WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Members of the Board:

We have audited the accompanying general-purpose financial statements of the West Central Ohio Port Authority, Clark County, (the Port Authority) as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Port Authority, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2002, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

September 17, 2002

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WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

BALANCE SHEET
DECEMBER 31, 2001

Assets:	
Cash and Cash Equivalents	$490,580
Accounts Receivable	517,364
Notes Receivable	118,357
Fixed Assets (net, where applicable, of accumulated depreciation):	
Property, Plant and Equipment	6,136,421
Organizational Costs	23,331
Total Assets	7,286,053
Liabilities and Fund Equity:	
Liabilities	
ORDC Loan Payable	168,646
ODOT Loan Payable	698,836
Total Liabilities	867,482
Equity:	
Retained Earnings	305,471
Contributed Capital	6,113,100
Total Equity	6,418,571
Total Liabilities and Fund Equity	$7,286,053

The notes to the financial statements are an integeral part of this statement.

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

Operating Revenues:	
Use Fees - Operations	$137,360
Lease Receipts - Property	43,879
Maintenance Fees	253,790
Registration Fees	276
Marketing Partnership	8,111
Maitland Maintenance I&O	70,191
Total Operating Revenue	513,607
Operating Expenses:	
Legal Fees - General Council	5,677
Legal Fees - Special Council	803
Real Estate Service	5,151
Bookkeeping Service	5,800
CPA Service	4,500
Administration - Clark County TCC	32,928
Planning - Clark County TCC	5,000
Bank Charges	129
Meetings	21
Track Studies/ Inspection/ Construcion Management	13,995
Taxes, Licenses and Fees	165
Insurance - Bond	299
State Audit	5,549
Amortization of Organizational Costs	812
Depreciation	213,257
Marketing	12,540
Nuisance & Abatement	100
Service Recognition Awards	98
Pole and Wire Removal	22,880
Repair	5,775
Total Operating Expense	335,479
Operating Income (Loss)	178,128
Non- Operating Revenue (Expenses)	
Proceeds From Grant	480,000
Capital Contribution	127,500
Interest Income	24,014
Interest on Loan	(4,998)
Total Non-Operating Revenue (Expenses)	626,516
Net Income	804,644
Retained Earnings January 1, 2001	(499,173)
Retained Earnings December 1, 2001	$305,471

The notes to the financial statements are an integral part of this statement.

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (NON - GAAP BASIS) - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

Revenues	**Revised Budget**	**Actual**	**Favorable (Unfavorable) Variance**
IOCR Use Fees	$100,000	$115,266	$15,266
IOCR Trackage Rights		17,803	17,803
Maintenance Fees		147,526	147,526
Rents and Leases	30,000	40,766	10,766
Interest Income	15,760	20,700	4,940
First Frontier Partners	7,000	8,110	1,110
Registration fees		276	276
Grant Proceeds		480,000	480,000
Loan Proceeds		524,640	524,640
Landmark Loan Proceeds		12,458	12,458
Total Receipts	152,760	1,367,545	1,214,785
Expenses			
Administration	130,000	81,668	48,332
Capital	295,260	1,428,610	(1,133,350)
Total Expenses	425,260	1,510,278	(1,085,018)
Excess of Revenue Over (Under) Expenses	(272,500)	(142,733)	129,767
Fund Equity at Beginning of Year	633,335	633,335	
Fund Equity at End of Year	$360,835	$490,602	$129,767

The notes to the financial statements are an integral part of this statement.

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

Cash Flow From Operating Activities:	
Operating Income (Loss)	$178,128
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Amortization Expense	812
Depreciation Expense	213,257
Change in Receivables	(183,856)
Total Adjustments to Net Income	30,213
Net Cash Provided by Operating Activities	208,341
Cash Flows from Investing Activities	
Interest Income	20,700
Net Cash Provided by Investing Activities	20,700
Cash Flows from Capital and Related Financing Activities	
Purchase/ Repair of Fixed Assets	(1,304,693)
Net Cash Provided by Capital and Related Financial Activities	(1,304,693)
Cash Flow from Capital and Related Financing Activities:	
ODOT Loan	652,140
Grant Proceeds	480,000
Principal Received from Landmark	9,143
Interest Received from Landmark	3,314
Principal paid on ORDC Loan	(79,201)
Interest paid on Loan	(4,998)
Loan Made to Landmark	(127,501)
Net Cash Provided (Used) by Capital and Related Financing Activities	932,897
Net Change in Cash and Cash Equivalents	(142,755)
Cash and Cash Equivalents at the Beginning of Year	633,335
Cash and Cash Equivalents at the End of Year	$490,580

The notes to the financial statements are an integral part of this statement.

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 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 Clark County, two by the commissioners of Fayette County, one by the joint action of both counties and two by the commissioners of Champaign County. The Port Authority provides the services which are defined by Chapter 4582 of the Ohio Revised Code and which services include but are not limited to the power to purchase, construct, re-construct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities.

The Commissioners of Clark, Fayette and Champaign Counties have no authority regarding the day-to-day activities and business affairs of the Port Authority beyond the creation of the Port Authority and the appointment of its directors. All counties maintain their own accounting functions, are separate reporting entities, and their financial activities are not included within the financial statements of the Port Authority.

The general office of the Port Authority is located within the City of Springfield and within the Springfield City School District. These entities maintain their own accounting functions, are separate reporting entities, and their financial activities are not included within the financial statements of the Port Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of West Central Ohio Port Authority have been prepared in conformity with generally accepted accounting principles (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 - Fund Accounting

The Port Authority uses a fund to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Port Authority functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the Port Authority’s general operating fund is grouped into the following generic fund type under the broad fund category:

Proprietary Fund Types – The Proprietary Fund Type is used to account for the Port Authority's ongoing activities which are similar to those found in the private sector. The following is the Port Authority's proprietary fund type:

Enterprise Funds - Enterprise funds are 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. The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type 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.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, lease agreements, and user fees.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data

Ohio Revise Code Section 4582.13 requires the Port Authority annually prepare a budget. No further approvals or actions are required under Section 4582 of the Ohio Revised Code.

D. Cash and Cash Equivalents

The Port Authority maintains a cash management program whereby cash is deposited with a banking institution in Clark County. The agreements restrict activity to certain deposits. These deposits are stated at cost which approximates market value. Investment procedures are restricted by the provisions of the Ohio Revised Code.

E. Accounts Receivable

Receivables recorded on the Port Authority's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation but also, by a reasonable, systematic method of determining their existence, completeness, valuation and collectibility. Receivables at December 31, 2001 consisted of rent or lease account billings and tracking rights. All receivables are considered collectible in full.

F. Fixed Assets and Depreciation

Property, plant and equipment are recorded at cost 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 2001, the Port Authority incurred no interest which was capitalized.

H. Organization 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. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the proprietary fund that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. GASB Statement No. 33, which was implemented during fiscal year 2001, requires contributed capital to be recognized as capital assets and capital contributions. Therefore there was no change in contributed capital during 2001 (See note 10).

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the Port Authority for which no value is given in return, including derived tax revenues, imposed non-exchange transactions, government-mandated non-exchange transactions, and voluntary non-exchange transactions. The adoption of this statement had no effect on fund balances as previously reported by the Port Authority at December 31, 2000.

4. BUDGETARY BASIS OF ACCOUNTING

The Statement of Revenues and Expenses - Budget and Actual is presented on the cash basis to provide meaningful comparison of actual results with budget (cash). The major difference between the cash basis and GAAP basis are that:

a. Revenues are recorded when received in cash (Cash Basis) as opposed to when susceptible to accrual (GAAP).

b. Expenditures are recorded when paid in cash (Cash Basis) as opposed to when the liability is incurred (GAAP).

The acquisition and construction of capital assets are reported as expenditures in the operating statement (Cash Basis) rather than as balance sheet transactions (GAAP).

Reconciliation of GAAP Basis to Budget Basis is as follows:

	Enterprise Fund
Net Income/(Deficit) - GAAP Basis	$804,644
Adjustments to Income:	
Revenue Accruals	222,425
Expense Accruals	(1,383,871)
Depreciation Expense	213,257
Amortization Expense	812
Excess of Revenue over Expenses (Cash Basis)	$(142,733)

5. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Port Authority three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Port Authority Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

5. DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that the Port Authority has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

Protection of Port 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.

a. 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 and interest by the United States;

b. 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;

c. 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;

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

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

f. The State Treasurer's investment pool (STAR Ohio);

5. DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Port Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the Port Authority had no undeposited cash on hand.

The following information classifies deposits by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the Port Authority's deposits was $329,698 and the bank balance was $331,355.

1. $100,000 of the bank balance was covered by federal depository insurance.

2. $231,355 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the Port Authority to a successful claim by the FDIC.

Investments: The Port Authority's investments are required to be categorized below to give an indication of the level of risk assumed by the Port Authority at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Port Authority or its agent in the Port Authority's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Port Authority's name. Category 3 includes uninsured and unregistered investment for which the securities are held by the counterparty, or by its trust department or agent but not in the Port Authority's name.

	Category 3	Carrying Amount	Fair Value
Repurchase Agreement	$160,882	$160,882	$160,882

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the financial statements are presented above per GASB Statement No. 3 is as follows:

5. DEPOSITS AND INVESTMENTS (Continued)

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	$490,580	$ 0
Investments:		
Repurchase Agreement	(160,882)	160,882
GASB Statement 3	$329,698	$160,882

6. 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.

7. ACCOUNTS RECEIVABLE

Receivables at December 31, 2001 consisted of rent or lease account billings. All receivables are considered collectible in full.

8. LOANS RECEIVABLE

On May 15, 2001, the Port Authority entered into an agreement to advance payment to Champaign Landmark, Inc. for expenses incurred to rehabilitate tracks known as the Champaign Landmark yard area at Mechanicsburg at a total cost of $127,501. The loan was issued for a period of six years at a rate of 5.25% from August 15, 2001 through May 15, 2007. Principal and interest receivable at December 31, 2001 are as follows:

Fiscal Year Ending December	Principal	Interest	Total
2002	$ 19,075	$ 5,841	$ 24,916
2003	20,096	4,820	24,916
2004	21,162	3,754	24,916
2005	22,306	2,610	24,916
2006	23,500	1,416	24,916
2007	12,218	240	12,458
Total	$ 118,357	$ 18,681	$ 137,038

9. FIXED ASSETS

A summary of the property, plant and equipment purchased as of December 31, 2001, follows. These assets are substantially leased to a third party:

9. FIXED ASSETS (Continued)

Land	$1,271,233
Equipment and Appendices	989,673
Spur	207,951
Railroad	5,465,993
Subtotal	7,934,850
Less Accumulated Depreciation	(1,798,429)
Total	$6,136,421

	Balance at December 31, 2000	Additions	Deletions	Balance at December 31, 2001
Land	$ 1,271,233	$ -	$ -	$ 1,271,233
Equipment	989,673	-	-	989,673
Spur	207,951	-	-	207,951
Railroad	4,161,300	1,304,693	-	5,465,993
Totals	$ 6,630,157	$ 1,304,693	$ -	$ 7,934,850

10. CONTRIBUTED CAPITAL

A summary of various entities participating in the financing of the Port Authority are as follows:

Federal Grant, Farmers Home Administration	$ 395,000
State Grant, Ohio Department of Transportation	2,772,249
Local Grant, Clark County, Ohio	236,417
Local Grant, Fayette County, Ohio	178,870
Private Grant, Buckeye Countrymark	116,170
Private Grant, Clark Landmark	186,075
Private Grant, Indiana and Ohio Railroad	211,170
State Grant, Ohio Department of Development	884,322
Local Grant, Champaign Landmark	175,000
Private Grant, Champaign Landmark	89,100
Private Grant, Fox River Paper	50,000
Private Grant, Shepard Grain	140,000
Private Grant, Lewis Systems Menasha Corp.	150,000
Private Grant, Ralston Purina	40,000
Local Grant, Local Rail Freight Assistance Grant	500,000
Sale of Fixed Assets (Cost)	(11,273)
Total Contributed Capital	$ 6,113,100

11. RAILROAD OPERATING LEASE

The Port Authority entered into a shortline railroad operating agreement with the Indiana and Ohio Central Railroad, Inc., (IOCR) on September 4, 1990, for operation as a shortline carrier. The lease continues in effect until December 31, 2090, unless sooner terminated, and specifies that an additional 99 year term will be granted at the end of the initial term.

The lease permits the Railroad (IOCR) to terminate the lease after 36 months without cause by delivering a written notice to the Port Authority at least six months before the effective date of the termination.

In accordance with the lease agreement for the railroad, the lessee is required to maintain and operate the facilities in good condition and to make all necessary repairs and replacements. The lease agreement charges the Port Authority as lessor with responsibility for extraordinary maintenance or capital expenditures. As a means of offsetting major extraordinary maintenance expenditures to the Port Authority, the lease specifies the lessee pay to the Port Authority fees based on a schedule.

The Port Authority is entitled to all revenue from rents, leases, and licenses that are derived from ownership of the real property, and related improvements. The Port Authority is responsible for any interest and principal payments which may be associated with its ownership.

The agreement states that a use fee, used to offset major capital or extraordinary maintenance expenditures which may be required, will be paid annually by the IOCR to the Port Authority. The fee will be based upon the following fee scale:

Originating or Terminating Carloads/Year	Percent of Switch Fee Per Car Within Category
0-1000	0%
1001-1500	10%
1501-2000	15%
Over 2000	20%

The IOCR is entitled revenues derived from its operation of the railroad including switching fees, per diem charges, and demurrage. IOCR is responsible for all expenses associated with operation of the line including the maintenance of liability insurance coverage with benefits not less than $5 million. The Port Authority is named as an additional insured on the policy.

The IOCR agrees to indemnify the Port Authority and the Ohio Department of Transportation and hold them harmless from liability for any loss arising from injury or death to person or damage to property including the Shortline property, which may be attributable to IOCR's employees, agents, or contractors.

12. CONTINGENT LIABILITIES

Per an agreement signed on January 3, 1991, between the Indiana and Ohio Central Railroad and the Port Authority, the Port Authority agrees to repay the IOCR contribution of $116,170 toward the purchase of the railroad, upon the occurrence of any of the following conditions:

12. CONTINGENT LIABILITIES (Continued)

-Should the IOCR no longer provide rail service for the line after the line remains unused for a period of twelve months.

-Should the railroad be sold, abandoned, or otherwise disposed of, the Port Authority will repay the IOCR an amount equal to 4.04% of the net proceeds of the sale, or

-The Port Authority will repay the $116,170 to IOCR within three months of operation of the line by someone other than IOCR.

There is no liability provision for any of these occurrences in the financial statements due to the remoteness of the occurrences.

13. LONG-TERM OBLIGATIONS

Purchase of the railroad was financed by the participants in the joint venture, i.e., Clark County, Fayette County, Buckeye Countrymark, and Clark Landmark. These participants secured additional funding from federal and state agencies.

In January 1999, the Port Authority entered into a loan agreement for $400,000 with the Ohio Railroad Development Commission for the purpose of partially financing the South Charleston line rehabilitation project. The loan was issued for a period of five years at a rate of 0% from January 1, 1999 through January 31, 2001; 1% from February 1, 2001 through January 2002; 2% from February 1, 2002 through January 2003; and 3% from February 1, 2003, until paid. Principal and interest requirements to retire the loan at December 31, 2001 are as follows:

Fiscal Year Ending December	Principal	Interest	Total
2002	$ 79,892	$3,165	$ 83,057
2003	81,810	1,729	83,539
2004	6,944	20	6,964
Total	$168,646	$4,914	$173,560

As part of the loan agreement, the Port Authority has established a letter of credit as collateral for the loan. The Port Authority maintains a savings account from which transfers are made for the loan payments.

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 June 1, 2009, with payment commencing July 2002. As of December 31, 2001, the Port Authority had received $698,836 of the loan, which is reflected as a Loan Payable on the balance sheet. Principal and interest requirements to retire the loan at December 31, 2001 are as follows:

13. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending December	Principal	Interest/Admin.	Total
2002	$ -	$ 22,838	$ 22,838
2003	65,799	46,158	111,957
2004	136,883	41,356	178,239
200	144,245	33,994	178,239
2006	152,003	26,236	178,239
2007-09	416,744	28,856	445,600
Total	$ 915,674	$199,438	$ 1,115,112

The total principal differs from the amount of the loan agreement by $45,674 as a result of the accrual of charges prior to the due date of the first payment.

14. 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.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Members of the Board:

We have audited the financial statements of the West Central Ohio Port Authority (the Port Authority), as of and for the year ended December 31, 2001, and have issued our report thereon dated September 17, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Port Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Port Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-60312-001.

Internal Control Over Financial Reporting
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended for the information and use of the audit committee, management, Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

September 17, 2002

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

SCHEDULE OF FINDINGS
FISCAL YEAR END JUNE 30, 2001

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

FINDING NUMBER 2001-60312-001

Financial Reporting

The annual financial report for the period ended December 31, 2001 dated June 12, 2002, omitted the Budget to Actual statement and the Notes to the Financial Statements. This required information was completed during the audit process.

Failure to provide complete and accurate financial statements and information could result in the board of directors, as well as, grantor agencies and contributors making decisions about future projects and funding based on incomplete information.

To provide that board decisions are based on financial statements that are presented fairly and are in conformity with generally accepted accounting principles, the management of the Port Authority should implement procedures to provide that all financial statements and accompanying notes, along with supporting documentation, are prepared. Additionally, procedures should be developed to implement all new accounting pronouncements that affect the Authority.

WEST CENTRAL OHIO PORT AUTHORITY
CLARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2000-60312-001	Financial Statements and Accompanying Notes	No	Not corrected – reissued as Finding Number 2001-60312-001
2000-60312-002	Detailed records of fixed assets	Yes	
2000-60312-003	Compliance with Debt Covenants	Yes	

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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WEST CENTRAL OHIO PORT AUTHORITY

CLARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 7, 2002