AUTHORITY  
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**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 more significant of the Port Authority's accounting policies are described below.

**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 statement of net position. Equity (i.e., net position) consists of retained earnings. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

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 Revised 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**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, 2014 consisted of rent or lease account billings, maintenance fees, and use and trackage rights. All receivables are considered collectible in full.

**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	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 2014, 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**J. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation and net of related debt. Net position is 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 position is 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 no capital contributions during 2014.

**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**

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;

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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 Port Authority, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Port Authority, and Student Loan Marketing Port Authority. 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).

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, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

As of December 31, 2014, the carrying amount of the Port Authority's deposits totaled \$1,293,345 and its bank balance was \$1,293,345. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of December 31, 2014, \$1,043,345 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 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.

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**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, are recorded as revenue.

The Port Authority entered into an agreement with the Indiana & Ohio Railroad, Inc. (IORY) to contribute \$200,000 towards a track rehabilitation project at Fayne during 2010. The property is owned by IORY. As per the agreement, the Port Authority agreed to contribute \$3.68 out of the \$8.68 per carload trackage rights fee earned until the total \$200,000 is contributed. The contribution reported in 2013 totaled \$50,895, which brought the total contribution to \$200,000, and as a result this project was completed in 2013.

**5. CAPITAL ASSETS**

A summary of the property, plant and equipment purchased as of December 31, 2014, follows. These assets are substantially leased to a third party:

	<b>12/31/13</b>			<b>12/31/14</b>
	<b>Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance</b>
Capital assets not being depreciated:				
Land	\$ 1,205,368	-	-	1,205,368
Construction in Progress	11,973	240,010	-	251,983
	<u>1,217,341</u>	<u>240,010</u>	<u>-</u>	<u>1,457,351</u>
Capital assets being depreciated:				
Equipment and Appendices	2,408,061	105,570	-	2,513,631
Spur	207,951	-	-	207,951
Railroad	14,231,277	-	-	14,231,277
	<u>16,847,289</u>	<u>105,570</u>	<u>-</u>	<u>16,952,859</u>
Less Accumulated Depreciation on:				
Equipment and Appendices	(1,634,565)	(108,048)	-	(1,742,613)
Spur	(177,020)	(3,639)	-	(180,659)
Railroad	(4,890,975)	(474,376)	-	(5,365,351)
	<u>(6,702,560)</u>	<u>(586,063)</u>	<u>-</u>	<u>(7,288,623)</u>
Capital assets, net	<u>\$ 11,362,070</u>	<u>(240,483)</u>	<u>-</u>	<u>11,121,587</u>

**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.

**WEST CENTRAL OHIO PORT AUTHORITY  
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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.

**WEST CENTRAL OHIO PORT AUTHORITY  
CLARK COUNTY**

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FOR THE YEAR ENDED DECEMBER 31, 2014

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:

					<b>Amount</b>
	<b>Balance</b>			<b>Balance</b>	<b>Due in</b>
<b>Loans</b>	<b>12/31/2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>12/31/2014</b>	<b>One Year</b>
2007 SIB loan, 3.00%	\$ 116,994	-	(57,626)	59,368	59,368
ORDC loan 5.17%	48,653	-	(48,653)	-	-
ORDC loan 5.00%	80,346	-	(41,343)	39,003	39,003
ORDC loan 2.17%	151,477	-	(57,634)	93,843	58,895
<b>Total</b>	<b>\$ 397,470</b>	<b>-</b>	<b>(205,256)</b>	<b>192,214</b>	<b>157,266</b>

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 needed only \$367,970 to complete the rehabilitation project. Accrued interest of \$11,039 was added to the principal during 2009. The note bears interest at zero percent interest rate for the first twelve months and three percent interest rate thereafter.

**WEST CENTRAL OHIO PORT AUTHORITY  
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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 November 30, 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:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest/</u> <u>Admin.</u>	<u>Total</u>
2015	\$ 157,266	3,377	160,643
2016	34,948	253	35,201
Total	\$ 192,214	3,630	195,844

**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.

**WEST CENTRAL OHIO PORT AUTHORITY  
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**10. RELATED PARTY**

The Port Authority billed \$17,000 for maintenance fees to Damewood Enterprises in 2014 of which \$13,300 was for carloads through August 31, 2014. Gerald Damewood, a board member of the Port Authority through August 31, 2014, is the owner of Damewood Enterprises. The Port Authority billed \$36,400 for maintenance fees to Orbis Corporation in 2014 of which \$10,500 was for carloads beginning on September 1, 2014. Dan Szklany, a board member of the Port Authority beginning September 1, 2014, is the plant manager of Orbis Corporation. The Port Authority also billed \$156,273 for maintenance fees to Heritage Mechanicsburg in 2014 of which \$46,135 was for carloads beginning on September 1, 2014. Wes Bahan, a board member of the Port Authority beginning September 1, 2014, is the Assistant Manager of Heritage Mechanicsburg.



# Balestra, Harr & Scherer, CPAs, Inc.

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## 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  
3130 East Main Street, Suite 2B  
Springfield, Ohio 45505

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of West Central Ohio Port Authority, Clark County, Ohio (the Authority), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated May 29, 2015.

### Internal Control over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when 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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### **Compliance and Other Matters**

As part of reasonably assuring whether the 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, opining 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*.

### **Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Worthington, Ohio  
May 29, 2015

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# Dave Yost • 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  
JULY 7, 2015**