Port of Greater Cincinnati Development Authority

Financial Report

December 31, 2016

Port of Greater Cincinnati

DEVELOPMENT AUTHORITY

To improve the economic vitality of the region through catalytic investment

Port of Greater Cincinnati Development Authority

Financial Report with Supplemental Information December 31, 2016

Port of Greater Cincinnati Development Authority

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Independent Auditor's Report

To the Board of Directors
Port of Greater Cincinnati Development Authority

Report on the Financial Statements

We have audited the accompanying basic financial statements of Port of Greater Cincinnati Development Authority (the "Port Authority") as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Port of Greater Cincinnati Development Authority as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Port of Greater Cincinnati Development Authority

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2017 on our consideration of Port of Greater Cincinnati Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Port of Greater Cincinnati Development Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

May 30, 2017

Our discussion and analysis of Port of Greater Cincinnati Development Authority's (the "Port Authority") financial performance provides an overview of the financial activities for the fiscal years ended December 31, 2016, 2015, and 2014. Please read it in conjunction with the Port Authority's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2016:

- The Port Authority's net position increased to $17.5 million by the end of 2016, as a result of this year's operations. Growth in restricted trust assets led the 25 percent increase in net position over the prior year.
- Operating revenue of $6.4 million in 2016 was $1.9 million or 41 percent higher than the prior year due to an increase in public finance fees and a full year of garage parking revenue.
- Capital assets not being depreciated increased $6.7 million by the end of 2016 due to the acquisition of land and construction in progress at the RBM Development. The mixed-use site includes a 239-room, six-story hotel and conference center, which will sit atop the parking garage being redeveloped and renovated.
- The 2008 Kenwood public parking bonds were refunded and refinanced in 2016. As a result, restricted investments - pledged bonds and accounts payable from restricted assets reduced approximately $19 million to account for the pledged bonds previously held by the trustee. Additionally, the Port Authority recognized a $3.4 million gain on the extinguishment of debt from the refunding.
- Long-term liabilities increased $4.8 million or 6 percent in 2016 due to new revenue bond issues of $7.3 million for the Patient Capital Fund, $2.5 million for the Amberley Site Redevelopment, and $15.1 million for the RBM Development, less pay-downs on debt and the $18.9 million refunding of Kenwood pledged bonds.
- Capital grants in 2016 totaled $1.7 million, of which $1.0 million was granted by the City of Cincinnati for real estate development in Bond Hill, $0.5 million was granted by the State of Ohio for Swift Park in Bond Hill, and the remainder consisted of corporate contributions.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of revenue, expenses, and changes in net position provide information about the activities of the Port Authority as a whole and present a longer-term view of its finances. These are followed by the statement of cash flows, which presents detailed information about the changes in the Port Authority's cash position during the year.

Condensed Financial Information

The following table shows, in a condensed format, the current year's net position and changes in net position, compared to the prior two years:

	Business-type Activities				
	2014	2015	2016	Change	Percent Change
Assets					
Other assets	$ 33,443,844	$ 44,634,089	$ 50,414,626	$ 5,780,537	13%
Capital assets being depreciated - Net	28,668,221	48,601,048	47,010,358	(1,590,690)	-3%
Capital assets not being depreciated	21,357,442	450,000	7,139,859	6,689,859	N/A
Total assets	83,469,507	93,685,137	104,564,843	10,879,706	12%
Deferred Outflows of Resources	-	228,537	580,378	351,841	154%
Total assets and deferred outflows	83,469,507	93,913,674	105,145,221	11,231,547	12%
Liabilities					
Current liabilities	2,126,154	828,984	3,780,733	2,951,749	356%
Long-term liabilities:					
Due within one year	2,751,736	2,706,988	3,184,348	477,360	18%
Due in more than one year	65,579,611	76,320,550	80,644,706	4,324,156	6%
Total liabilities	70,457,501	79,856,522	87,609,787	7,753,265	10%
Deferred Inflows of Resources	-	15,209	43,623	28,414	187%
Net Position					
Net investment in capital assets	6,904,658	6,165,386	6,318,938	153,552	2%
Restricted	4,363,919	7,316,530	10,092,061	2,775,531	38%
Unrestricted	1,743,429	560,027	1,080,812	520,785	93%
Total net position	**$ 13,012,006**	**$ 14,041,943**	**$ 17,491,811**	**$ 3,449,868**	25%

Note: 2015 net position includes a $740,240 beginning of year reduction for a change in accounting principle.

	Business-type Activities				
	2014	2015	2016	Change	Percent Change
Operating Revenue					
Public funding	$ 1,400,000	$ 1,400,000	$ 1,400,000	$ -	0%
Charges for services	1,110,819	3,102,741	4,957,526	1,854,785	60%
Total operating revenue	2,510,819	4,502,741	6,357,526	1,854,785	41%
Operating Expenses					
Salaries and benefits	2,058,355	2,049,404	2,370,636	321,232	16%
Professional services	351,532	744,126	970,451	226,325	30%
Occupancy	76,757	113,033	158,757	45,724	40%
Travel and business development	50,770	56,309	77,995	21,686	39%
Equipment and supplies	21,821	25,666	47,055	21,389	83%
Other operating expenses	128,840	202,565	155,520	(47,045)	-23%
Taxes	-	-	162,360	162,360	N/A
Depreciation	1,473,725	2,292,820	2,421,301	128,481	6%
Total operating expenses	4,161,800	5,483,923	6,364,075	880,152	16%
Operating Loss	(1,650,981)	(981,182)	(6,549)	974,633	-99%
Restricted bond revenue	6,548,298	5,955,804	4,314,603	(1,641,201)	-28%
Interest expense	(2,866,786)	(3,116,380)	(3,246,599)	(130,219)	4%
Loss on sale of property	-	(31,910)	(134,974)	(103,064)	323%
Impairment on asset	(4,339,059)	-	-	-	0%
Investment income	13,221	11,623	28,076	16,453	142%
Bond administrative expense	(1,233,196)	(1,413,952)	(2,563,768)	(1,149,816)	81%
Gain on extinguishment of debt	-	-	3,365,000	3,365,000	N/A
Capital grants and contributions	3,868,030	1,346,174	1,694,079	347,905	26%
Increase in Net Position	339,527	1,770,177	3,449,868	1,679,691	95%
Adjustment for change in accounting principle	-	(740,240)	-	740,240	-100%
Change in Net Position	**$ 339,527**	**$ 1,029,937**	**$ 3,449,868**	**$ 2,419,931**	235%

The Port Authority uses a broad range of tools to assist with economic development projects within the city of Cincinnati, Ohio and Hamilton County, Ohio, as described further in Note 1 to the financial statements.

The net position of all business-type activities increased by $3.4 million, or 25 percent, in 2016. In comparison, net position in 2015 increased by $1.8 million, or 14 percent, before a $740,240 beginning of year reduction for the change in accounting principle. The increase in net position during 2016 was led by a $3.4 million gain on the extinguishment of debt, further detailed in Note 5.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by $0.5 million, or 93 percent in 2016. In comparison, in 2015, unrestricted net position decreased by $1.2 million, or 68 percent, partly due to the $865,748 net pension liability created in 2015. The current level of unrestricted net position stands at $1.1 million, or about 20 percent of annual operating expenditures.

Restricted net position increased by nearly $2.8 million, or 38 percent, in 2016. The increase was derived from a $1.0 million increase in trust restricted equity and a $1.8 million increase in grant restricted equity. Fountain Square South Garage and Communities First (the Port Authority's mortgage down payment assistance program) led the increase in trust restricted equity. The increase in grant restricted equity mainly relates to the Port Authority's expenditure of capital grant contributions toward the redevelopment of grant restricted properties in assets held for resale, which increased $1.8 million in 2016 compared to the prior year. In comparison, restricted net position increased by nearly $3.0 million or 67 percent in the year 2015. The prior year included a $1.0 million grant from Hamilton County to create a reserve for the creation of the Southwest Ohio Regional Bond Fund. The remaining $2.0 million increase for the prior year was due to a $0.4 million increase in grant restricted equity from the utilization of City of Cincinnati grants and a $1.6 million increase in trust restricted equity led by Fountain Square South Garage and Communities First.

Net investment in capital assets increased $153,552, or 2 percent, in 2016. In contrast, in 2015, net investment in capital assets decreased by $0.7 million, or 11 percent, primarily due to depreciation of $2.3 million offset by the addition of $1.3 million of leasehold improvements.

Operating Revenue

Public funding in the form of operating grants is provided in equal amounts of $700,000 from the City of Cincinnati and Hamilton County to support the Port Authority's economic development and inclusion activities. These grants are appropriated annually and have not increased since 2012.

Charges for services consist primarily of fees charged for garage parking, utilization of Port Authority finance tools, mortgage down payment assistance, management of other organizations, and oversight of development projects. Service revenue increased $1.8 million in 2016 compared to the prior year. Public finance revenue increased $1.1 million and garage parking revenue increased $0.6 million (the garage had its first full year of operations in 2016). In comparison, service revenue increased $2.0 million in 2015 due to adding two new revenue sources of service revenue. Garage parking and mortgage down payment assistance contributed $1.2 million and $0.7 million, respectively, in their initial year of operations in 2015.

Operating Expenses

Operating expenses increased $0.9 million or 16 percent in 2016 compared to the prior year primarily from increases in salaries and benefits, professional services, and taxes. Salaries and benefits increased $0.3 million from the addition of staff in 2016. Professional services increased $0.2 million due to a full year of garage operator fees and staffing services. Taxes of $0.2 million in 2016 relate to garage property taxes.

In 2015, operating expenses increased $1.3 million over the prior year, primarily from increases in depreciation and professional services. Depreciation increased $0.8 million in 2015 as a result of transferring $20.9 million of Kenwood Collection capital assets from nondepreciable construction in progress to depreciable placed-in-service assets. In addition, professional services increased $0.4 million due to new garage operator fees of $0.2 million and a $0.2 million increase in legal and consulting expense.

For years 2016 and 2015, the Port Authority had adequate operating revenue to cover its operating expenses before depreciation on capital assets. However, in 2014, the Port Authority had $177,256 of operating expenses before depreciation in excess of operating revenue.

Nonoperating Income (Expenses)

Nonoperating income consists of grant revenue received under reimbursement-type grants and subsequently passed through to third parties, service payments, special assessments, or other revenue assigned by and received from other public bodies to support Port Authority revenue bonds, other nonoperating contributions to Port Authority projects, and certain post-closing bond reserves established for future debt service.

Restricted bond revenue decreased $1.6 million or 28 percent in 2016 due to a $0.7 million decline in Cincinnati Mall and $0.8 million decline in Kenwood Collection bond revenue. In comparison, restricted bond revenue decreased $0.6 million or 9 percent in 2015 due to a $0.7 million decline in Cincinnati Mall bond revenue.

Bond administrative expenses increased $1.1 million or 81 percent in 2016 due to the issuance costs of new financings (see Note 5). In 2015, bond administrative expenses increased $0.2 million or 15 percent, also due to debt issuance cost.

The Port Authority recognized a $3.4 million gain on the extinguishment of debt in 2016 from the refunding of the 2008B Kenwood Development parking bonds. The new owner of the mixed-use development above the garage, known as Kenwood Collection, is also the sole bondholder of the B series Kenwood bonds. The owner exchanged $6.1 million series 2008B bonds for $2.7 million of series 2016B bonds.

Capital grants and contributions increased $0.3 million or 26 percent in 2016 due to a $0.5 million capital grant provided by the State of Ohio for Swift Park at MidPointe Crossing. In 2015, capital grants and contributions decreased $2.5 million due to a $2.1 million decline in local capital grants provided by City of Cincinnati and Hamilton County and a $0.4 million decline in capital contributions from corporations. Capital contributions are to be used to support real estate activities in targeted areas, including but not limited to property acquisition, environmental remediation, site preparation, design, and infrastructure.

In 2014, the Port Authority worked with commercial real estate brokers to market properties for sale at MidPointe and TechSolve II. Based upon the listed selling prices, management estimated the net realizable values and recorded a cost-to-market adjustment of $4.3 million. This write-down represents the true subsidy invested to make the properties marketable. No impairment was recorded for year 2015 or 2016.

Capital Asset and Debt Administration

At the end of 2016, the Port Authority had $54.1 million invested in a broad range of capital assets, including public parking garages and lots, public infrastructure, and utilities. During the year, the Port Authority recognized $6.7 million for the acquisition of land and construction in progress on the parking garage at the RBM Development, the campus headquarters of Medpace, a research-based drug and medical device company. Additionally in 2016, the Port Authority recognized $0.8 million of improvements made to the Kenwood Collection parking garage by the new owner. This activity was offset by additional depreciation on capital assets in the amount of $2.4 million.

In 2015, the Port Authority placed in service the remaining three floors of the five-story Kenwood Collection parking garage, which was made available to the public for parking in February 2015. As a result, $20.9 million in construction in progress was reclassed to depreciable capital assets. Additionally in 2015, the Port Authority made leasehold improvements totaling $1.3 million to Fountain Square South Garage upon obtaining a long-term lease with the City of Cincinnati. This activity was offset by additional depreciation on capital assets in the amount of $2.3 million.

In support of economic development and other authorized projects within the City of Cincinnati and Hamilton County, the Port Authority considers and, with board approval, issues bonds. In 2016, the Port Authority issued $101.4 million of bonds, which was the highest amount of bonds issued in a single year for the Port Authority. In comparison, the Port Authority issued $16.5 million of bonds in 2015 and no financings were issued in the year 2014. The following table summarizes these bonds and other conduit financings issued in years 2016 and 2015.

Issue Date	Project Name	Bond Amount
05/2016	Kenwood Collection (refunding bonds)	$ 18,665,000
06/2016	Patient Capital Fund (bond anticipation notes)	7,325,000
06/2016	Amberley Site Redevelopment - 2100 Section Rd	2,500,000
07/2016	RBM Development - TIF	15,065,000
07/2016	RBM Development - Lease *	50,260,000
12/2016	Downtown/OTR West *	7,550,000
	Total 2016	$ 101,365,000
01/2015	Fountain Square South Garage	$ 8,800,000
04/2015	Southwest Ohio Regional Bond Fund	2,500,000
12/2015	AHA Colonial Village *	5,170,000
	Total 2015	$ 16,470,000

** Conduit revenue bond obligations*

Economic Factors and Next Year's Budgets and Rates

The Port Authority continues to provide project financing by issuing bonds, which generate front-end fees and annual administrative fees, including structured financings for which such fees may be significant. Conduit financings generally provide for front-end fees only.

The Port Authority will continue to rely on operating support provided from its public partners - the City of Cincinnati and Hamilton County. The City and County are expected to make operating grants of $700,000 each in 2017, which is unchanged from this year.

In 2017, the Port Authority plans to utilize the remaining $5.0 million of funds held in the real estate development fund, created by the issuance of Fountain Square South Garage bonds. The remaining funds are mostly targeted for construction of U.S. Army Reserve Corps facilities in Maineville, Ohio, which will allow a real estate exchange to occur for their 15-acre property in Roselawn, a neighborhood in the City of Cincinnati. This real estate development is planned to generate developer fees for the Port Authority.

Capital funding for real estate development is subject to annual, discretionary appropriation by Cincinnati City Council. In 2016, the City appropriated to the Port Authority capital grant funds of $3 million for real estate development in Bond Hill and Roselawn, and $2 million for Queensgate. These funds are planned for capital expenditure in 2017 and are expected to include developer fee revenue to the Port Authority.

Contacting the Management

This financial report is intended to provide our stakeholders with a general overview of the finances and to show the accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact Rick Hudson, Director of Accounting & Financial Management at 513-621-3000.

Port of Greater Cincinnati Development Authority

Statement of Net Position

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	$ 8,073,355	$ 6,626,439
Receivables - Net of allowance	1,121,352	595,545
Prepaid expenses and other assets	196,974	224,467
Total current assets	9,391,681	7,446,451
Noncurrent assets:		
Restricted cash and investments	21,714,438	10,748,674
Restricted investments - Pledged bonds	-	19,120,000
Capital assets - Net (Note 3):		
Assets not subject to depreciation	7,139,859	450,000
Assets subject to depreciation	47,010,358	48,601,048
Assets held for resale (Note 12)	19,308,507	7,318,964
Total noncurrent assets	95,173,162	86,238,686
Total assets	104,564,843	93,685,137
Deferred Outflows of Resources		
Pension (Note 8)	572,707	115,914
Interest rate swap agreement (Note 5)	7,671	112,623
Total deferred outflows of resources	580,378	228,537
Liabilities		
Current liabilities:		
Accounts payable	1,524,911	655,365
Accrued liabilities and other	193,622	173,619
Unearned grant revenue	2,062,200	-
Total current liabilities	3,780,733	828,984
Noncurrent liabilities:		
Due to other governmental entities	-	659,489
Accounts payable from restricted assets	-	19,120,000
Accrued expenses payable from restricted assets	720,142	299,956
Net pension obligation (Note 8)	1,203,569	865,748
Accrued interest payable from restricted assets	1,165,798	1,147,072
Current portion of long-term debt payable from restricted assets (Note 5)	1,298,408	1,259,960
Long-term debt payable from restricted assets (Note 5)	16,804,476	2,825,877
Long-term debt payable from future restricted bond revenue (Note 5)	62,636,661	52,849,436
Total noncurrent liabilities	83,829,054	79,027,538
Total liabilities	87,609,787	79,856,522
Deferred Inflows of Resources - Pension	43,623	15,209
Net Position		
Investment in capital assets	6,318,938	6,165,386
Restricted:		
Grants	6,588,119	4,810,987
Trust assets	3,503,942	2,505,543
Unrestricted	1,080,812	560,027
Total net position	**$ 17,491,811**	**$ 14,041,943**

Port of Greater Cincinnati Development Authority

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended December 31 2016	Year Ended December 31 2015
Operating Revenue		
Public funding (Note 6)	$ 1,400,000	$ 1,400,000
Charges for services	4,957,526	3,102,741
Total operating revenue	6,357,526	4,502,741
Operating Expenses		
Salaries and benefits	2,370,636	2,049,404
Professional services	970,451	744,126
Occupancy	158,757	113,033
Travel and business development	77,995	56,309
Equipment and supplies	47,055	25,666
Other operating expenses	155,520	202,565
Taxes	162,360	-
Depreciation	2,421,301	2,292,820
Total operating expenses	6,364,075	5,483,923
Operating Loss	(6,549)	(981,182)
Nonoperating Revenue (Expenses)		
Restricted bond revenue	4,314,603	5,955,804
Interest expense	(3,246,599)	(3,116,380)
Loss on sale of property	(134,974)	(31,910)
Gain on extinguishment of debt	3,365,000	-
Investment income	28,076	11,623
Bond administrative expense	(2,563,768)	(1,413,952)
Total nonoperating revenue	1,762,338	1,405,185
Income - Before capital grants and contributions	1,755,789	424,003
Capital Grants and Contributions	1,694,079	1,346,174
Increase in Net Position	3,449,868	1,770,177
Net Position - Beginning of year	14,041,943	12,271,766
Net Position - End of year	**$ 17,491,811**	**$ 14,041,943**

The Notes to Financial Statements are an
Integral Part of this Statement.

Port of Greater Cincinnati Development Authority

Statement of Cash Flows

	Year Ended December 31 2016	2015
Cash Flows from Operating Activities		
Receipts from public funding sources	$ 1,400,000	$ 1,400,000
Receipts from charges for services	5,020,965	2,990,452
Payments to suppliers	(1,295,048)	(1,009,602)
Payments to employees	(2,436,696)	(1,974,598)
Net cash provided by operating activities	2,689,221	1,406,252
Cash Flows from Noncapital Financing Activities		
Receipts from grants and subsidies	2,592,587	1,195,653
Proceeds from the issuance of debt	9,825,000	9,848,000
Restricted bond revenue	-	449,207
Principal paid on debt	(242,648)	(87,675)
Interest paid	(410,103)	(236,904)
Bond administrative expenses paid	(73,700)	(343,774)
Proceeds from the sale of assets held for sale	592,421	118,090
Purchase and development of assets held for sale	(12,186,643)	(1,525,050)
Net cash provided by noncapital financing activities	96,914	9,417,547
Cash Flows from Capital and Related Financing Activities		
Proceeds from the issuance of capital debt	33,730,000	1,452,000
Restricted bond revenue	4,314,603	4,968,625
Purchase and construction of capital assets	(7,520,471)	(2,532,525)
Principal paid on capital debt	(16,622,312)	(1,331,177)
Interest paid	(2,338,416)	(2,875,329)
Bond administrative expenses paid	(1,964,935)	(1,145,088)
Net cash provided by (used in) capital and related financing activities	9,598,469	(1,463,494)
Cash Flows from Investing Activities - Interest received on investments	28,076	11,623
Net Increase in Cash and Cash Equivalents	12,412,680	9,371,928
Cash and Cash Equivalents - Beginning of year	17,375,113	8,003,185
Cash and Cash Equivalents - End of year	**$ 29,787,793**	**$ 17,375,113**
Statement of Net Position Classification		
Cash and investments	$ 8,073,355	$ 6,626,439
Restricted cash	21,714,438	10,748,674
Total cash and cash equivalents	**$ 29,787,793**	**$ 17,375,113**
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (6,549)	$ (981,182)
Depreciation	2,421,301	2,292,820
Changes in assets and liabilities:		
Accounts receivable	(126,603)	(176,964)
Prepaid and other assets	(420,655)	(145,508)
Accounts payable	330,487	157,851
Accrued and other liabilities	491,240	259,235
Net cash provided by operating activities	**$ 2,689,221**	**$ 1,406,252**

The Notes to Financial Statements are an Integral Part of this Statement.

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Port of Greater Cincinnati Development Authority (the "Port Authority") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Port Authority:

Reporting Entity

The Port Authority is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority was formed under Ohio Revised Code Section 4582.22 by the City of Cincinnati, Ohio (the "City") and Hamilton County, Ohio (the "County") on December 7, 2000. In August 2008, the City and County amended the original agreement by expanding the Port Authority's geographical jurisdiction to include all of Hamilton County and the City of Cincinnati, streamlining the size of the board of directors, and committing to a specific funding plan. The City and County also removed substantially all of the restrictions that had initially been imposed to permit the Port Authority to use all powers available to Ohio port authorities.

The Port Authority primarily seeks to identify, restore, and redevelop properties and land in Hamilton County, to provide development financing through the issuance of revenue bonds, and to identify and pursue other opportunities to promote economic development, transportation, and other statutorily authorized purposes of the Port Authority.

The Port Authority's management believes these financial statements present all activities for which the Port Authority is financially accountable.

Port Authority Powers

Historically, port authorities were created to conduct maritime activities and later, airport activities. However, port authorities in Ohio have evolved as an economic development tool. As independent units of government, Ohio port authorities may conduct traditional waterborne and air transportation activities, as well as own property and provide financing for local economic development initiatives. Ohio law defines the "authorized purposes" of a port authority as "activities that enhance, foster, aid, provide, or promote transportation, economic development, housing, recreation, education, governmental operations, culture, or research within the jurisdiction of the port authority" and "activities authorized by Sections 13 and 16 of Article VIII, Ohio Constitution." These broad powers are complemented by expansive authority to enter into cooperative relationships with one or more other political subdivisions to undertake major development projects jointly.

Note 1 - Summary of Significant Accounting Policies (Continued)

Special Financing, Projects, and Programs

Under Ohio law, a port authority has a broad range of project management and funding capabilities that enable it to participate in a variety of ways in economic development projects:

Conduit Revenue Bond Financings - Port authorities may provide assistance through conduit revenue bond financing. These revenue bond financings are based on the creditworthiness of the borrower and may include some form of credit enhancement. The issuing port authority has no obligation with respect to the bonds except to the extent of loan payments payable solely from pledged receipts and, unless issued as part of a capital lease financing, would have no interest in the property financed (see Note 9). The Port Authority has several conduit revenue bond issues outstanding and provides such assistance upon request.

The Port Authority issues conduit debt on behalf of third parties. The Port Authority classifies debt as conduit debt when all of the following characteristics exist: the proceeds from the debt issuance benefits a third party, the debt obligation is payable solely from pledged receipts and is not an obligation of the Port Authority, and the third party has ultimate control over and primary benefit from the asset resulting from the expenditure of bond proceeds.

Cooperative Public Infrastructure Financings - The proceeds of port authority revenue bonds may be used to finance public facilities or properties to be owned by the port authority. Often these projects are undertaken in cooperation with one or more overlapping political subdivisions and supported by tax increment financing service payments, special assessments, or both, assigned by the political subdivision to the Port Authority. The bonds would be secured by the assignment of that revenue and would be non-recourse to the general revenue and assets of the Port Authority. The Port Authority has issued such bonds in the past and expects to continue to do so.

Project Incentives - Port authorities may act as the central point of contact for investigating and procuring local, state, and federal business-retention and expansion incentives.

Grant Programs - Ohio port authorities may apply for local, state, and federal grant funds, which generally are used for public infrastructure improvements made in support of local economic development efforts.

Common Bond Fund Programs - Common bond funds are a tool that supplements the financing options available to small- and medium-sized companies within the community. These programs provide credit enhancements and long-term, fixed-rate loans that make it possible for companies to access capital markets that might otherwise be unavailable.

Note 1 - Summary of Significant Accounting Policies (Continued)

In April 2015, the Port Authority became an eligible issuer of economic development revenue bonds for the Southwest Ohio Regional Bond Fund, created from the expansion of the Dayton-region Port Authority Bond Fund. The expanded bond fund serves growing companies in the Dayton and Cincinnati regions. The Port Authority also issues bond fund debt repayable from tax increment financing and special assessments. See Note 5 and Note 10 for additional details regarding the bond fund activity.

Property Ownership - Ohio port authorities have broad powers to acquire, construct, and own real or personal property, or any combination of real and personal property, to further any authorized purpose. This includes the power to own and improve property if doing so helps to create or preserve jobs and economic or business development opportunities. This is especially helpful when a property has negative value, as in the case of a Brownfield site where barriers such as liens and environmental issues are impediments to redevelopment. Further, port authorities may sell, lease (to or from others and with or without purchase options), and convey other interests in real or personal property, improved or unimproved, as well. The Port Authority has owned and improved property as part of its Brownfield development and economic redevelopment financing activities.

Structured Lease Projects - Under this structure, the port authority owns the real estate assets and leases it to a private entity on a long-term basis. The port authority may also issue revenue bonds to finance the acquisition, construction, and leasing of a project. The lease structure has been used to convey a variety of incentives, such as sales tax exemption on building materials incorporated into buildings owned by a port authority, and accounting advantages to the lessee/user of the project. The Port Authority has provided capital lease structures and lease financing.

Down Payment Assistance Programs - Ohio port authorities may provide grants, loans, guarantees, and other means to enhance the availability of adequate housing for individuals and families in Ohio. In November 2014, the Port Authority established a market rate government-insured mortgage and down payment assistance homeownership program for qualified borrowers of single-family residential properties. In July 2015, the program expanded to include conventional mortgages.

Project Coordination - Port authorities can facilitate and coordinate the various regulatory approvals needed from multiple agencies or jurisdictions. This is particularly helpful for assisting with complicated large-scale projects. As a result, the development process is streamlined and projects can move forward more quickly and efficiently.

Note 1 - Summary of Significant Accounting Policies (Continued)

Management Agreements

The Port Authority has management agreements to operate other entities aligned with the Port Authority's mission. These entities include:

- Hamilton County Land Reutilization Corporation
- Greater Cincinnati and Northern Kentucky Foreign Trade Zones
- Homesteading and Urban Redevelopment Corporation

Each entity has its own board of directors and no employees. Management fee revenue from the entities above is reflected in charges for services.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements consist of a single-purpose business-type activity which is reported on the accrual basis of accounting, using the economic resources measurement focus.

The financial statements of the 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 maintains budgetary control by not permitting total expenditures and amounts charged to individual expense categories to exceed respective appropriations without amendment of appropriations by the board of directors. Unencumbered appropriations lapse at year end, but to the extent that unencumbered general operating monies remain at year end, an amount equal to 10 percent of that year's appropriation is appropriated for successive months' expenditures until the next year's appropriation is approved by the board.

The Port Authority follows the GASB guidance as applicable to proprietary funds. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

When an expense is incurred for the purpose for which both restricted and unrestricted net position are available, the Port Authority's policy is to first apply restricted resources.

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Position

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Restricted Assets - The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets. Unspent bond proceeds are required to be set aside for construction. These amounts have also been classified as restricted assets.

Assets Held for Resale - Assets held for resale consist of land and real estate held for resale and are valued at the lower of cost or market.

Capital Assets - Capital assets are stated at historical cost and depreciated using the straight-line method over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the improvements. Property held for redevelopment that is environmentally contaminated, or perceived to be contaminated, is not depreciated until redevelopment is completed. Bond financed assets are depreciated over the life of the bond, or a lesser useful life when appropriate. Capital assets in excess of $2,500 are capitalized.

The Port Authority capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Capitalized interest for 2016 and 2015 was $120,274 and $0, respectively.

The following estimated useful lives are being used by the Port Authority:

Land improvements	30 to 45 years
Buildings and leasehold improvements	3 to 45 years
Office equipment and furnishings	3 to 7 years

Compensated Absences (Vacation and Sick Leave) - It is the Port Authority's policy to permit employees to accumulate earned but unused paid-time-off benefits (PTO). Employees begin earning PTO on their first day of service and are permitted to carry over a maximum of seven days from one service year to the next. Accumulated paid-time-off balances are accrued when incurred in the financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Due to Other Governmental Entities - Due to other governmental entities represents 20 percent of the expected sale proceeds of redeveloped property (assets held for resale) which is required to be returned to the City of Cincinnati based on contractual provisions. During 2016, the contractual provision was amended and the 20 percent refund to the City was removed. As such, the amount due to other governmental entities was eliminated in 2016.

Long-term Debt - In the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the proprietary fund-type statement of net position. The Port Authority records debt when the Port Authority has legal title over the capital assets purchased, has ultimate control over the capital asset and its use, and the capital assets resulting from the expenditure of bond proceeds are for public use or support the Port Authority's governmental purpose by fostering continued opportunity for economic or business development.

Net Position - Net position of the Port Authority is classified in three components.

- Net position invested in capital assets, net of related debt - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted net position - consists of cash and investments held by trusts to secure revenue bonds reduced by liabilities payable from the trusts and the remaining balance of purpose-restricted grants.
- Unrestricted net position - equals the remaining assets less remaining liabilities that do not meet the definition of invested in capital assets or restricted net position.

Capital Grants and Contributions - Grants for the acquisition and construction of land and property are reported in the statement of revenue, expenses, and changes in net position under the classification of capital grants and contributions.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 revenue and expenses during the period. Actual results could differ from those estimates.

Change in Accounting Policy - As of January 1, 2016, the Port Authority retrospectively applied Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Subsequent Events - In preparing these financial statements, the Port Authority has considered events and transactions for potential recognition or disclosure through May 30, 2017, the date the financial statements were available to be issued.

Note 2 - Deposits and Investments

Deposits - Monies in the funds of the Port Authority, except as otherwise described below with respect to investments controlled by the terms of a bond resolution or trust agreement or indenture, and to the extent in excess of current needs, may be invested in accordance with the Ohio Uniform Depository Act, Revised Code Sections 135.01-135.21 (UDA). At December 31, 2016 and 2015, the aggregate amount of monies in the general operating funds of the Port Authority was $8,100,271 and $6,649,728, respectively, all of which constituted "active deposits," with two qualified banking institutions deposited in accordance with UDA. At December 31, 2016 and 2015, approximately $750,000 of the Port Authority's deposits were covered by FDIC insurance. The remaining bank balances at December 31, 2016 and 2015 of approximately $7,350,000 and $5,900,000, respectively, were collateralized with securities by the pledging institution's trust department or agent, but not in the Port Authority's name. At no time during the two-year period ended December 31, 2016 did the Port Authority have any amounts for investment in the unrestricted general operating funds of the Port Authority not constituting active deposits.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Port Authority's deposits may not be returned to it. Operating (non-trusteed) investments of the Port Authority are insured, registered in the name of the government, and/or collateralized with securities by the pledging institution's trust department or agent; therefore, there is no custodial credit risk exposure.

Investments - Investments represent trusteed funds securing revenue bonds. Funds held by a corporate trustee on behalf of the Port Authority may be legally invested in accordance with the bond-authorizing resolution of the Port Authority's board of directors or the trust indenture or agreement securing those revenue bonds.

Note 3 - Capital Assets

Capital asset activity of the Port Authority's business-type activities was as follows:

Business-type Activities	Balance January 1, 2016	Additions	Disposals	Balance December 31, 2016
Capital assets not being depreciated:				
Land easements - Red Bank	$ 450,000	$ -	$ -	$ 450,000
Land - RBM	-	5,785,192	-	5,785,192
Construction in progress - RBM	-	904,667	-	904,667
Subtotal	450,000	6,689,859	-	7,139,859
Capital assets being depreciated:				
Land improvements - Cincinnati Mall	4,519,426	-	-	4,519,426
Land improvements - Springdale Pictoria	882,619	-	-	882,619
Land improvements - Red Bank	2,539,587	-	-	2,539,587
Buildings - Cincinnati Mall	10,084,875	-	-	10,084,875
Buildings - Springdale Pictoria	9,260,329	-	-	9,260,329
Buildings - Kenwood Collection	33,594,598	777,316	-	34,371,914
Office equipment	82,856	-	-	82,856
Furniture and fixtures	53,976	-	-	53,976
Leasehold improvements - Garage	1,318,205	53,295	-	1,371,500
Leasehold improvements - Office	21,038	-	(21,038)	-
Subtotal	62,357,509	830,611	(21,038)	63,167,082
Accumulated depreciation:				
Land improvements - Cincinnati Mall	1,644,278	152,040	-	1,796,318
Land improvements - Springdale Pictoria	335,743	36,459	-	372,202
Land improvements - Red Bank	869,441	114,200	-	983,641
Buildings - Cincinnati Mall	3,571,064	342,832	-	3,913,896
Buildings - Springdale Pictoria	3,505,036	383,687	-	3,888,723
Buildings - Kenwood Collection	3,713,481	1,316,698	-	5,030,179
Office equipment	57,481	13,361	-	70,842
Furniture and fixtures	9,605	7,714	-	17,319
Leasehold improvements - Garage	29,294	54,310	-	83,604
Leasehold improvements - Office	21,038	-	(21,038)	-
Subtotal	13,756,461	2,421,301	(21,038)	16,156,724
Net capital assets being depreciated	48,601,048	(1,590,690)	-	47,010,358
Net capital assets	$ 49,051,048	$ 5,099,169	$ -	$ 54,150,217

Note 3 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2015	Additions	Disposals	Balance December 31, 2015
Capital assets not being depreciated:				
Land easements - Red Bank	$ 450,000	$ -	$ -	$ 450,000
Construction in progress - Kenwood	20,907,442	-	(20,907,442)	-
Subtotal	21,357,442	-	(20,907,442)	450,000
Capital assets being depreciated:				
Land improvements - Cincinnati Mall	4,519,426	-	-	4,519,426
Land improvements - Springdale Pictoria	882,619	-	-	882,619
Land improvements - Red Bank	2,539,587	-	-	2,539,587
Buildings - Cincinnati Mall	10,084,875	-	-	10,084,875
Buildings - Springdale Pictoria	9,260,329	-	-	9,260,329
Buildings - Kenwood Collection	12,687,156	20,907,442	-	33,594,598
Office equipment	82,856	-	-	82,856
Furniture and fixtures	53,976	-	-	53,976
Leasehold improvements - Garage	-	1,318,205	-	1,318,205
Leasehold improvements - Office	21,038	-	-	21,038
Subtotal	40,131,862	22,225,647	-	62,357,509
Accumulated depreciation:				
Land improvements - Cincinnati Mall	1,492,238	152,040	-	1,644,278
Land improvements - Springdale Pictoria	299,284	36,459	-	335,743
Land improvements - Red Bank	755,241	114,200	-	869,441
Buildings - Cincinnati Mall	3,228,232	342,832	-	3,571,064
Buildings - Springdale Pictoria	3,121,349	383,687	-	3,505,036
Buildings - Kenwood Collection	2,503,413	1,210,068	-	3,713,481
Office equipment	40,955	16,526	-	57,481
Furniture and fixtures	1,891	7,714	-	9,605
Leasehold improvements - Garage	-	29,294	-	29,294
Leasehold improvements - Office	21,038	-	-	21,038
Subtotal	11,463,641	2,292,820	-	13,756,461
Net capital assets being depreciated	28,668,221	19,932,827	-	48,601,048
Net capital assets	$ 50,025,663	$ 19,932,827	$ (20,907,442)	$ 49,051,048

It is the Port Authority's practice to engage a third-party management company to manage the public-use facilities owned by the Port Authority. The contracts generally require the management company to pay costs of operation, including but not limited to taxes, insurance, maintenance, and repairs.

Construction in Progress - Redevelopment and renovation of the public parking garage at the RBM Development began in August 2016 and continued through year end.

Note 3 - Capital Assets (Continued)

Construction on the remaining three floors of the five-story Kenwood Project garage was completed in December 2014 and made available to the public for parking in February 2015. As a result, $20,907,442 in construction in progress was reclassified to depreciable capital assets in 2015.

Construction Commitments - The Port Authority's commitments as of December 31, 2016 are $393,450 compared to $0 a year earlier.

Note 4 - Fair Value Measurement

The Port Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Port Authority's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Port Authority has the following recurring fair value measurements as of December 31, 2016 and 2015:

- U.S. Treasury securities of $219,923 and $219,969, respectively, are valued using quoted market prices (Level 1 inputs).
- Money market funds of $17,119,324 and $6,518,186, respectively, are valued using quoted market prices (Level 1 inputs).
- The interest rate swap at $7,671 and $112,623, respectively, is valued using a matrix pricing model (Level 2 inputs).

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of the Port Authority's interest rate swap was determined primarily based on Level 2 inputs. The Port Authority estimates the fair value of this derivative using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals and daily mark reporting by the swap provider.

Note 4 - Fair Value Measurement (Continued)

The Port Authority held no investments using Level 3 inputs for fair value measurement, nor investments measured at the net asset value per share as of December 31, 2016 and 2015.

Note 5 - Long-term Debt

The bonds are special limited obligations of the Port Authority payable only from the funds established with and revenue assigned to the bond trustee under the trust indenture and treated as nonoperating revenue of the Port Authority. The bondholders have no recourse to any other revenue or assets of the Port Authority, except for the Patient Capital Fund and Amberly Site Redevelopment bondholders.

Costs of the Port Authority, including legal costs, are generally considered to be administrative expenses under the bond documents and are eligible for payment or reimbursement from the trust if and when amounts are available in the trust for such purposes. The Port Authority is also specifically indemnified by various parties including the private developers. This indemnification includes all costs of the Port Authority, including legal costs.

A detailed description of each bond issue as of December 31, 2016 follows:

Description	Amount
Business-type Activities:	
Revenue Bonds:	
2004 Cincinnati Mall Public Infrastructure (formerly known as Cincinnati Mills) Special Obligation Development Revenue Bonds, bearing interest at 6.30 percent and 6.40 percent, maturing in 2024 and 2034	$ 15,205,000
2006 Springdale Pictoria Public Parking/Infrastructure Special Obligation Development Revenue Bonds, bearing interest at 0.85 percent, maturing in 2031	7,230,000
2007 Fairfax Red Bank Public Infrastructure Special Obligation Development Revenue Bonds, bearing interest at 5.50 percent and 5.625 percent, maturing in 2025 and 2036	3,321,212
2015 Fountain Square South Garage Parking Facility Revenue Bonds, bearing interest at 3.70 percent, maturing in 2045	8,506,200
2015 Southwest Ohio Regional Bond Fund - State Loan Revenue Bonds, bearing interest at 0.00 percent, maturing in 2055	2,500,000
2016 Kenwood Collection Redevelopment - Public Parking Project Special Obligation TIF Revenue Refunding Bonds, bearing interest at 3.75 percent, 4.50 percent, 5.00 percent, 6.00 percent, 6.60 percent, and 6.25 percent, maturing in 2039	18,665,000
2016 RBM Development Phase 2A - Special Obligation Development TIF Revenue Bonds, bearing interest at 4.00 percent, 4.375 percent, 4.75 percent, 5.00 percent, and 6.00 percent, maturing in 2033 and 2046	15,065,000
2016 Patient Capital Fund - Economic Development Mortgage Revenue Bond Anticipation Notes, bearing interest at 0.15 percent, maturing in 2021	7,325,000
2016 Amberley Site Redevelopment Project, Taxable Development Revenue Bonds (Southwest Ohio Regional Bond Fund), bearing interest at 3.50 percent, maturing in 2026	2,415,000
Total	$ 80,232,412

Note 5 - Long-term Debt (Continued)

Changes in Long-term Debt - The following is a summary of long-term debt transactions (net of unamortized bond premiums in the amount of $507,133 and $27,901 of the Port Authority for the years ended December 31, 2016 and 2015, respectively):

	Beginning Balance January 1, 2016	Additions	Reductions	Ending Balance December 31, 2016	Due Within One Year
Business-type Activities - Revenue bonds	$ 56,907,372	$ 43,555,000	$ 20,229,960	$ 80,232,412	$ 1,298,408

	Beginning Balance January 1, 2015	Additions	Reductions	Ending Balance December 31, 2015	Due Within One Year
Business-type Activities - Revenue bonds	$ 47,026,224	$ 11,300,000	$ 1,418,852	$ 56,907,372	$ 1,259,960

Debt Service Requirements - The annual total principal and interest requirements to service all debt outstanding at December 31, 2016 are as follows:

	Business-type Activities		
Years Ending December 31	Principal	Interest	Total
2017	$ 1,298,408	$ 3,463,390	$ 4,761,798
2018	1,365,316	3,408,917	4,774,233
2019	1,818,324	3,344,175	5,162,499
2020	2,069,072	3,267,835	5,336,907
2021	9,525,688	4,123,519	13,649,207
2022-2026	14,328,564	14,950,821	29,279,385
2027-2031	14,365,496	11,583,305	25,948,801
2032-2036	13,438,288	7,504,476	20,942,764
2037-2041	9,310,000	3,936,047	13,246,047
2042-2046	10,213,256	1,667,215	11,880,471
2047-2051	-	21,450	21,450
2052-2055	2,500,000	14,300	2,514,300
Total	$ 80,232,412	$ 57,285,450	$ 137,517,862

Note 5 - Long-term Debt (Continued)

Cincinnati Mall Public Infrastructure (formerly known as Cincinnati Mills) - In February 2004, the Port Authority issued $18 million principal amount of Special Obligation Development Revenue Bonds for the purpose of financing, in cooperation with the cities of Forest Park and Fairfield, costs of the development of public infrastructure improvements to support the redevelopment of the suburban retail center currently known as Cincinnati Mall. The bonds consisted of $7,465,000 principal amount of term bonds maturing on February 15, 2024, and $10,535,000 principal amount of term bonds maturing on February 15, 2034. The assets acquired, improved, constructed, or otherwise developed by the Port Authority with the proceeds of the bonds include a public parking garage and other parking facilities, two stormwater detention ponds, and public roadways supporting the mall.

Interest is payable semiannually at 6.30 percent and 6.40 percent for the 2024 and 2034 term bonds, respectively. Principal and interest payments for 2016 and 2015 were paid upon the due date.

The debt service requirements for this bond issue are as follows:

Years Ending December 31		Principal	Interest	Total
2017		$ 460,000	$ 953,960	$ 1,413,960
2018		490,000	924,035	1,414,035
2019		525,000	892,063	1,417,063
2020		560,000	857,885	1,417,885
2021		595,000	821,503	1,416,503
2022-2026		3,640,000	3,468,850	7,108,850
2027-2031		5,025,000	2,096,480	7,121,480
2032-2034		3,910,000	387,199	4,297,199
	Total	$ 15,205,000	$ 10,401,975	$ 25,606,975

Springdale Pictoria Public Parking/Infrastructure - In October 2006, the Port Authority issued $10 million principal amount of Special Obligation Development Revenue Bonds for the purpose of financing, in cooperation with the City of Springdale, costs of the acquisition and development of public parking facilities to support the development of the Pictoria Corporate Center. The bonds consist of term bonds maturing on February 1, 2031. The assets acquired, improved, constructed, or otherwise developed by the Port Authority with the proceeds of the bonds include a 1,132-space public parking garage serving the general public and located at a mixed-use commercial development (including office, restaurant, cinema, and distribution facilities).

Note 5 - Long-term Debt (Continued)

Interest is payable semiannually at variable interest rates currently reset annually and with conversion options permitting the interest rate to be reset weekly or fixed to maturity. Until the interest rate on the bonds is fixed to maturity, bondholders have certain rights to tender bonds for purchase, as provided by the trust indenture. At issuance and as of December 31, 2016, RBC Capital Markets (formerly Seasongood & Mayer, LLC) is the remarketing agent for the bonds.

Credit and liquidity support are provided for the bonds pursuant to a U.S. Bank N.A. Irrevocable Letter of Credit dated October 25, 2006, and as amended, extended, and reissued, and stated to expire on February 15, 2018, but extended one additional year annually thereafter if not terminated by the bank at least 270 days before February 15, 2018 or any subsequent expiration date. Obligations under the reimbursement agreement providing for that letter of credit are payable only from the trust estate established under the trust indenture. On February 15, 2015, the letter of credit fee increased from 3.0 percent to 3.5 percent, where it remained throughout 2016.

On February 1, 2016, the interest rate was reset to 0.85 percent from 0.45 percent per year. Assuming a constant interest rate of 0.85 percent per year from February 1, 2016 to the maturity of the bonds, debt service as of December 31, 2016 is estimated as follows:

Years Ending December 31	Principal	Interest	Total
2017	$ 370,000	$ 59,883	$ 429,883
2018	380,000	56,695	436,695
2019	395,000	53,401	448,401
2020	410,000	49,980	459,980
2021	425,000	46,431	471,431
2022-2026	2,390,000	173,825	2,563,825
2027-2031	2,860,000	62,603	2,922,603
Total	$ 7,230,000	$ 502,818	$ 7,732,818

Note 5 - Long-term Debt (Continued)

Fairfax Red Bank Public Infrastructure - In May 2007, the Port Authority issued $7,675,000 principal amount of Special Obligation Development Revenue Bonds for the purpose of financing costs of the acquisition, construction, installation, equipping, improvement, and development, in cooperation with the Village of Fairfax, Ohio, of public infrastructure improvements. The bonds consist of $2,145,000 principal amount of term bonds maturing on February 1, 2025 and $5,530,000 principal amount of term bonds maturing on February 1, 2036. The improvements financed include road and street improvements, public utility (water, sanitary sewer, and storm water control facilities), and public safety improvements, in support of a mixed-use commercial development generally known as Red Bank Village.

Interest is payable semiannually at 5.50 percent and 5.625 percent for the 2025 and 2036 term bonds, respectively.

Because of the nature and location of certain of the improvements financed, those improvements are owned by the Village of Fairfax or other political subdivisions pursuant to cooperative agreements, dedication, or other arrangements (Red Bank Non-Port Infrastructure). The portion of the revenue bonds issued to finance Red Bank Non-Port Infrastructure ($4,132,000 principal amount) and related revenue, expenses, assets, and liabilities is treated as a separate issue of conduit revenue bonds issued by the Port Authority (Red Bank Conduit Bonds). The remaining improvements financed are owned by the Port Authority (Red Bank Port Infrastructure) and, to the extent issued to finance Red Bank Port Infrastructure ($3,543,000 principal amount), those bonds (Red Bank Infrastructure Bonds), and related revenue, expenses, assets, and liabilities, are treated as a separate issue of infrastructure development revenue bonds issued to finance assets of the Port Authority. The debt service requirements for the Port Authority's portion of the Red Bank Infrastructure Bonds as of December 31, 2016 are as follows:

Years Ending December 31	Principal	Interest	Total
2017	$ 60,008	$ 184,207	$ 244,215
2018	62,316	180,843	243,159
2019	64,624	177,352	241,976
2020	78,472	173,417	251,889
2021	83,088	168,974	252,062
2022-2026	553,920	763,039	1,316,959
2027-2031	835,496	569,932	1,405,428
2032-2036	1,583,288	272,245	1,855,533
Total	$ 3,321,212	$ 2,490,009	$ 5,811,221

Note 5 - Long-term Debt (Continued)

Fountain Square South Garage Parking Facility - In January 2015, the Port Authority issued $8,800,000 principal amount Parking Facility Revenue Bonds (Series 2014) for the purpose of acquiring a leasehold interest in, improving, furnishing, or equipping the Port Authority's facilities, which includes Fountain Square South Garage (an underground parking garage located in downtown Cincinnati, Ohio), or financing other Port Authority facilities approved by its board of directors.

The long-term lease agreement for Fountain Square South Garage is with the City of Cincinnati whereby the Port Authority has agreed to operate, maintain, and rehabilitate the garage, and use garage revenue to pay annual debt service on the bonds and other certain payments.

The bonds consist of term bonds maturing on January 15, 2045. Bond interest is variable based upon the one-month USD-LIBOR plus 3.00 percent and payable monthly. An interest rate swap converts the variable LIBOR debt to a fixed rate equal to 2.0925 percent through the swap maturity date of January 15, 2024. At December 31, 2016 and 2015, the interest rate was 3.7039 percent and 3.3305 percent, excluding the swap, respectively. Net of the swap, the interest rate was 5.0925 percent for both periods. The market value of the swap is reflected on the statement of net position in deferred outflows of resources with an offset to accrued expenses payable from restricted assets.

Assuming a constant interest rate of 5.0925 percent per year to the maturity of the bonds, debt service is estimated as follows as of December 31, 2016:

Years Ending December 31	Principal	Interest	Total
2017	$ 198,400	$ 434,512	$ 632,912
2018	208,000	424,041	632,041
2019	218,700	413,050	631,750
2020	230,600	402,588	633,188
2021	242,600	389,288	631,888
2022-2026	2,454,644	1,533,083	3,987,727
2027-2031	-	1,279,441	1,279,441
2032-2036	-	1,280,141	1,280,141
2037-2041	-	1,279,441	1,279,441
2042-2045	4,953,256	789,666	5,742,922
Total	$ 8,506,200	$ 8,225,251	$ 16,731,451

Note 5 - Long-term Debt (Continued)

Southwest Ohio Regional Bond Fund (Reserve) - In April 2015, the Port Authority issued $2,500,000 principal amount State Loan Revenue Bonds (Series 2015) to establish its bond fund program. The Southwest Ohio Regional Bond Fund was created from the expansion of the Dayton-region Port Authority Bond Fund. The Port Authority's participation in the bond fund was made available by a $3.5 million deposit into the common fund (reserve), of which $2.5 million was loaned by the State of Ohio and $1.0 million was granted by Hamilton County, Ohio. Combined with Dayton's existing $10.8 million in reserves, the new fund has approximately $14.3 million in reserves and capacity to issue approximately $80 million in bonds. The expanded bond fund serves growing companies in 14 counties by providing access to project capital at terms and rates not available through traditional lending channels.

The state loan revenue bonds consist of term bonds maturing on April 29, 2055 in a lump sum. Interest (if any) is payable semiannually and is based upon the net investment earnings from the $2.5 million held by the trustee. The net investment earnings were $4,291 and $0 for the years 2016 and 2015, respectively. All investment earnings were forwarded to the State of Ohio by the trustee during the year received.

Assuming an investment earnings rate of 0.1716 percent per year to the maturity of the bonds, debt service is estimated as follows as of December 31, 2016:

Years Ending December 31	Principal	Interest	Total
2017	$ -	$ 4,290	$ 4,290
2018	-	4,290	4,290
2019	-	4,290	4,290
2020	-	4,290	4,290
2021	-	4,290	4,290
2022-2026	-	21,450	21,450
2027-2031	-	21,450	21,450
2032-2036	-	21,450	21,450
2037-2041	-	21,450	21,450
2042-2046	-	21,450	21,450
2047-2051	-	21,450	21,450
2052-2055	2,500,000	14,300	2,514,300
Total	$ 2,500,000	$ 164,450	$ 2,664,450

Note 5 - Long-term Debt (Continued)

Kenwood Collection Redevelopment (Public Parking Project) - In May 2016, the Port Authority issued Taxable Special Obligation TIF Revenue Refunding Bonds in principal amounts of $15,915,000 for Series 2016A and $2,750,000 for Series 2016B in order to provide funds to refund the 2008 Kenwood Development Bonds, fund required reserves, pay related issuance and transaction costs, and pay additional project costs. The Port Authority worked with the new owner of the retail development and the Series B bonds to restructure aspects of the transaction.

The bonds being refunded were issued in January 2008. The Port Authority issued $14,315,000 principal amount of Series 2008A Special Obligation Development Revenue Bonds and $6,115,000 of Series 2008B Taxable Special Obligation Development Revenue Bonds for the purpose of financing costs related to the acquisition, construction, installation, equipping, improvement, and development of public infrastructure improvements, in cooperation with Sycamore Township, Ohio.

The refinanced improvements include an approximately 2,500-space public parking garage and related infrastructure, in support of a mixed-use commercial development, generally known as Kenwood Collection, and other neighboring properties including the Kenwood Towne Centre Mall.

Litigation primarily relating to the construction of the Kenwood Development had prevented timely completion of the project facilities. The foreclosure sale of the Kenwood Development occurred in July 2012, which allowed the Port Authority to resume construction of the public parking garage in 2013.

On February 1, 2011, the 2008 bonds were tendered to the trustee, in accordance with the trust indenture, at 100 percent of the principal amount plus accrued interest. The bonds were purchased from proceeds of draws on the letters of credit and were held as pledged bonds under the indenture until successfully remarketed in 2016. For year end 2015, the interest rate was 8.50 percent for both the Series A and Series B 2008 Bonds, and were recorded in the financial statements as restricted investments - pledged bonds with an offsetting accounts payable from restricted assets.

Upon refunding the 2008B bonds, the Port Authority recognized a $3,365,000 gain on the extinguishment of debt from the exchange of $6,115,000 Series 2008B bonds for $2,750,000 Series 2016B refunding bonds.

Note 5 - Long-term Debt (Continued)

The table below summarizes the 2016 taxable special obligation TIF revenue refunding bonds issued.

Series		Amount	Matures Jan 1	Interest Rate	Bond Type
2016A		$ 375,000	2019	3.75 %	Serial
2016A		800,000	2021	4.50	Term
2016A		1,355,000	2024	5.00	Term
2016A		2,810,000	2029	6.00	Term
2016A		10,575,000	2039	6.60	Term
2016B		2,750,000	2039	6.25 *	Term
	Total	$ 18,665,000			

* The 2016B refunding bonds have an interest rate of 6.25 percent through December 31, 2020, and 6.90 percent thereafter.

Interest is payable semiannually on the 2016A bonds and the initial interest payment on the 2016B bonds is January 1, 2021 with semiannual payments thereafter.

Assuming interest rates as shown in the table above through maturity of the bonds, debt service is estimated as follows as of December 31, 2016:

Years Ending December 31		Principal	Interest	Total
2017		$ -	$ 984,363	$ 984,363
2018		-	984,363	984,363
2019		375,000	977,331	1,352,331
2020		390,000	961,525	1,351,525
2021		410,000	1,835,232	2,245,232
2022-2026		2,815,000	5,254,350	8,069,350
2027-2031		3,815,000	4,258,530	8,073,530
2032-2036		5,300,000	2,774,453	8,074,453
2037-2039		5,560,000	659,706	6,219,706
	Total	$ 18,665,000	$ 18,689,853	$ 37,354,853

Note 5 - Long-term Debt (Continued)

Patient Capital Fund - In June 2016, the Port Authority issued $7,325,000 principal amount Economic Development Mortgage Revenue Bond Anticipation Notes to establish its Patient Capital Fund. The proceeds raised from social impact investment will be used to fund the acquisition of underutilized urban industrial sites and to reposition them for advanced manufacturing. The maximum amount of Patient Capital Funds used cannot exceed the expected land sale proceeds. Thus funding for these industrial projects will likely require a combination of various funding sources. The Port Authority developed this program for community-minded private investors, providing them with a transformational way to invest for economic development and social impact.

During 2016, the Port Authority utilized Patient Capital Funds in the amounts of $6,383,788 to acquire 56 acres at 2100 Section Rd. in Amberley Village (the former headquarters of Gibson Greetings Cards) and $841,320 to acquire 19 acres at 2250 Seymour Ave. in Bond Hill (the former Cincinnati Gardens arena). Both sites are being redeveloped to attract advanced manufacturing.

The notes bear interest at 0.15 percent per year and interest is due upon the note maturity date of June 1, 2021. The Port Authority's non-tax revenue is pledged to support the interest payment if other funds held in trust are not available. To the extent debt service funds held by the trustee are not sufficient to pay principal due on the note maturity date, the Port Authority will issue bonds to the Patient Capital Fund note holders for the remaining unpaid principal amount. The bonds, if issued, will also bear interest at 0.15 percent per year with interest payable semi-annually and will mature on June 1, 2026. The notes and bonds constitute special obligations of the Port Authority, issued under and secured by the trust agreement and payable solely from the pledged revenue and secured mortgages authorized by the trust agreement.

Assuming a constant interest rate of 0.15 percent per year to the maturity of the notes, debt service is estimated as follows as of December 31, 2016:

Years Ending December 31		Principal	Interest	Total
2017		$ -	$ -	$ -
2018		-	-	-
2019		-	-	-
2020		-	-	-
2021		7,325,000	54,938	7,379,938
	Total	$ 7,325,000	$ 54,938	$ 7,379,938

Note 5 - Long-term Debt (Continued)

Amberley Site Redevelopment Project (Southwest Ohio Regional Bond Fund) - In June 2016, the Port Authority issued $2,500,000 principal amount Taxable Development Revenue Bonds Series 2016B from the Southwest Ohio Regional Bond Fund to assist with financing the acquisition of 56 acres at 2100 Section Rd. in Amberley Village (the former headquarters of Gibson Greetings). The other source of funds to acquire the property was Patient Capital Funds.

The term bonds have an interest rate of 3.50 percent with a maturity date of May 15, 2026. Interest and principal on the bonds are paid semiannually; however, the Port Authority is required to submit monthly payments to the trustee, which are funded by the Port Authority's unrestricted cash. The Port Authority's non-tax revenue is pledged to support the principal and interest payment if other funds held in trust are not available. Assuming a constant interest rate of 3.50 percent per year to the maturity of the bonds, debt service is estimated as follows as of December 31, 2016:

Years Ending December 31		Principal	Interest	Total
2017		$ 210,000	$ 82,775	$ 292,775
2018		225,000	75,250	300,250
2019		230,000	67,287	297,287
2020		240,000	59,150	299,150
2021		250,000	50,663	300,663
2022-2026		1,260,000	113,225	1,373,225
	Total	$ 2,415,000	$ 448,350	$ 2,863,350

RBM Development Phase 2A Project - In July 2016, the Port Authority issued $15,065,000 principal amount of Special Obligation Development TIF Revenue Bonds for the purpose of financing, in cooperation with the City of Cincinnati, costs of the acquisition and development of public parking facilities and related public infrastructure improvements supporting the development. The site consists of eight acres (Phase 2A) on the 31-acre campus headquarters of Medpace, a research-based drug and medical device company. The project is specifically located at the southeast intersection of Red Bank Expressway and Madison Road in the Madisonville neighborhood of the City of Cincinnati. The mixed-use site includes a 239-room, six-story full-service boutique hotel and conference center, which will sit atop the parking garage being redeveloped and renovated.

Note 5 - Long-term Debt (Continued)

The table below summarizes the special obligation development TIF revenue bonds issued. Interest is payable semiannually.

Series	Amount	Matures January 1	Interest Rate	Bond Type	Bond Type
2016A	$ 1,115,000	2025	4.000 %	Term	Taxable
2016A	1,080,000	2029	4.375	Term	Taxable
2016A	1,360,000	2033	4.750	Term	Taxable
2016B	8,765,000	2046	5.000	Term	Tax exempt
2016C	2,745,000	2046	6.000	Term	Tax exempt
	$ 15,065,000				

Assuming interest rates as shown in the table above through maturity of the bonds, debt service is estimated as follows as of December 31, 2016:

Years Ending December 31	Principal	Interest	Total
2017	$ -	$ 759,400	$ 759,400
2018	-	759,400	759,400
2019	10,000	759,400	769,400
2020	160,000	759,000	919,000
2021	195,000	752,200	947,200
2022-2026	1,215,000	3,623,000	4,838,000
2027-2031	1,830,000	3,294,869	5,124,869
2032-2036	2,645,000	2,768,988	5,413,988
2037-2041	3,750,000	1,975,450	5,725,450
2042-2046	5,260,000	856,099	6,116,099
Total	$ 15,065,000	$ 16,307,806	$ 31,372,806

Note 6 - Public Funding

For the years ended December 31, 2016 and 2015, public funding for the Port Authority came from the following sources:

	2016	2015
Hamilton County, Ohio	$ 700,000	$ 700,000
City of Cincinnati, Ohio	700,000	700,000
Total	$ 1,400,000	$ 1,400,000

Note 7 - Leases

Operating Leases - As of December 31, 2016, noncancelable operating leases for office space and equipment expire in various years through 2025. In October 2014, new office space was identified and a sublease agreement was signed for a 10-year and 10-month term. Minimum annual lease payments began in April 2016 and range from approximately $100,000 to $115,000.

Future minimum lease payments are as follows:

Years Ending December 31		Amount
2017		$ 128,045
2018		119,802
2019		120,758
2020		122,338
2021		118,785
Thereafter		402,187
	Total	$ 1,011,915

On January 8, 2015, the City of Cincinnati leased a City-owned parking garage (Fountain Square Garage) to the Port Authority for $100 for a 30-year term. The purpose of the lease is to modernize and improve the garage and provide funds for the Port for Economic Development within the City limits. In accordance with the agreement, the Port Authority issued bonds to make improvements to the garage (see Note 5). The improvements are capitalized as leasehold improvements (see Note 3) and are amortized over the life of the lease.

Note 8 - Cost-sharing Defined Benefit Pension Plan

Net Pension Liability - The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions (between an employer and its employees) of salaries and benefits for employee services. Pensions are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)

The net pension liability represents the Port Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Port Authority's obligation for this liability to annually required payments. The Port Authority cannot control benefit terms or the manner in which pensions are financed; however, the Port Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services and (2) state statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also include costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the year is included in accrued liabilities.

Plan Description - The Port Authority's employees participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan administered by OPERS. OPERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

In 2000, legislation required OPERS to establish one or more defined contribution plans to be offered to members in addition to the existing Traditional Pension Plan. OPERS began offering three retirement plans to its members on January 1, 2003. The plans include the Traditional Pension Plan, the Member-directed Plan, and the Combined Plan. The Port Authority employee members are all members in the OPERS' Traditional Plan or the Member-directed Plan. There are no Port Authority employee members in the Combined Plan.

Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)

Benefits Provided - All benefits of OPERS, and any benefit increases, are established by the legislature pursuant to R.C. Chapter 145. The board, pursuant to R.C. Chapter 145, has elected to maintain funds to provide healthcare coverage to eligible Traditional Pension Plan and Combined Plan retirees and survivors of members. Healthcare coverage does not vest and is not required under R.C. Chapter 145. As a result, coverage may be reduced or eliminated at the discretion of the board. Additional information on OPERS healthcare coverage can be found in the OPERS 2015 CAFR.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013, comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013. Please see the plan statement in the OPERS 2015 CAFR for additional details.

In the Traditional Pension Plan, state and local members are calculated on the basis of age, final average salary (FAS), and service credit. State and local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for state and local members is eligible for retirement at age 57 with 25 years of service or at age 62 with five years of service. For Groups A and B, the annual benefit is based on 2.2 percent of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5 percent for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2 percent for the first 35 years and a factor of 2.5 percent for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Refer to the age-and-service tables located in the OPERS 2015 CAFR Plan Statement for additional information regarding the requirements for reduced and unreduced benefits. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Contributions - Employers are required to make contributions to OPERS on the basis of a percentage of eligible salary and at a rate based upon the recommendations of the OPERS actuary, subject to the statutory limitations. Penalties and interest are assessed for late payments. The contribution rate for state and local employers in 2016 and 2015 was 14.0 percent. The 2016 and 2015 employee contribution rate for state and local members was 10.0 percent of earnable salary.

Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)

Individual accounts for each member of OPERS are maintained and funds contributed by members of the Traditional Pension Plan are fully refundable at service termination or death. The refund value of contributions made by members of the Combined Plan and the Member-Directed Plan are subject to changes (gains or losses) that occur as a result of the member's selected investment options.

Payable to the Pension Plan - At December 31, 2016 and 2015, the Port Authority reported a payable of $54,083 and $42,955, respectively, for the outstanding amount of contributions to the plan required for the years ended December 31, 2016 and 2015.

Net Pension Liability, Deferrals, and Pension Expense - At December 31, 2016 and 2015, the Port Authority reported a liability of $1,203,569 and $865,748, respectively, for its proportionate share of the net pension liability for OPERS. The net pension liability was measured as of December 31, 2015 and 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port Authority's proportion of the net pension liability was based on the Port Authority's share of contributions to the pension plan relative to the contributions of all participating entities. The Port Authority's proportionate share of the OPERS net pension liability is 0.006952 and 0.007178 percent for 2015 and 2014, respectively.

For the years ended December 31, 2016 and 2015, the Port Authority recognized pension expense of $193,204 and $94,523, respectively. At December 31, 2016, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 4,362	$ 23,524
Net difference between projected and actual earnings on pension plan investments	356,022	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	20,099
Employer contributions subsequent to the measurement date	212,323	-
Total	$ 572,707	$ 43,623

Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)

At December 31, 2015, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 15,209
Net difference between projected and actual earnings on pension plan investments	46,194	-
Employer contributions subsequent to the measurement date	69,720	-
Total	$ 115,914	$ 15,209

Contributions of $212,323 reported as deferred outflows of resources as of December 31, 2016 related to pension resulting from Port Authority contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31	Amount
2017	$ 70,062
2018	75,906
2019	89,881
2020	80,863
2021	49
. Total	$ 316,761

Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)

Actuarial Assumptions - The total pension liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	OPERS Traditional Pension Plan
Valuation date	December 31, 2015 and 2014
Experience study	Five-year period ended December 31, 2010
Actuarial cost method	Individual entry age
Investment rate of return	8.00%, net of pension plan investment expense
Wage inflation	3.75%
Projected salary increases (includes wage inflation of 3.75 percent)	4.25-10.05%
Cost-of-living adjustments	3.00% SIMPLE

Mortality rates were based on the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Discount Rate - The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The allocation of investment assets within the defined benefit portfolio is approved by the board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plan. The following table displays the board-approved asset allocation policy for years 2015 and 2014 and the long-term expected real rates of return.

Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Fixed income	23 %	2.31 %
Domestic equities	21 %	5.84 %
Real estate	10 %	4.25 %
Private equity	10 %	9.25 %
International equities	18 %	7.40 %
Other investments	18 %	4.59 %
Total	100 %	5.27 %

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

OPERS manages investments in four investment portfolios: the defined benefit portfolio, the healthcare portfolio, the 115 healthcare trust portfolios, and the defined contribution portfolio. The defined benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA Plan. Within the defined benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expense, for the defined benefit portfolio is 0.4 and 7.0 percent for 2015 and 2014, respectively.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Port Authority, calculated using the discount rate of 8.0 percent, as well as what the Port Authority's net pension liability would be if it were calculated using a discount rate that is 1.0 percentage point lower (7.0 percent) or 1.0 percentage point higher (9.0 percent) than the current rate:

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability	$ 1,920,127	$ 1,203,569	$ 600,043

Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)

OPERS issues a publicly available, stand-alone financial report that includes financial statements, required supplemental information, and detailed information about OPERS' fiduciary net position. That report can be obtained by visiting the OPERS website at www.opers.org. Additional information supporting the preparation of the schedules of collective pension amounts and employer allocations (including the disclosure of the net pension liability/(asset), required supplemental information on the net pension liability/(asset), and the unmodified audit opinion on the combined financial statements) is located in the OPERS 2015 CAFR. This CAFR is available at www.opers.org or by contacting OPERS at: OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-7377.

Other Postemployment Benefits - OPERS maintains two cost-sharing multiple-employer defined benefit postemployment healthcare trusts, which fund multiple healthcare plans including medical coverage, prescription drug coverage, deposits to a health reimbursement arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS-sponsored postemployment healthcare coverage. In order to qualify for postemployment healthcare coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an other postemployment benefit (OPEB) as described in GASB Statement No. 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement healthcare benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2016 and 2015, local employer units contributed at a rate of 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Employee contributions do not fund postretirement healthcare benefits.

Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)

OPERS maintains three healthcare trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide healthcare funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee Beneficiary Association (VEBA) that provides funding for a retiree medical account for Member-directed Plan members. Each year, the OPERS board of trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment healthcare benefits. The portion of employer contributions allocated to health care for members in the Traditional Pension and Combined plans was 2 percent in years 2015 and 2016, as recommended by the OPERS' actuary. As recommended by the OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0 percent for both plans. The OPERS board of trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the healthcare benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to VEBA for participants in the Member-directed Plan was 4.0 percent for 2016 and 4.5 percent for 2015.

The portion of the employer contributions that was made to fund other postemployment benefits (OPEB) for 2016, 2015, and 2014 was approximately $38,348, $32,400, and $33,100, respectively. There are no postemployment benefits provided by the Port Authority other than those provided through OPERS.

Note 9 - Risk Management

The Port Authority is exposed to various risks of loss related to torts - theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, natural disasters, and medical benefits provided to employees. These risks are covered by commercial insurance purchased from independent third parties.

The Port Authority pays into the State of Ohio Bureau of Workers' Compensation System. Workers' compensation claims are submitted to the State of Ohio for authorization and payment to the injured employee. The Port Authority has no further risk. The State of Ohio establishes employer payments, employee payments, and reserves.

Settled claims have not exceeded the Port Authority's commercial insurance coverage for any of the past three years.

Note 10 - Conduit Revenue Bond Obligations

The Port Authority has outstanding aggregate conduit revenue bond obligations of approximately $464,198,000 and $421,098,000 at December 31, 2016 and 2015, respectively. The conduit revenue bonds issued are payable solely from the net revenue derived from the respective agreements and are not a general obligation of the Port Authority. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the Port Authority's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source. In 2016, the Port Authority issued conduit debt for RBM Development and Downtown/OTR West Redevelopment. Additional conduit debt outstanding includes the following: the Cincinnati Zoo, Queen City Square, Fairfax Red Bank Public Infrastructure, Fountain Square, 12th and Vine Parking, Oakley Station, UC Health Drake Center, Fifth and Race Development, Saint Ursula Villa, and AHA Colonial Village.

Note 11 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Port Authority to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the cost-sharing plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Port Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Port Authority's financial statements for the year ending December 31, 2018.

Note 12 - Assets Held for Resale

The Port Authority's assets held for resale consist of 108 acres as of December 31, 2016, compared to 44 acres at the prior year end. The 64-acre increase includes the acquisition of 72 acres targeted for industrial redevelopment (2100 Section Road and 2250 Seymour Ave.) less the sale of eight acres at Tech Solve II.

Note 12 - Assets Held for Resale (Continued)

All properties owned by the Port Authority are located in Hamilton County, Ohio. A summary of real estate held for redevelopment follows:

	2016	2015
MidPointe Crossing (Bond Hill)	$ 3,635,154	$ 3,072,902
TechSolve II (Roselawn)	1,434,172	1,884,239
Bond Hill Neighborhood	1,876,772	1,125,468
2100 Section Road (Amberley Village)	9,694,436	-
2250 Seymour Ave (Bond Hill)	1,405,581	-
Other	1,262,392	1,236,355
Total	$ 19,308,507	$ 7,318,964

Assets held for resale are recorded at the lower of cost or market value. Management estimates the net realizable value based upon the list prices used by commercial real estate brokers. No cost-to-market adjustment was required for assets held for resale in 2015 and 2016.

The Port Authority funds its acquisition and redevelopment of real estate primarily from local and state redevelopment awards and the issuance of bonds and bond anticipation notes (see Note 5).

- The acquisition and redevelopment of MidPointe Crossing and TechSolve II was funded by the City of Cincinnati in the amount of $6.2 million and $4.3 million, respectively.
- The Bond Hill Business District is being funded by the Port Authority's real estate development fund, which was created by the issuance of Fountain Square South Garage parking revenue bonds in January 2015.
- The acquisitions of 2100 Section Road and 2250 Seymour Ave. were funded by the issuance of revenue bonds and mortgage revenue bond anticipation notes (Patient Capital Fund). Redevelopment at 2100 Section Road began in late 2016 and is being funded by redevelopment awards from Hamilton County and JobsOhio.

Certain redevelopment agreements disburse funds to the Port Authority in advance of the redevelopment services being performed. These agreements require the Port Authority to return any unused redevelopment funds. As a result, the Port Authority records the unused portion as a liability, unearned grant revenue, in the statement of net position.

Note 13 - Reclassification

The financial statements for the year ended December 31, 2015 have been restated in order to reclassify certain amounts in net position.

The effect of this correction was to restate certain portions of the classification of net position for restricted cash and investments that were directly associated with long-term debt on capital assets.

The effects of these changes are as follows:

	Net Investment in Capital Assets	Restricted - Grants	Restricted - Trust Assets	Unrestricted	Total
Net position - December 31, 2015 - As previously reported	$ 3,319,205	$ 4,810,987	$ 5,509,289	$ 402,462	$ 14,041,943
Adjustment for reclassification of net position	2,846,181	-	(3,003,746)	157,565	-
Net position - December 31, 2015 - As restated	$ 6,165,386	$ 4,810,987	$ 2,505,543	$ 560,027	$ 14,041,943

Required Supplemental Information

Required Supplemental Information
Schedule of Port Authority Contributions
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 230,802	$ 103,833	$ 105,605	$ 99,498	$ 49,846	$ 22,609	$ 11,849	$ 9,063	$ 6,638	$ 7,560
Contributions in relation to the contractually required contribution	230,802	103,833	105,605	99,498	49,846	22,609	11,849	9,063	6,638	7,560
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Port Authority's covered employee payroll	$ 1,923,350	$ 865,273	$ 880,038	$ 765,372	$ 498,963	$ 226,090	$ 135,414	$ 113,284	$ 94,829	$ 90,545
Contributions as a percentage of covered employee payroll	12.0 %	12.0 %	12.0 %	13.0 %	10.0 %	10.00 %	8.8 %	8.0 %	7.00 %	8.3 %

Note: Year 2016 includes all OPERS plans - Pension, Combined, and Member Directed. Year 2015 and prior reflects Pension and Combined plans only.

Required Supplemental Information
Schedule of Port Authority's Proportionate Share of Net Pension Liability

	2015	2014
Port Authority's proportion of the net pension liability (asset)	0.006952 %	0.007178 %
Port Authority's proportionate share of the net pension liability (asset)	$ 1,203,569	$ 865,747
Port Authority's covered employee payroll	$ 865,273	$ 880,038
Port Authority's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	139.1 %	98.4 %
Plan fiduciary net position as a percentage of total pension liability	81.2 %	86.50 %

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Port of Greater Cincinnati Development Authority

We have audited, in accordance with the 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, the financial statements of Port of Greater Cincinnati Development Authority (the "Port Authority") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements, and have issued our report thereon dated May 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Port of Greater Cincinnati Development Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Port Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency.

To Management and the Board of Directors
Port of Greater Cincinnati Development Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Port of Greater Cincinnati Development Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Port of Greater Cincinnati Development Authority's Response to Finding

Port of Greater Cincinnati Development Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Port of Greater Cincinnati Development Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

May 30, 2017

Section II - Financial Statement Audit Findings

Reference Number	Finding
2016-001	**Finding Type** - Significant deficiency

Criteria - Accounting standards require retainage payable related to construction contracts to be recorded in the period in which the services were performed.

Condition - We noted the Port Authority did not properly record the retainage payable as of year end.

Context - Retainage payable was not recorded in the year-end financial statements.

Cause - The errors occurred because the Port Authority did not review open construction contracts and related invoices for retainage payable as of year end.

Effect - Accrued liabilities were originally understated by approximately $87,000 at year end. However, the client has since recorded this entry to properly correct the year-end financial statements.

Recommendation - The Port Authority should put a procedure in place to review construction contracts to ensure retainage is properly recorded.

Views of Responsible Officials and Planned Corrective Actions - The director of accounting and financial management will review construction contracts in excess of $100,000 to ensure appropriate accounting treatment.