Board of Trustees,
Cincinnati Southern Railway

Independent Accountants’
Report on Applying Agreed-Upon Procedures
INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Trustees,
Cincinnati Southern Railway:

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees, Cincinnati Southern Railway (Board), solely to assist you with respect to the evaluation of the rents collected by the City of Cincinnati (City) for the Cincinnati Southern Railway and fees collected by the Board. The Board is responsible for the rents and fees. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The agreed-upon procedures that were performed and the related findings are as follows:

1. Procedure Performed

Review the documentation maintained by the City, which supports the City’s review of the rent computation for the years ended December 31, 2015 and 2014.

Results of the Procedure Performed

The City’s file contained the following documents:

<table>
<thead>
<tr>
<th>Date of Letter</th>
<th>Purpose of Letter</th>
<th>Discussion Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 3, 2014</td>
<td>Receipt of quarterly payment for $5,138,254.75</td>
<td>(A)</td>
</tr>
<tr>
<td>April 2, 2014</td>
<td>Receipt of quarterly payment for $5,138,254.75</td>
<td>(A)</td>
</tr>
<tr>
<td>May 30, 2014</td>
<td>New IPD-GNP index and rent calculation</td>
<td>(B)</td>
</tr>
<tr>
<td>July 2, 2014</td>
<td>Receipt of quarterly payment for $5,370,555.25 and New IPD-GNP index and rent calculation</td>
<td>(C)</td>
</tr>
<tr>
<td>October 2, 2014</td>
<td>Receipt of quarterly payment for $5,215,688.25</td>
<td>(A)</td>
</tr>
</tbody>
</table>
Discussion

<table>
<thead>
<tr>
<th>Date of Letter</th>
<th>Purpose of Letter</th>
<th>Discussion Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 5, 2015</td>
<td>Receipt of quarterly payment for $5,215,688.25</td>
<td>(E)</td>
</tr>
<tr>
<td>April 2, 2015</td>
<td>Receipt of quarterly payment for $5,215,688.25</td>
<td>(E)</td>
</tr>
<tr>
<td>June 29, 2015</td>
<td>New IPD-GNP index and rent calculation</td>
<td>(D)</td>
</tr>
<tr>
<td>July 2, 2015</td>
<td>Receipt of quarterly payment $5,464,476.75 and New IPD-GNP index and rent calculation</td>
<td>(F)</td>
</tr>
<tr>
<td>October 2, 2015</td>
<td>Receipt of quarterly payment for $5,298,617.75</td>
<td>(E)</td>
</tr>
</tbody>
</table>

(A) City of Cincinnati Department of Finance, Division of Treasury, Cash Receipts Schedules dated January 3, 2014, April 2, 2014, and October 2, 2014, for the receipt of the quarterly rent payments of $5,138,254.75, $5,138,254.75 and $5,215,688.25 respectively were received from Norfolk Southern Corporation.

(B) Calculation of 2014 Cincinnati Southern Railway Rent Memo prepared on May 30, 2014 by John Walsh, City Treasurer, was sent to the Norfolk Southern Corporation, advising the Corporation of the annual rental increase to $20,862,753 ($5,215,688.25 per quarter) and the adjustment to the quarterly rental payment of $154,867 for July.

The letter presented the calculation for the 2014 rent as follows:

\[
\begin{align*}
\text{IPD-GNP March 2014} & = 106.710 \\
\text{IPD-GNP March 2013} & = 105.126 \\
1.01507 \times 20,553,019 \text{ (2013 rent)} & = 20,862,753 \text{ (2014 rent)} \\
20,862,753 \div 4 & = 5,215,688.25 \text{ (2014 quarterly rent)}
\end{align*}
\]

The adjustment for the first and second quarter 2014:

- Quarterly rent 2014 x 2 $10,431,376.50
- Rent received January and April $10,276,509.50
- Rent adjustment received July 2014 $154,867.00

(C) City of Cincinnati Department of Finance, Division of Treasury, Cash Receipts Schedules quarterly rental payment of $5,370,555.25 received on July 2, 2014 includes $5,215,688.25 for the current quarter and an adjustment in the amount of $154,867 for the first and second quarter amounts.
 Calculation of 2015 Cincinnati Southern Railway Rent Memo prepared on June 29, 2015 by Nicole Lee, City Treasurer, was sent to the Norfolk Southern Corporation, advising the Corporation of the annual rental increase to $21,194,471 ($5,298,617.75 per quarter) and the adjustment to the quarterly rental payment of $165,859 for July.

The letter presented the calculation for the 2015 rent increase as follows:

\[
\begin{align*}
\text{IPD-GNP March 2015} & : 108.407 \\
\text{IPD-GNP March 2014} & : 106.710 \\
1.01590 \times $20,862,753 (2014 rent) & = $21,194,471 (2015 rent) \\
$21,194,471 \div 4 & = $5,298,617.75 (2015 quarterly rent)
\end{align*}
\]

The adjustment for the first and second quarter 2015:

\[
\begin{align*}
\text{Quarterly rent 2015 x 2} & : $10,597,235.50 \\
\text{Rent received January and April} & : 10,431,367.50 \\
\text{Rent adjustment received July 2015} & : 165,859.00
\end{align*}
\]

City of Cincinnati Department of Finance, Division of Treasury, Cash Receipts Schedules dated January 5, 2015, April 2, 2015, and October 2, 2015, for the receipt of the quarterly rent payments of $5,215,688.25, $5,215,688.25 and $5,298,617.75, respectively were received from Norfolk Southern Corporation.

City of Cincinnati Department of Finance, Division of Treasury, Cash Receipts Schedules quarterly rental payment of $5,464,476.75 received July 2, 2015 includes $5,298,617.75 for the current quarter and an adjustment in the amount of $165,859 for the first and second quarter amounts.
2. **Procedure Performed**

Review the calculation for the annual fee provided to the Trustees from the lessee to defray the cost of necessary expenses for the years ended December 31, 2015 and 2014.

**Results of Procedures Performed**

Each year the annual fee is increased based on the change in the consumer price index (CPI)

**2015 Fee Increase**

<table>
<thead>
<tr>
<th></th>
<th>December 2014</th>
<th>December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPI</td>
<td>234.812</td>
<td>233.049</td>
</tr>
</tbody>
</table>

\[
\frac{234.812}{233.049} = 1.00756
\]

\[
1.00756 \times $210,904 = $212,498
\]

- **2015 Fee**: $212,498
- **2014 Fee**: $210,904
- **Increase**: $1,594

**2014 Fee Increase**

<table>
<thead>
<tr>
<th></th>
<th>December 2013</th>
<th>December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPI</td>
<td>233.049</td>
<td>229.601</td>
</tr>
</tbody>
</table>

\[
\frac{233.049}{229.601} = 1.01502
\]

\[
1.01502 \times $207,784 = $210,904
\]

- **2014 Fee**: $210,904
- **2013 Fee**: $207,784
- **Increase**: $3,120

Based on procedures performed, it appears that Norfolk Southern Corporation correctly calculated the annual fee provided to the Trustees.
We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Board’s rent or fee collections. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Board of Trustees, Cincinnati Southern Railway, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures of their purposes.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 21, 2016
At Clark Schaefer Hackett, we believe there’s a difference between providing accounting services and actually serving you. One is about numbers, the other is about relationships. We strive to create remarkable relationships The CSH Way: by building trust, offering guidance, delivering desired outcomes, and providing vision to help you achieve your goals.