



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

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 and 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

Observe the documentation maintained by the City, which supports the City's review of the rent computation for the years ended December 31, 2021 and 2020.

Results of the Procedure Performed

The City's file contained the following documents:

<u>Date of Letter</u>	<u>Purpose of Letter</u>	<u>Discussion Reference</u>
January 7, 2020	Receipt of quarterly payment for \$5,671,216.50	(A)
April 6, 2020	Receipt of quarterly payment for \$5,671,216.50	(A)
May 13, 2020	New IPD-GNP index and rent calculation	(B)
July 6, 2020	Receipt of quarterly payment for \$5,971,848 and New IPD-GNP index and rent calculation	(C)
October 6, 2020	Receipt of quarterly payment for \$5,771,427	(A)

<u>Date of Letter</u>	<u>Purpose of Letter</u>	<u>Discussion Reference</u>
January 20, 2021	Receipt of quarterly payment for \$5,771,427	(E)
April 7, 2021	Receipt of quarterly payment for \$5,771,427	(E)
April 29, 2021	New IPD-GNP index and rent calculation	(D)
July 7, 2021	Receipt of quarterly payment \$5,976,428.25 and New IPD-GNP index and rent calculation	(F)
October 5, 2021	Receipt of quarterly payment for \$5,839,760.75	(E)

(A) City of Cincinnati Department of Finance, Division of Treasury, Cash Receipts Schedules dated January 7, 2020, April 6, 2020, and October 6, 2020, for the receipt of the quarterly rent payments of \$5,671,216.50, \$5,671,216.50 and \$5,771,427, respectively were received from Norfolk Southern Corporation.

(B) Calculation of 2020 Cincinnati Southern Railway Rent Memo prepared on May 13, 2020 by Sam Stephens, Debt Manager, was sent to the Norfolk Southern Corporation advising the Corporation of the annual rental increase to \$23,085,708 (\$5,771,427 per quarter) and the adjustment to the quarterly rental payment of \$200,421 for July.

The letter presented the calculation for the 2020 rent as follows:

$$\begin{array}{rcl} \text{IPD-GNP April 2020} & 112.257 & \\ \hline \text{IPD-GNP March 2019} & 110.308 & \\ \hline & & = 1.01767 \end{array}$$

$$1.01767 \times \$22,684,866 \text{ (2019 rent)} = \$23,085,708 \text{ (2020 rent)}$$

$$\$23,085,708 \div 4 = \$5,771,427 \text{ (2020 quarterly rent)}$$

The adjustment for the first and second quarter 2020:

Quarterly rent 2020 x 2	\$ 11,542,854
Rent received January and April	<u>11,342,433</u>
Rent adjustment received July 2020	\$ <u>200,421</u>

(C) City of Cincinnati Department of Finance, Division of Treasury, Cash Receipts Schedules quarterly rental payment of \$5,971,848 received on July 6, 2020 includes \$5,771,427 for the current quarter and an adjustment in the amount of \$200,421 for the first and second quarter amounts.

- (D) Calculation of 2021 Cincinnati Southern Railway Rent Memo prepared on April 29, 2021 by Karen Alder, Finance Director, was sent to the Norfolk Southern Corporation advising the Corporation of the annual rental increase to \$23,359,043 (\$5,839,760.75 per quarter) and the adjustment to the quarterly rental payment of \$136,667.50 for July.

The letter presented the revised calculation for the 2021 rent increase as follows:

$$\begin{array}{rcl} \text{IPD-GNP March 2021} & 113.586 & \\ \hline \text{IPD-GNP April 2020} & 112.257 & \\ \hline & & = 1.01184 \end{array}$$

$$1.01184 \times \$23,085,708 \text{ (2020 rent)} = \$23,359,043 \text{ (2021 rent)}$$

$$\$23,359,043 \div 4 = \$5,839,760.75 \text{ (2021 quarterly rent)}$$

The adjustment for the first and second quarter 2021:

Quarterly rent 2021 x 2	\$ 11,679,521.50
Rent received January and April	<u>11,542,854.00</u>
Rent adjustment received July 2021	\$ <u>136,667.50</u>

- (E) City of Cincinnati Department of Finance, Division of Treasury, Cash Receipts Schedules dated January 20, 2021, April 7, 2021, and October 5, 2021, for the receipt of the quarterly rent payments of \$5,771,427.00, \$5,771,427.00 and \$5,839,760.75, respectively were received from Norfolk Southern Corporation.
- (F) City of Cincinnati Department of Finance, Division of Treasury, Cash Receipts Schedules quarterly rental payment of \$5,976,428.25 received July 9, 2021 includes \$5,839,760.75 for the current quarter and an adjustment in the amount of \$136,667.50 for the first and second quarter amounts.

2. Procedure Performed

Reperformed 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, 2021 and 2020.

Results of Procedures Performed

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

2021 Fee Increase

CPI – December 2020	260.474		
	<u> </u>	=	1.01362
CPI – December 2019	256.974		
1.01362 x \$232,556 (2020 Fee) = \$235,723 (2021 Fee)			
2020 Fee	\$ 232,556		
2021 Fee	<u>235,723</u>		
Increase	\$ <u>3,167</u>		

2020 Fee Increase

CPI – December 2019	256.974		
	<u> </u>	=	1.02285
CPI – December 2018	251.233		
1.02285 x \$227,360 (2019 Fee) = \$232,556 (2020 Fee)			
2019 Fee	\$ 227,360		
2020 Fee	<u>232,556</u>		
Increase	\$ <u>5,196</u>		

Reperformed the calculations of Norfolk Southern Corporation without exception.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Board's rent or fee collections. Accordingly, we do not express such an opinion or conclusion. 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 is not intended to be and should not be used by anyone other than those specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
March 7, 2022

