
**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

Basic Financial Statements

December 31, 2008

(with Accountants' Compilation Report)

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ACCOUNTANTS' COMPILATION REPORT

To the Members of the Board
West Central Ohio Port Authority
Clark County
Springfield, Ohio

We have compiled the accompanying statement of net assets of West Central Ohio Port Authority, Clark County (the Port Authority) as of December 31, 2008 and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying general purpose financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

We are not independent with respect to the Port Authority.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
May 19, 2009

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**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(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, 2008. 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 2008 are as follows:

- Total net assets increased by \$287,705 in 2008, due to \$150,933 capital contributions and grant revenues of \$256,077 from the Public Utilities Commission of Ohio, the Ohio Rail Development Commission, and the Ohio Department of Transportation towards capital improvement projects on the Port Authority property during 2008. Use, maintenance fees and lease revenues increased by \$100,897 from 2007. The Port Authority was awarded approximately \$220,000 railroad maintenance tax credits from four shippers during 2007, no such awards were granted in 2008. Overall expenses increased \$43,254 during 2008, primarily due to increases in depreciation and track inspection/studies expenses.
- Total assets increased by \$639,646 which represents a 5 percent increase from the prior year. The increase was primarily due to \$811,048 increase in capital assets, net of current year depreciation offset by \$52,043 decrease in cash and cash equivalents and \$118,547 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 2008. A significant portion of the accounts receivable is due from shippers for track maintenance revenues.
- Total liabilities increased by \$351,941 resulting from \$265,896 increase in accounts payable related to a construction project and approximating \$69,500 additional borrowings for two ongoing bridge replacement projects during 2008, net of principal payments.
- The net operating loss reported of \$121,718 for 2008 increased by \$50,975 from the restated operating loss of \$172,693 for 2007, primarily due to increase in depreciation expense of \$77,968, offset by \$102,639 increase in operating revenues for 2008.

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.

**WEST CENTRAL OHIO PORT AUTHORITY
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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 2008 compared with 2006.

Table 1
Net Assets

	2008	Restated 2007
Assets:		
Current and other assets	\$ 998,352	1,169,754
Capital assets, net	11,350,274	10,539,226
Total Assets	12,348,626	11,708,980
Liabilities:		
Current liabilities	741,693	516,428
Non-current liabilities	831,555	704,879
Total Liabilities	1,573,248	1,221,307
Net Assets:		
Invested in capital assets, net of related debt	10,296,214	9,862,756
Unrestricted	479,164	624,917
Total Net Assets	\$ 10,775,378	10,487,673

Total net assets of the Port Authority increased by \$287,705 in 2008 or 2.7 percent. The increase in total net assets from 2007 was primarily due to \$150,933 capital contributions and grant revenues of \$256,077 from the Public Utilities Commission of Ohio, the Ohio Rail Development Commission, and the Ohio Department of Transportation towards capital improvement projects on the Port Authority property during 2008. The overall expenses exceeded revenues (excluding the aforementioned capital contributions) by \$119,305 for 2008. The Port Authority capital contributions for 2008 were \$777,538 less than the amount for 2007.

As noted in Table 1 above, the unrestricted net assets as of December 31, 2008 decreased by \$145,753.

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The net assets invested in capital assets, net of related debt increased by \$433,458 resulting from current year capital asset acquisition in the amount of \$1,251,660, offset by current year depreciation of \$440,612, repayment of \$300,651 debt used to acquire capital assets in previous years, and the additional borrowings of \$370,241 for capital additions during 2008.

Table 2 shows the changes in net assets for the year ended December 31, 2008, as well as revenue and expense comparisons to 2007.

Table 2
Changes in Net Assets

	2008	Restated 2007
Operating Revenues:		
Use Fees - Operations	\$ 142,737	\$ 132,679
Lease Receipts - Property	86,020	18,868
Maintenance Fees	284,194	260,507
Document Fees	6,425	-
Other Operating Revenues	-	4,683
Non-Operating Revenues:		
Other Non-Operating Revenues	6,625	223,242
Interest Income	14,625	50,251
Total Revenues	540,626	690,230
Operating Expenses:		
Legal Fees	13,372	17,915
Real Estate Service	3,590	5,967
Bookkeeping Service	9,000	9,000
Accounting Service	12,000	12,700
Administration - Clark County TCC	79,367	93,471
Planning - Clark County TCC	5,000	5,000
Appraisals	6,500	-
Track Studies/ Inspection/ Construction Management	9,333	5,625
Taxes, Licenses and Fees	45,817	44,306
Insurance - Bond	364	364
State Audit	10,455	7,495
Amortization of Organizational Costs	812	812
Depreciation	440,612	362,644
Repairs and Maintenance	1,979	20,425
Advertising	2,172	1,978
Other operating expenses	721	1,728
Non-Operating Expenses:		
Loan Fees and Letter of Credit	5,000	2,000
Interest Expense	13,837	25,247
Total Expenses	659,931	616,677
Excess Before Contributions	(119,305)	73,553
Capital Contributions	407,010	1,184,548
Increase in net assets	287,705	1,258,101
Net assets, beginning of year, restated	10,487,673	9,229,572
Net assets, end of year	\$ 10,775,378	\$ 10,487,673

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The decrease in use fees was due to decrease in the number of carloads transported during the year – 5,545 railcars served in 2008 compared to 5,833 railcars in 2007. Trackage rights fees increased due to additional “overhead” traffic being routed onto the Port Authority’s tracks during 2008. The maintenance fees increased also as a result of a 50 percent increase in maintenance fee rates effective October 2008. Interest income decreased by \$35,626 during 2008 resulting from significantly lower interest rate and lower average cash and equivalents balance during the year. Lease receipts and other operating increased by approximately \$69,000. The Port Authority received commitments from four shippers to reinvest approximately \$223,000 into the maintenance fund from refunds obtained from the Internal Revenue Service under the Section 42G Railroad Maintenance Tax Credits program during 2007, no such commitments were provided in 2008, resulting in a decrease in other non-operating revenues by that amount.

Total expenses of the Port Authority reported for the year were \$43,254 higher than those reported for the previous year. The following factors contributed to this increase in 2008: legal, bookkeeping and accounting fees decreased by \$5,243, real estate services decreased by \$2,377, administration expenses decreased by \$14,104, depreciation increased by \$77,968, taxes, licenses and fees increased by \$1,511, appraisal/track studies/inspection/construction management expenses increased by \$10,208, repairs and maintenance decreased by \$18,446 and advertising and other expenses decreased by \$813. Interest and loan fees decreased by \$8,410.

Capital Assets

At December 31, 2008 capital assets of the Port Authority were \$15,352,614 off-set by \$4,002,340 in accumulated depreciation resulted in net capital assets of \$11,350,274. Table 3 shows the categories of capital assets maintained by the Port Authority, net of accumulated depreciation, at December 31, 2008 and 2007.

Table 3
Capital Assets, Net of Depreciation

	2008	2007
Land	\$ 1,243,733	\$ 1,243,733
Equipment and Appendices	2,399,947	1,789,003
Spur	207,951	207,951
Railroad	11,162,786	9,400,273
Construction in progress	338,197	1,459,994
Total capital assets	15,352,614	14,100,954
Less accumulated depreciation	(4,002,340)	(3,561,728)
Totals	\$ 11,350,274	\$ 10,539,226

The \$1,251,660 increase in total capital assets was due to the following factors: (1) replacements and improvements were completed on three bridges totaling approximately \$738,000; (2) construction was in progress on another bridge with costs totaling approximately \$338,000; and (3) completion of grade crossing projects during 2008 totaling \$175,281. Capital contributions of \$150,933 by Public Utilities Commission of Ohio, the Ohio Rail Development Commission and Fayette County Engineer were recorded as income and capitalized for the capital projects noted above. Grants totaling \$256,077 were utilized to fund the above mentioned capital projects. The remainder of the capital improvements were funded by borrowings from two loans and maintenance fees received from shippers. Depreciation expense for 2008 and 2007 were \$440,612 and \$362,644, 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
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Unaudited)

Debt

At December 31, 2008, the debt obligations of the Port Authority consisted of three existing loan obligations, two with the Ohio Department of Transportation (State Infrastructure Bank) and one with Ohio Rail development Commission, entered in prior years to for the purpose of financing railroad track rehabilitation projects, a new loan obtained from the Ohio Department of Transportation (State Infrastructure Bank) and an additional loan from Ohio Rail development Commission to finance two new bridge replacement projects. 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 ASSETS
DECEMBER 31, 2008

Assets:

Current assets:

Cash and Cash Equivalents	\$ 777,526	
Accounts Receivable	203,179	<u> </u>
Total current assets		<u>980,705</u>

Non-current assets:

Capital Assets (net, where applicable, of accumulated depreciation):		
Property, Plant and Equipment	11,350,274	
Organizational Costs	17,647	<u> </u>
Total non-current assets		<u>11,367,921</u>
Total Assets		<u>12,348,626</u>

Liabilities:

Current liabilities:

Accounts Payable	332,634	
Accrued Real Estate Taxes	143,600	
Deferred Revenue	36,388	
ORDC Loan Payable, current portion	84,060	
ODOT State Infrastructure Bank Loans Payable, current portion	145,011	<u> </u>
Total current liabilities		<u>741,693</u>

Non-current liabilities:

ORDC Loan Payable, less current portion	457,019	
ODOT State Infrastructure Bank Loans Payable, less current portion	367,970	
Accrued Interest Payable	6,566	<u> </u>
Total non-current liabilities		<u>831,555</u>
Total Liabilities		<u>1,573,248</u>

Net Assets:

Invested in capital assets, net of related debt	10,296,214	
Unrestricted	479,164	<u> </u>
Total net assets		<u>\$ 10,775,378</u>

See accountants' compilation report.
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, 2008

Operating Revenues:

Use and Trackage Fees - Operations	\$	142,737
Lease Receipts - Property		86,020
Maintenance Fees		284,194
Document Fees		6,425
Total Operating Revenues		519,376

Operating Expenses:

Legal Fees - General Counsel		13,324
Legal Fees - Special Counsel		48
Real Estate Service		3,590
Bookkeeping Service		9,000
Accounting Service		12,000
Administration - Clark County TCC		79,367
Planning - Clark County TCC		5,000
Appraisals		6,500
Meetings		191
Track Studies/ Inspection/ Construction Management		9,333
Taxes, Licenses and Fees		45,817
Insurance - Bond		364
State Audit		10,455
Amortization of Organizational Costs		812
Depreciation		440,612
Repairs and Maintenance		1,979
Advertising		2,172
Miscellaneous Expense		530
Total Operating Expenses		641,094

Operating Loss (121,718)

Non-Operating Revenue (Expenses)

Interest Income		14,625
Other Income		6,625
Loan Fees and Letter of Credit		(5,000)
Interest Expense		(13,837)
Total Non-Operating Revenue (Expenses)		2,413

Net loss before contributions (119,305)

Capital contributions 407,010

Change in net assets 287,705

Net Assets at the Beginning of Year, Restated 10,487,673

Net Assets at the End of Year \$ 10,775,378

See accountants' compilation report.
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, 2008

Cash Flow From Operating Activities:

Cash received from customers	\$ 620,051
Cash payments to suppliers for goods and services	111,946
Other operating revenue	<u>6,425</u>
Net Cash Provided by Operating Activities	<u>738,422</u>

Cash Flows From Noncapital Financing Activities:

Interest Income	<u>14,625</u>
Net Cash Provided by Noncapital Financing Activities	<u>14,625</u>

Cash Flow from Capital and Related Financing Activities:

Capital acquisitions	(1,251,660)
Principal paid on ODOT Loans	(253,313)
Principal paid on ORDC Loans	(47,338)
Principal borrowed on ODOT Loan	89,824
Principal borrowed on ORDC Loan	280,417
Loan Fees paid on ORDC Loan	(5,000)
Accrued Interest paid on ODOT Loans	(11,193)
Capital contributions received	407,010
Interest paid on Loans	<u>(13,837)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(805,090)</u>

Net Change in Cash and Cash Equivalents	(52,043)
Cash and Cash Equivalents at the Beginning of Year	<u>829,569</u>
Cash and Cash Equivalents at the End of Year	<u>\$ 777,526</u>

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

Operating Loss	\$ (121,718)
Adjustments to reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization Expense	812
Depreciation Expense	440,612
Change in Receivables	125,172
Change in Deferred Revenue	(18,072)
Change in Accrued Real Estate Taxes	45,720
Change in Accounts Payables	<u>265,896</u>
Total Adjustments	<u>860,140</u>
Net Cash Provided by Operating Activities	<u>\$ 738,422</u>

See accountants' compilation report.
See accompanying notes to the basic financial statements.

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

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.

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Equity (i.e., net assets) consists of retained earnings. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

C. Budgetary Data

Ohio 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.

E. Accounts Receivable

Receivables recorded on the Port Authority's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation but also, by a reasonable, systematic method of determining their existence, completeness, valuation and collectibility. Receivables at December 31, 2008 consisted of rent or lease account billings, use and trackage rights. All receivables are considered collectible in full.

**WEST CENTRAL OHIO PORT AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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	5 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 2008, the Port Authority incurred no interest which was capitalized.

H. Organizational Costs

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

I. Operating and non-operating revenues and expenses

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

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

J. Net Assets

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

K. Capital Contributions

Capital contributions arise from outside contributions of capital assets or outside contributions of resources restricted to capital acquisition and construction. The Port Authority had capital contributions of \$407,010 during 2008.

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.

**WEST CENTRAL OHIO PORT AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)

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).

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, 2008, the carrying amount of the Port Authority's deposits totaled \$777,526 and its bank balance was \$811,769. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of December 31, 2008, \$561,769 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Depository Insurance Corporation.

**WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)

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

4. USE AND LEASE RECEIPTS

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

5. CAPITAL ASSETS

A summary of the property, plant and equipment purchased as of December 31, 2008, follows. These assets are substantially leased to a third party:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,243,733	-	-	1,243,733
Construction in progress	<u>1,459,994</u>	<u>338,197</u>	<u>1,459,994</u>	<u>338,197</u>
	2,703,727	338,197	1,459,994	1,581,930
Capital assets being depreciated:				
Equipment and Appendices	1,789,003	610,944	-	2,399,947
Spur	207,951	-	-	207,951
Railroad	<u>9,400,273</u>	<u>1,762,513</u>	-	<u>11,162,786</u>
	11,397,227	2,373,457	-	13,770,684
Less Accumulated Depreciation on:				
Equipment and Appendices	(994,672)	(100,626)	-	(1,095,298)
Spur	(155,186)	(3,639)	-	(158,825)
Railroad	<u>(2,411,870)</u>	<u>(336,347)</u>	-	<u>(2,748,217)</u>
	<u>(3,561,728)</u>	<u>(440,612)</u>	-	<u>(4,002,340)</u>
Capital assets, net	<u>\$ 10,539,226</u>	<u>2,271,042</u>	<u>1,459,994</u>	<u>11,350,274</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.

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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.

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.

**WEST CENTRAL OHIO PORT AUTHORITY
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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:

<u>Loans</u>	<u>Balance</u> <u>12/31/2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2008</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
2001 SIB loan, 5.25%	\$ 256,755	-	(159,675)	97,080	97,080
2003 SIB loan, 3.00%	141,569	-	(93,638)	47,931	47,931
2007 SIB loan, 3.00%	278,146	89,824	-	367,970	-
ORDC loan 5.17%	308,000	-	(44,000)	264,000	44,000
ORDC loan 5.00%	-	280,417	(3,338)	277,079	40,060
Total	\$ 984,470	370,241	(300,651)	1,054,060	229,071

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.

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 had construction draws of \$89,824 during 2008. When finalized, the note will bear a zero percent interest rate for the first twelve months and three percent interest rate thereafter.

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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 December 31, 2009 and 5.00% from December 1, 2010, until paid.

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest/ Admin.</u>	<u>Total</u>
2009	\$ 229,071	8,362	237,433
2010	136,256	26,454	162,710
2011	138,040	24,670	162,710
2012	143,165	19,545	162,710
2013	148,498	14,212	162,710
Thereafter	<u>259,030</u>	<u>12,766</u>	<u>271,796</u>
Total	\$ <u>1,054,060</u>	<u>106,009</u>	<u>1,160,069</u>

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. PRIOR PERIOD ADJUSTMENT

As outlined in the Shortline Railroad Agreement with the Indiana & Ohio Railroad, Inc. (I&O), the Port Authority is required to reimburse I&O for real estate taxes paid by the I&O on behalf of the Port Authority. In March 2009, the Port Authority received an invoice from the I&O for real estate taxes in the amount of \$97,783 for the tax years ending December 31, 2007 and 2006. The Port Authority recorded a prior period adjustment to correct the real estate tax accrual for the year ended December 31, 2007. The following account balances for 2007 were restated as a result of this adjustment.

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>Restated Amounts</u>
Accrued Real Estate Taxes	\$ <u>118,876</u>	<u>(20,996)</u>	<u>97,880</u>
Net assets	\$ <u>10,466,677</u>	<u>20,996</u>	<u>10,487,673</u>



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success