

THE PORT

Making Real Estate Work

**PORT OF GREATER CINCINNATI DEVELOPMENT AUTHORITY
HAMILTON COUNTY, OHIO**

**REGULAR AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2022**



Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-10
Basic Financial Statements	
Statement of Net Position	11
Statement of Revenue, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13-14
Notes to Financial Statements	15-49
Required Supplementary Information	50
Schedule of The Port's Pension Contributions	51
Schedule of The Port's OPEB Contributions	52
Schedule of The Port's Proportionate Share of the Net Pension Liability	53
Schedule of The Port's Proportionate Share of the Net OPEB Liability/(Asset)	54
Notes to Required Supplementary Information	55
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56-57

INDEPENDENT AUDITOR'S REPORT

Port of Greater Cincinnati Development Authority
Hamilton County, Ohio
3 East Fourth Street, Suite 300
Cincinnati, Ohio 45202

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Port of Greater Cincinnati Development Authority, Hamilton County, Ohio (the "Port"), as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Port of Greater Cincinnati Development Authority, Hamilton County, Ohio, as of December 31, 2022, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Port, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As described in Note 15 to the financial statements, effective December 31, 2021 the Port restated beginning net position to account for the adoption of GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of the Port for the year ended December 31, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on June 29, 2022.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Port's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and pension and other post-employment benefit schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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 supplementary information in accordance with GAAS, 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 June 28, 2023 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Port's 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 the Port's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Gahanna, Ohio
June 28, 2023

Our discussion and analysis of Port of Greater Cincinnati Development Authority's (dba "The Port") financial performance provides an overview of the financial activities for the fiscal years ended December 31, 2022, 2021, and 2020. Please read it in conjunction with The Port'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, 2022:

- Operating revenue of \$11.9 million in 2022 was \$0.8 million or 7% higher than the prior year due to a \$1.4 million increase in service revenue offset by a \$0.6 million decrease in public funding. The increase in service revenue was led by rent revenue from The Port's home portfolio acquired in 2022 (see Note 7).
- Operating expense of \$8.9 million in 2022 was \$3.0 million or 52% higher than the prior year primarily due to an increase in salary and benefits. In 2021, salary and benefits reduced \$2.0 million from an adjustment to other postemployment benefits (OPEB). The OPERS (Ohio Public Employees Retirement System) board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the plan. These changes significantly decreased the OPEB liability beginning in 2021. Additionally, professional services increased \$0.6 million in 2022 mainly due to property management.
- Capital assets increased \$2.8 million or 3% in 2022 due to \$3.6 million of land improvements at the Convention Center Hotel site and \$0.4 million of parking facility and leasehold improvements, offset by \$1.2 million of depreciation and amortization.
- Other noncurrent assets increased \$14.4 million or 32 percent in 2022 primarily as a result of acquiring a rental portfolio consisting of 194 single family homes in Hamilton County (See Note 7). The portfolio was acquired through an auction to settle the foreclosure of an out-of-town investor. The Port plans to transition the rental portfolio to owner-occupied housing in an effort to increase home ownership.
- Net position increased to \$13.0 million by the end of 2022, an increase of \$3.2 million or 32 percent from the previous year. The increase is mainly derived from \$0.8 million decrease in trust and grant restricted net position and a \$4.1 million increase in unrestricted net position, the part of net position that can be used to finance day-to-day operations.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of revenues, expenses, and changes in net position provide information about the activities of The Port 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's cash position during the year.

The Port

Management's Discussion and Analysis (Continued)

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:

	<u>Restated</u>				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Change</u>	<u>Percent Change</u>
Assets					
Current assets	\$ 9,259,613	\$ 10,613,386	\$ 15,416,744	\$ 4,803,358	45%
Capital assets, net	78,184,678	87,818,232	90,668,823	2,850,591	3%
Other noncurrent assets	<u>49,403,895</u>	<u>44,336,728</u>	<u>58,726,036</u>	<u>14,389,308</u>	32%
Total assets	136,848,186	142,768,346	164,811,603	22,043,257	15%
Deferred Outflows of Resources					
Total assets and deferred outflows	<u>1,068,402</u>	<u>951,478</u>	<u>877,424</u>	<u>(74,054)</u>	-8%
	137,916,588	143,719,824	165,689,027	21,969,203	15%
Liabilities					
Current liabilities	1,658,321	2,507,098	9,433,502	6,926,404	276%
Long-term liabilities:					
Due within one year	13,054,532	4,440,726	55,963,652	51,522,926	1160%
Due in more than one year	<u>118,375,890</u>	<u>124,550,858</u>	<u>84,292,123</u>	<u>(40,258,735)</u>	-32%
Total liabilities	<u>133,088,743</u>	<u>131,498,682</u>	<u>149,689,277</u>	<u>18,190,595</u>	14%
Deferred Inflows of Resources					
	1,237,061	2,407,039	3,002,587	595,548	25%
Net Position					
Net investment in capital assets	(2,137,362)	(2,156,371)	(2,262,486)	(106,115)	5%
Restricted	3,337,203	5,894,560	5,052,939	(841,621)	-14%
Unrestricted	<u>2,390,943</u>	<u>6,075,914</u>	<u>10,206,710</u>	<u>4,130,796</u>	68%
Total net position	<u>\$ 3,590,784</u>	<u>\$ 9,814,103</u>	<u>\$ 12,997,163</u>	<u>\$ 3,183,060</u>	32%

Note: 2020 net position includes a \$17,036 beginning of year increase for a change in accounting principle.

Management's Discussion and Analysis (Continued)

	<i>Restated</i>			Change	Percent Change
	2020	2021	2022		
Operating Revenue					
Public funding	\$ 660,000	\$ 2,100,000	\$ 1,500,000	\$ (600,000)	-29%
Charges for services	8,573,417	9,069,386	10,439,543	1,370,157	15%
Total operating revenue	9,233,417	11,169,386	11,939,543	770,157	7%
Operating Expenses					
Salaries and benefits	4,241,367	1,871,973	4,026,994	2,155,021	115%
Professional services	1,604,476	1,941,413	2,512,277	570,864	29%
Occupancy	114,581	101,506	189,048	87,542	86%
Travel and business development	40,521	88,513	150,355	61,842	70%
Equipment and supplies	41,041	36,612	35,539	(1,073)	-3%
Other operating expenses	327,115	370,674	498,695	128,021	35%
Taxes and holding costs	342,619	226,940	294,721	67,781	30%
Depreciation and amortization	1,222,866	1,237,439	1,196,128	(41,311)	-3%
Total operating expenses	7,934,586	5,875,070	8,903,757	3,028,687	52%
Operating Income	1,298,831	5,294,316	3,035,786	(2,258,530)	-43%
Restricted bond revenues	1,294,701	1,808,387	1,892,876	84,489	5%
Interest expense	(3,337,447)	(3,421,241)	(3,889,348)	(468,107)	14%
Gain/(Loss) on sale of property	497,587	116,556	(35)	(116,591)	-100%
Gain/(Loss) on sale of inventory	-	-	8,470	8,470	N/A
Gain on tax ruling	-	911,052	-	(911,052)	-100%
Impairment on asset	(5,031,669)	-	-	-	N/A
Investment income	208,634	99,580	101,396	1,816	2%
Bond administrative expense	(962,192)	(227,443)	(929,303)	(701,860)	309%
Grants, net	(19,519)	(34,973)	5,068	40,041	-114%
Forgiveness income	50,000	-	-	-	N/A
Capital grants and contributions	50,000	1,677,085	2,958,150	1,281,065	76%
Increase (Decrease) in Net Position	(5,951,074)	6,223,319	3,183,060	(3,040,259)	-49%
Adjustment for change in accounting principle	17,036	-	-	-	N/A
Change in Net Position	<u>\$ (5,934,038)</u>	<u>\$ 6,223,319</u>	<u>\$ 3,183,060</u>	<u>\$ (3,040,259)</u>	-49%

The Port 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 \$3.2 million, or 32 percent, in 2022. In comparison, net position in 2021 increased by \$6.2 million, or 173 percent. The increase in 2022 is mainly derived from \$3.0 million of operating income, \$3.0 million of capital grant contributions, offset by \$2.8 million of bond expense in excess of bond revenues.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased \$4.1 million, or 68 percent in 2022. In comparison, in 2021 unrestricted net position increased by \$3.7 million, or 158 percent. The current level of unrestricted net position stands at \$10.2 million, or about 132 percent of annual operating expenditures, excluding depreciation and amortization.

Restricted net position decreased by \$0.8 million, or 14 percent, in 2022 primarily due to spending restricted grants and trust restricted funds. In contrast, restricted net position increased by \$2.6 million, or 77 percent, in 2021. The prior year increase resulted primarily from \$1.7 million of capital grants provided by Hamilton County and the City of Cincinnati for redevelopment projects and a \$0.9 million gain on tax ruling for a restricted trust asset.

Net position from The Port's net investment in capital assets is negative \$2.3 million, which has no significant change over the prior two years. In 2020, net investment in capital assets decreased \$1.8 million due to a \$1.1 million decline in net position on the Convention Center Garages driven by declining parking revenue and a deferral of debt service, and a \$0.7 million decline in net position on the Convention Center Hotel site related to bond issuance cost.

Operating Revenue

In 2022, public funding in the form of operating grants decreased \$0.6 million due to a reduction in operating support from Hamilton County. In comparison, public funding increased \$1.4 million in 2021 due to a \$0.7 million increase by both Hamilton County and the City of Cincinnati. Public grants are appropriated annually to support The Port's economic development and inclusion activities.

Charges for services consist primarily of fees and rents charged for: parking, public finance, real estate leases, mortgage down payment assistance, management of other organizations, and development of projects. Service revenue increased \$1.4 million or 15 percent in 2022 compared to the prior year. The increase was led by rents from The Port's home portfolio acquired in 2022 (see Note 7). In comparison, service revenue increased \$0.5 million or 6 percent in 2021 compared to the prior year mainly due to a \$0.2 million increase in finance fees and \$0.2 million increase in parking fees.

Operating Expenses

Operating expenses increased \$3.0 million or 52 percent in 2022 compared to the prior year, primarily due to a \$2.0 million other postemployment benefit (OPEB) adjustment for GASB 75 reflected as a reduction in salary and benefits in 2021. The OPERS (Ohio Public Employees Retirement System) board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the plan. These changes significantly decreased the OPEB liability beginning in 2021. Additionally, professional services increased \$0.6 million in 2022 mainly due to property management. In 2021, operating expenses decreased \$2.1 million due to the aforementioned OPEB adjustment.

For years 2022, 2021 and 2020, The Port had adequate operating revenue to cover its operating expenses before depreciation and amortization on capital assets.

Nonoperating Income (Expenses)

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

Nonoperating Income decreased \$2.1 million in 2022 compared to the prior year, primarily due to a \$1.2 million increase in bond interest and administration expense led by the 2022 Home Portfolio bonds (See Note 7), and prior year 2021 reflecting a \$0.9 million favorable tax ruling on Fountain Square South Garage. In 2021, nonoperating income increased \$6.5 million compared to the prior year, due to the aforementioned \$0.9 million favorable tax ruling on Fountain Square South Garage and a \$5.0 million decrease in impairment on assets after The Port recorded a \$5.0 million cost-to-market adjustment to assets held for resale in 2020.

Capital grants and contributions increased \$1.3 million in 2022 primarily due to an increase in grant funding from the City of Cincinnati for the acquisition of blighted industrial properties on Spring Grove Avenue in Camp Washington. In comparison, capital grants and contributions increased \$1.6 million in 2021 mainly due to grant funding from Hamilton County for the acquisition of blighted commercial properties on Reading Road in Sycamore Township.

Capital Assets

At the end of 2022, The Port had \$90.7 million invested in a broad range of capital assets, including public parking facilities, land, leasehold improvements and right of use assets. During the year, The Port's major additions included \$3.6 million on land improvements at the Convention Center Hotel (former Millennium Hotel) and \$0.4 million of parking garage and leasehold improvements. This activity was offset by additional depreciation and amortization on capital assets in the amount of \$1.2 million.

In comparison, in 2021 The Port major capital additions included \$10.1 million of land improvements at the Convention Center Hotel site and \$0.7 million of parking and leasehold improvements. This activity was offset by additional depreciation and amortization on capital assets in the amount of \$1.2 million.

Debt Administration

In support of economic development and other authorized projects within the City of Cincinnati and Hamilton County, The Port considers and, with board approval, issues bonds. In 2022, The Port issued \$280.3 million of bonds, compared to \$269.7 million and \$385.1 million of bonds issued in 2021 and 2020, respectively. The following table summarizes The Port's issuance of bonds and conduit financings in the years 2022, 2021 and 2020.

<u>Issue Date</u>	<u>Project Name</u>	<u>Bond Amount</u>
01/2022	11911 Sheraton Lane Milhaus Project *	\$ 30,000,000
01/2022	Hyde Park Hotel Project *	15,412,500
01/2022	Home Portfolio	15,865,000
02/2022	US Playing Card Redevelopment Project **	6,610,000
02/2022	11911 Sheraton Lane Project **	5,425,000
06/2022	The Foundry Project **	8,000,000
07/2022	District at Clifton Heights – Tribute Hotel Project *	38,559,300
07/2022	The District at Clifton Heights Project – Phase I *	39,850,000
08/2022	The Barrister Project *	7,500,000
08/2022	Three Oaks Project – Phase I *	11,855,000
09/2022	Central Trust Tower Project *	76,500,000
12/2022	Lester and Montgomery Apartments Project *	22,095,840
12/2022	The Lincoln & Gilbert Family Project *	2,591,280
	Total 2022	<u>\$ 280,263,920</u>

Management's Discussion and Analysis (Continued)

Issue Date	Project Name	Bond Amount
02/2021	Summit Park Area Public Improvements *	\$17,810,000
03/2021	FC Cincinnati Public Improvements *	18,445,000
06/2021	Patient Capital Fund (refinance)	10,475,000
06/2021	Cornerstone **	9,240,000
06/2021	Bigelow Street *	37,774,015
06/2021	Montgomery Quarter – Office *	10,031,250
07/2021	Walworth Junction *	12,600,000
07/2021	Blair Lofts *	10,250,000
07/2021	Montgomery Quarter – Apartments *	29,400,000
08/2021	Linden Pointe **	7,095,000
09/2021	Court & Walnut Development *	7,444,000
09/2021	Colonial Village Apartments *	6,000,000
12/2021	IDEA Public School *	28,100,000
12/2021	US Playing Cards (Factory 52) *	65,000,000
	Total 2021	\$ 269,664,265

Issue Date	Project Name	Bond Amount
01/2020	Gallery at Kenwood Lease *	54,000,000
01/2020	Uptown Gateway Development Phase IA *	48,445,000
02/2020	Convention Center Hotel	52,855,000
03/2020	Fourth & Race Residential Tower *	15,607,000
03/2020	Springrose Meadows *	2,450,000
04/2020	3CDC Parking 1400 Vine St Parking Facility *	3,750,000
05/2020	Kao Property Acquisition Project **	7,800,000
05/2020	Greater Cincinnati Neighborhoods Housing Revitalization Loan Fund – Additional Bond	1,000,000
06/2020	Madison & Stewart Apartments *	18,750,000
06/2020	College Hill Station *	22,000,000
07/2020	St Xavier High School *	21,500,000
07/2020	3CDC Ziegler & Fountain Place Parking Facilities *	13,440,000
09/2020	Uptown Gateway Office Building I *	31,145,100
09/2020	Uptown Gateway Office Building II *	30,500,000
10/2020	FC Cincinnati Stadium Public Improvements *	8,000,000
11/2020	Willows at Springdale *	42,000,000
12/2020	Madison & Whetsel Phase III *	11,818,084
	Total 2020	\$ 385,060,184

* Conduit revenue bond obligations issued by The Port

** Conduit revenue bond obligations issued by Southwest Ohio Regional Bond Fund (Note 7)

Bond amounts reflect the maximum authorized principal amount.

Economic Factors and Next Year's Budgets and Rates

The Port projects 2023 operating revenue of \$11.8 million and operating expenses of \$8.7 million.

The Port will continue to rely on operating support provided by its public partners. Hamilton County and the City of Cincinnati are expected to make operating grants of \$800,000 and \$700,000, respectively, in 2023.

The Port operates four public parking facilities in Cincinnati's central business district providing 2,230 total parking spaces. Parking demand is dependent upon Cincinnati's downtown workforce and special events, including the Convention Center, professional sports, and Fountain Square events.

Lease revenue from The Port's single family housing portfolio may vary due to the demand for rental units, vacancy rate, and nonpayment of rent.

The Port actively manages a pipeline of potential public financings that could result in the issuance of bonds or project leases generating recurring and non-recurring public finance fees, some of which could be significant.

Revenues from The Port's mortgage down payment assistance program are correlated with the demand for mortgage loans, which can fluctuate due to economic factors such as mortgage interest rates and the supply of housing inventory.

Contacting the Management

This financial report is intended to provide our stakeholders with a general overview of The Port's finances and to show accountability for the money received. If you have questions about this report or need additional information, we welcome you to contact Rick Hudson, Chief Financial Officer at 513-621-3000.

Proprietary Funds
Statement of Net Position

December 31, 2022 and 2021

	2022	2021 <i>Restated*</i>
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 13,200,690	\$ 7,441,740
Receivables (Note 4)	2,035,973	2,144,674
Prepaid expenses and other assets	180,081	1,026,972
Total current assets	15,416,744	10,613,386
Noncurrent assets:		
Restricted cash and investments	15,160,533	19,705,854
Notes and lease receivables (Note 4)	2,582,448	3,367,071
Net OPEB asset (Note 11)	607,982	335,258
Inventory – Housing	14,763,169	-
Capital assets: (Note 5)		
Assets not subject to depreciation and amortization	69,830,115	67,352,284
Assets subject to depreciation and amortization	20,838,708	20,465,948
Assets held for resale (Note 14)	25,611,904	20,928,545
Total noncurrent assets	149,394,859	132,154,960
Total assets	164,811,603	142,768,346
Deferred Outflows of Resources		
Pension (Note 10)	867,446	784,622
OPEB (Note 11)	9,978	166,856
Total deferred outflows of resources	877,424	951,478
Liabilities		
Current liabilities:		
Accounts payable	2,028,220	910,981
Lease liability (Note 8)	192,589	201,597
Accrued liabilities and other	349,213	495,120
Unearned grant revenue	6,863,480	899,400
Total current liabilities	9,433,502	2,507,098
Noncurrent liabilities:		
Accrued interest payable from restricted assets	1,051,075	973,375
Accrued expenses payable from restricted assets	520,016	2,463,741
Lease liability (Note 8)	301,770	494,359
Net pension obligation (Note 10)	1,343,429	2,078,102
Current portion of long-term debt payable from restricted assets (Note 7)	54,392,561	1,003,610
Long-term debt payable from restricted assets (Note 7)	2,500,000	8,989,720
Long-term debt payable from future restricted bond revenue (Note 7)	80,146,924	112,988,677
Total noncurrent liabilities	140,255,775	128,991,584
Total liabilities	149,689,277	131,498,682
Deferred Inflows of Resources		
Pension (Note 10)	1,627,427	992,972
OPEB (Note 11)	629,612	1,035,002
Leases (Note 8)	745,548	379,065
Total deferred inflows of resources	3,002,587	2,407,039
Net Position		
Net investment in capital assets	(2,262,486)	(2,156,371)
Restricted:		
Grants	4,200,675	4,441,800
Trust assets	852,264	1,452,760
Unrestricted	10,206,710	6,075,914
Total net position	\$ 12,997,163	\$ 9,814,103

*See Note 15 – Change in Accounting Principle and Restatement of Net Position

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2022 and 2021

	2022	2021 <i>Restated*</i>
Operating Revenue		
Public funding (Note 9)	\$ 1,500,000	\$ 2,100,000
Charges for services	<u>10,439,543</u>	<u>9,069,386</u>
Total operating revenue	11,939,543	11,169,386
Operating Expenses		
Salaries and benefits	4,026,994	1,871,973
Professional services	2,512,277	1,941,413
Occupancy	189,048	101,506
Travel and business development	150,355	88,513
Equipment and supplies	35,539	36,612
Other operating expenses	498,695	370,674
Taxes and holding costs	294,721	226,940
Depreciation and amortization	<u>1,196,128</u>	<u>1,237,439</u>
Total operating expenses	<u>8,903,757</u>	<u>5,875,070</u>
Operating Income	3,035,786	5,294,316
Nonoperating Revenue (Expense)		
Restricted bond revenue	1,892,876	1,808,387
Investment income	101,396	99,580
Interest expense	(3,889,348)	(3,421,241)
(Loss) gain on sale of property	(35)	116,556
Gain on sale of housing inventory	8,470	-
Gain on tax ruling	-	911,052
Bond administrative expense	(929,303)	(227,443)
Grants	7,564,249	17,527,937
Grant expenditures	<u>(7,559,181)</u>	<u>(17,562,910)</u>
Total nonoperating (expense) revenue	<u>(2,810,876)</u>	<u>(748,082)</u>
Gain - Before capital grants and contributions	224,910	4,546,234
Capital Grants and Contributions	<u>2,958,150</u>	<u>1,677,085</u>
Increase in Net Position	3,183,060	6,223,319
Net Position - Beginning of year	<u>9,814,103</u>	<u>3,590,784</u>
Net Position - End of year	<u>\$ 12,997,163</u>	<u>\$ 9,814,103</u>

*See Note 15 – Change in Accounting Principle and Restatement of Net Position

Proprietary Funds
Statement of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021 <i>Restated*</i>
Cash Flows from Operating Activities		
Receipts from public funding sources	\$ 1,500,000	\$ 2,100,000
Receipts from charges for services	10,180,942	9,096,491
Payments to suppliers	(2,639,171)	(3,645,424)
Payments to employees	<u>(4,614,372)</u>	<u>(4,002,501)</u>
Net cash and cash equivalents provided by operating activities	4,427,399	3,548,566
Cash Flows from Noncapital Financing Activities		
Receipts from grants and subsidies	8,807,374	2,084,490
Proceeds from the issuance of debt	15,865,000	10,475,000
Restricted bond revenue	307,226	222,737
Principal paid on debt	(361,974)	(11,027,570)
Interest paid	(1,104,840)	(695,746)
Bond administrative expenses paid	(406,709)	(199,004)
Proceeds from the sale of housing inventory	72,470	-
Purchase and development of housing inventory	(14,793,419)	-
Proceeds from the sale of assets held for sale	617,264	1,056,531
Purchase and development of assets held for sale	<u>(3,934,364)</u>	<u>(3,320,482)</u>
Net cash and cash equivalents provided by (used in) noncapital financing activities	5,068,028	(1,404,044)
Cash Flows from Capital and Related Financing Activities		
Restricted bond revenue	1,585,650	2,496,702
Purchase and construction of capital assets	(6,664,063)	(8,973,601)
Principal paid on debt	(757,570)	(655,552)
Interest paid	(3,394,788)	(3,053,965)
Bond administrative expenses paid	<u>(155,094)</u>	<u>(13,398)</u>
Net cash and cash equivalents used in capital and related financing activities	(9,385,865)	(10,199,814)
Cash Flows from Investing Activities		
Interest received on investments	78,182	106,369
Loans collected	1,025,885	2,446,755
Loans provided	<u>-</u>	<u>(2,263,985)</u>
Net cash and cash equivalents provided by investing activities	<u>1,104,067</u>	<u>289,139</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,213,629	(7,766,153)
Cash and Cash Equivalents - Beginning of year	<u>27,147,594</u>	<u>34,913,747</u>
Cash and Cash Equivalents - End of year	<u>\$ 28,361,223</u>	<u>\$ 27,147,594</u>
Classification of Cash and Cash Equivalents		
Cash and investments	\$ 13,200,690	\$ 7,441,740
Restricted cash	<u>15,160,533</u>	<u>19,705,854</u>
Total cash and cash equivalents	<u>\$ 28,361,223</u>	<u>\$ 27,147,594</u>

*See Note 15 – Change in Accounting Principle and Restatement of Net Position

Continued next page

Propriety Funds
Statement of Cash Flows (Continued)

Years Ended December 31, 2022 and 2021

	2022	2021 <i>Restated*</i>
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 3,035,786	\$ 5,294,316
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	1,196,128	1,237,439
Changes in assets and liabilities:		
Accounts receivable	346,981	(893,233)
Prepaid and other assets	(147,603)	(250,657)
Accounts payable	612,691	(226,400)
Accrued and other liabilities	(616,584)	(1,612,899)
Net cash and cash equivalents provided by operating activities	\$ 4,427,399	\$ 3,548,566

**See Note 15 – Change in Accounting Principle and Restatement of Net Position*

December 31, 2022 and 2021

Note 1 - Nature of Business

Port of Greater Cincinnati Development Authority (dba, "The Port") is a port authority that uses a broad range of tools to assist with economic development projects within the City of Cincinnati, Ohio and Hamilton County, Ohio.

Note 2 - Significant Accounting Policies

The Port follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by The Port:

Reporting Entity

The Port 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 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's geographical jurisdiction to include all of Hamilton County, Ohio and the City of Cincinnati, Ohio, 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 to use all powers available to Ohio port authorities.

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

The Port's management believes these financial statements present all activities for which The Port 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.

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 13). The Port has several conduit revenue bond issues outstanding and provides such assistance upon request.

December 31, 2022 and 2021

Note 2 - Significant Accounting Policies (Continued)

The Port issues conduit debt on behalf of third parties. The Port classifies debt as conduit debt when all of the following characteristics exist: at least three party involvement: (1) issuer, (2) third-party obligor, and (3) debt holder or debt trustee; the issuer and third-party obligor are not within the same financial reporting entity; debt obligation is not a parity bond of the issuance, nor is it cross-collateralized with other debt of the issuer; third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance; and the third party-obligor, not the issuer, is primarily obligated for the payment of all debt service.

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. 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. The Port 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.

In April 2015, The Port 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 also issues bond fund debt repayable from tax increment financing and special assessments. See Note 7 for additional details regarding 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. Furthermore, 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 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 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 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.

December 31, 2022 and 2021

Note 2 - Significant Accounting Policies (Continued)

Project Coordination - Ohio 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.

Management Agreements

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

- Hamilton County Land Reutilization Corporation (Hamilton County Landbank)
- 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 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 maintains budgetary control by not permitting total expenses 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' expenses until the next year's appropriation is approved by the board.

The Port 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's policy is to first apply restricted resources.

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.

December 31, 2022 and 2021

Note 2 – Significant Accounting Policies (Continued)

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.

Inventory - Housing

Inventory consists of residential homes transitioning to home ownership opportunities and are valued at cost. Prior to their sale, homes may be leased to tenants and renovated.

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 and right of use lease assets are amortized over the shorter of the lease term or the estimated useful lives. Property held for redevelopment that is environmentally contaminated, or perceived to be contaminated, is not depreciated until redevelopment is completed. Donated capital assets are recorded at their acquisition value at the date of donation. 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.

Through 2020, The Port capitalized 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 2020 was \$21,230. In 2021, The Port adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period is no longer capitalized after 2020.

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

	Depreciable Life Years
Land improvements	30 to 45
Buildings and leasehold improvements	3 to 45
Equipment and furnishings	3 to 7

Notes Receivable

The Port provided housing loans of \$0 and \$1,303,600 in the years 2022 and 2021, respectively, from the Greater Cincinnati Neighborhoods Housing Revitalization Loan Fund (see Note 7). All loans were provided to entities managed by The Port, mature in the year 2025, and have an annual interest rate of 2.50 percent. Interest payments are due quarterly.

The Port provided commercial loans of \$0 and \$960,385 in years 2022 and 2021, respectively, from the Cincinnati Neighborhood Commercial Real Estate Loan Fund (see Note 7). All loans mature in the year 2026 and have an annual interest rate of 3.00 percent. Interest payments are due quarterly.

Compensated Absences (Vacation and Sick Leave)

It is The Port’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 twenty days for the year 2022 and seven days for the year 2021 from one service year to the next. Accumulated paid-time-off balances are accrued when incurred in the financial statements.

December 31, 2022 and 2021

Note 2 – Significant Accounting Policies (Continued)

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 records debt when The Port 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's governmental purpose by fostering continued opportunity for economic or business development.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. The Port reports deferred outflows related to pensions and OPEB (other post-employment benefits) (Notes 10 & 11).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Port reports deferred inflows related to pensions and OPEB (Notes 10 & 11), and leases (Note 8).

Pension and Other Postemployment Benefit Costs

For the purposes of measuring the net pension and OPEB liability/(asset), deferred outflows and inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Ohio Public Employees Retirement System Pension Plan (OPERS) and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with benefit terms. OPERS reports investments at fair value (see Notes 10 & 11).

Net Position Flow Assumption

The Port will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is The Port's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Net Position

Net position of The Port is classified in three components:

- Net Position Investment in Capital Assets - Consists of capital assets net of accumulated depreciation and amortization 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.

December 31, 2022 and 2021

Note 2 – Significant Accounting Policies (Continued)***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.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services, administrative expenses, and may include depreciation and amortization on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In May 2020, GASB (Governmental Accounting Standards Board) issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Port 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's financial statements for the year ending December 31, 2023.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement are effective for the Port's financial statements for the year ending December 31, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, which requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences and requires that a liability for specific types of compensated absences not be recognized until the leave is used. In addition, the statement establishes guidance for measuring a liability for leave that has not been used. The requirements of this statement are effective for the Port's financial statements for the year ending December 31, 2024.

December 31, 2022 and 2021

Note 2 – Significant Accounting Policies (Continued)

The Port adopted the following accounting pronouncements in fiscal years 2022 and 2021:

- GASB Statement No. 87, *Leases* (See Notes 8 & 15); Adopted in fiscal year 2022.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (See Note 2 – Capital Assets section); Adopted in fiscal year 2021.
- GASB Statement No. 91, *Conduit Debt Obligations*; Adopted in fiscal year 2021

Note 3 - Deposits and Investments

Deposits

Monies in the funds of The Port, 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 135.01-135.52 (UDA). At December 31, 2022 and 2021, the aggregate amount of monies in the general operating funds of The Port held in demand deposit and money market accounts was \$2,328,480 and \$7,503,247, respectively, all of which constituted "active deposits," with three qualified banking institutions, deposited in accordance with UDA. At December 31, 2022 and 2021, approximately \$750,000 and \$1,000,000, respectively, of these deposits were covered by FDIC insurance. Of the remaining balances at December 31, 2022 and 2021, approximately \$1,578,500 and \$6,503,200, respectively, were collateralized with securities by the pledging institution's trust department or agent, but not in The Port's name. In 2022, The Port established investment accounts with STAR Ohio (State Treasury Asset Reserve of Ohio) for interim deposits. The STAR Ohio investments in 2022 were the only amounts from the unrestricted general operating funds not held in demand deposit or money markets with a qualified banking institution during the two-year period ended December 31, 2022.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, The Port's deposits may not be returned to it. Operating (non-trustee) investments of The Port 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 may be legally invested in accordance with the bond-authorizing resolution of The Port's board of directors or the trust indenture or agreement securing those revenue bonds.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of rising interest rates. The Port held the following investments as of December 31, 2022 and 2021.

- U.S. Treasury securities with a market value of \$3,103,931 and \$1,545,644 having a maximum of 365 days remaining until maturity for the year ended December 31, 2022 and 2021.
- Federal Home Loan Bank securities with a market value of \$888,520 and \$994,620 having a maximum of 365 days remaining until maturity for the years ended December 31, 2022 and 2021, respectively.

December 31, 2022 and 2021

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Port has no investment policy that would further limit its investment choices. As of yearend, the S&P credit quality ratings of the money markets held are AAAM for 2022 and 2021.

Note 4 – Receivables

The table below summarizes the Port’s receivables as of December 31, 2022 and 2021. Receivables from the state primarily relate to grant funds due on demolition and remediation work on industrial sites, and ODOT (Ohio Department of Transportation) reimbursements on garage capital improvements. Receivables from local government primarily relate to City of Cincinnati grant funds, Hamilton County Auditor tax refunds, and cost reimbursement from the Hamilton County Landbank. Other receivables are mainly related to public finance projects and other various reimbursements. Notes receivable from the commercial and housing loan funds are further described in the long-term debt footnote (Note 7). All receivables are expected to be collected, thus no allowance for doubtful accounts is recorded.

	2022	2021
Receivables - current		
State of Ohio and state agencies	\$ 624,746	\$736,370
Local government	498,200	921,649
Other	653,827	375,890
Notes receivable – commercial loan fund	106,080	77,847
Notes receivable – housing loan fund	5,672	-
Lease receivable – GASB 87	147,448	32,918
Total	<u>2,035,973</u>	<u>2,144,674</u>
Receivables - noncurrent		
Notes receivable – commercial loan fund	1,644,348	1,717,324
Notes receivable – housing loan fund	340,000	1,303,600
Lease receivable – GASB 87	598,100	346,147
Total	<u>2,582,448</u>	<u>3,367,071</u>

December 31, 2022 and 2021

Note 5 - Capital Assets

Capital asset activity of The Port was as follows:

	Balance January 1, 2022 <i>Restated*</i>	Additions	Disposals & Transfers	Balance December 31, 2022
Capital assets not being depreciated:				
Land - Fifth & Plum Parking Lot	\$ 11,920,221	-	-	\$ 11,920,221
Land - Convention Center Garages	4,857,323	-	-	4,857,323
Land - Convention Center Hotel	38,561,497	-	-	38,561,497
Land improvements - Conv Ctr Hotel	10,883,043	3,608,031	-	14,491,074
Construction in progress - Conv Ctr Garage	1,130,200	211,505	(1,341,705)	-
Subtotal	67,352,284	3,819,536	(1,341,705)	69,830,115
Capital assets being depreciated:				
Buildings - Convention Center Garages	20,880,388	1,341,705	-	22,222,093
Parking equipment	130,966	-	-	130,966
Office equipment	2,757	-	-	2,757
Furniture and fixtures	91,800	30,251	-	122,051
Vehicles	-	42,567	-	42,567
Leasehold improvements - Garage	1,856,691	48,833	-	1,905,524
Leasehold improvements - Office	15,347	105,532	-	120,879
Right of use lease assets – Land	593,228	-	-	593,228
Right of use lease assets – Facilities	334,566	-	-	334,566
Right of use lease assets – Equipment	63,502	-	-	63,502
Subtotal	23,969,245	1,568,888	-	25,538,133
Accumulated depreciation and amortization:				
Buildings - Convention Center Garages	2,285,415	831,060	-	3,116,475
Parking equipment	93,402	26,931	-	120,333
Office equipment	2,756	1	-	2,757
Furniture and fixtures	74,078	6,125	-	80,203
Vehicles	-	2,708	-	2,708
Leasehold improvements - Garage	687,398	138,128	-	825,526
Leasehold improvements - Office	8,479	8,393	-	16,872
Right of use lease assets – Land	206,940	110,368	-	317,308
Right of use lease assets – Facilities	119,845	59,922	-	179,767
Right of use lease assets – Equipment	24,984	12,492	-	37,476
Subtotal	3,503,297	1,196,128	-	4,699,425
Net capital assets being depreciated	20,465,948	372,760	-	20,838,708
Net capital assets	<u>\$ 87,818,232</u>	<u>\$ 4,192,296</u>	<u>\$ (1,341,705)</u>	<u>\$ 90,668,823</u>

*See Note 15 – Change in Accounting Principle and Restatement of Net Position

December 31, 2022 and 2021

Note 5 – Capital Assets (Continued)

	Balance January 1, 2021 <i>Restated*</i>	Additions	Disposals & Transfers	Balance December 31, 2021 <i>Restated*</i>
Capital assets not being depreciated:				
Land - Fifth & Plum Parking Lot	\$ 11,920,221	-	-	\$ 11,920,221
Land - Convention Center Garages	4,857,323	-	-	4,857,323
Land - Convention Center Hotel	38,561,497	-	-	38,561,497
Land improvements - Conv Ctr Hotel	747,807	10,135,236	-	10,883,043
Construction in progress - Conv Ctr Garages	504,103	626,097	-	1,130,200
Subtotal	56,590,951	10,761,333	-	67,352,284
Capital assets being depreciated:				
Buildings - Convention Center Garages	20,880,388	-	-	20,880,388
Parking equipment	115,016	15,950	-	130,966
Office equipment	2,757	-	-	2,757
Furniture and fixtures	88,659	3,141	-	91,800
Leasehold improvements – Garage	1,766,123	90,568	-	1,856,691
Leasehold improvements – Office	15,347	-	-	15,347
Right of use lease assets – Land	593,228	-	-	593,228
Right of use lease assets – Facilities	334,566	-	-	334,566
Right of use lease assets – Equipment	63,502	-	-	63,502
Subtotal	23,859,586	109,659	-	23,969,245
Accumulated depreciation and amortization:				
Buildings - Convention Center Garages	1,454,355	831,060	-	2,285,415
Parking equipment	55,060	38,342	-	93,402
Office equipment	2,462	294	-	2,756
Furniture and fixtures	62,872	11,206	-	74,078
Leasehold improvements – Garage	515,563	171,835	-	687,398
Leasehold improvements – Office	6,560	1,919	-	8,479
Right of use lease assets – Land	96,572	110,368	-	206,940
Right of use lease assets – Facilities	59,923	59,922	-	119,845
Right of use lease assets – Equipment	12,492	12,492	-	24,984
Subtotal	2,265,859	1,237,438	-	3,503,297
Net capital assets being depreciated	21,593,727	(1,127,779)	-	20,465,948
Net capital assets	<u>\$ 78,184,678</u>	<u>\$ 9,633,554</u>	<u>\$ -</u>	<u>\$ 87,818,232</u>

*See Note 15 – Change in Accounting Principle and Restatement of Net Position

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

Construction in Progress

In 2020 land improvements began at the Convention Center Hotel site and garage improvements began at the Convention Center Garages. Both projects completed in December 2022.

Construction Commitments

The Port commitments as of December 31, 2022 and 2021 are \$0 and \$3,966,647, respectively.

December 31, 2022 and 2021

Note 6 - Fair Value Measurements

The Port 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 assets and liabilities. Level 1 inputs are quoted prices in active markets for identical assets and liabilities; 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.

In instances whereby inputs used to measure fair value fall into different levels in the 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'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 has the following recurring fair value measurements as of December 31, 2022 and 2021:

- U.S. Treasury securities of \$3,103,931 and \$1,545,644, respectively, are valued using quoted market prices (Level 1 inputs).
- Federal Home Loan Bank securities of \$888,520 and \$994,620, respectively, are valued using quoted market prices (Level 1 inputs).
- Money market funds of \$7,117,732 and \$5,170,926, respectively, are valued using quoted market prices (Level 1 inputs).

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

The Port 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, 2022 and 2021.

Note 7 - Long-term Debt

The bonds are special limited obligations of The Port 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, except for parking revenues included in operating revenue as charges for services. All bonds are issued as direct placement bonds. The bondholders have no recourse to any other revenue or assets of The Port, except for bondholders of the 2021 Patient Capital Fund, 2018 Fifth and Plum Project, 2019 Convention Center Garages and 2022 Home Portfolio.

Costs of The Port, 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 is also specifically indemnified by various parties including the private developers. This indemnification includes all costs of The Port, including legal costs.

December 31, 2022 and 2021

Note 7 - Long-term Debt (Continued)

A detailed description of each bond issue as of December 31, 2022 follows:

Description	Amount
Revenue bonds:	
2015 Southwest Ohio Regional Bond Fund - State Loan Revenue Bonds, bearing interest at 0.00 percent, maturing in 2055	\$ 2,500,000
2017 Cincinnati Neighborhood Commercial Real Estate Loan Fund - Economic and Community Development Revenue Bonds, bearing interest at 0.00 percent through January 25, 2019 and 2.00 percent thereafter, maturing in 2026	5,000,000
2018 Fifth & Plum Project - Development Revenue Bonds, bearing interest at 4.95 percent through June 1, 2028 and 6.75 percent thereafter, maturing in 2043	12,590,000
2018 Greater Cincinnati Neighborhoods Housing Revitalization Loan Fund - Housing and Community Development Revenue Bond and 2020 Additional Bond, bearing interest at 0.00 percent through March 31, 2019 and 2.00 and 2.22 percent thereafter, maturing in 2025	2,000,000
2019 Fountain Square South Garage - Parking Facility Refunding Revenue Bonds, bearing interest at 4.65 percent and 5.00 percent, maturing in 2043	10,505,000
2019 Convention Center Garages - Parking Facility Revenue Bonds, bearing interest ranging from 0.00 percent to 5.00 percent, maturing in 2043	25,077,334
2020 Convention Center Hotel Acquisition and Demolition Project - Revenue Bonds, bearing interest at 3.00 percent, maturing in 2023	52,855,000
2021 Patient Capital Fund Economic Development Mortgage Revenue Bond Anticipation Notes, bearing interest at 0.15 percent, maturing in 2026	10,320,000
2022 Home Portfolio Non-Tax Revenue Bonds, bearing interest at 3.49 percent and 3.94 percent, maturing in 2046	<u>15,865,000</u>
Total	<u>\$ 136,712,334</u>

Changes in Long-term Debt

The following is a summary of long-term debt transactions (excluding unamortized bond premiums and discounts in the amount of \$327,151 and \$1,015,129 of The Port for the years ended December 31, 2022 and 2021, respectively):

	2022				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 121,966,878	\$15,865,000	\$(1,119,544)	\$136,712,334	\$ 54,392,561
	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 123,175,000	\$10,475,000	\$(11,683,122)	\$121,966,878	\$ 1,003,610

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

The annual total principal and interest requirements to service all debt outstanding at December 31, 2022 are as follows:

Years Ending December 31	Principal	Interest	Total
2023	\$ 54,392,561	\$ 3,505,286	\$ 57,897,847
2024	2,747,497	2,687,279	5,434,776
2025	4,850,566	2,577,925	7,428,491
2026	14,778,981	2,457,035	17,236,016
2027	2,072,630	2,316,369	4,388,999
2028-2032	11,433,136	11,064,470	22,497,606
2033-2037	15,159,053	8,371,911	23,530,964
2038-2042	20,304,958	4,474,979	24,779,937
2043-2047	8,472,952	471,866	8,944,818
2048-2052	-	-	-
2053-2055	2,500,000	-	2,500,000
Total	\$ 136,712,334	\$ 37,927,120	\$ 174,639,454

Southwest Ohio Regional Bond Fund (Reserve)

In April 2015, The Port 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’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 \$4.3 million in reserves, a \$15.0 million letter of credit, \$10.0 million in reserves through Jobs Ohio, and interest earnings, the bond fund has approximately \$32.9 million in total program 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 \$30,006 and \$588 for the years 2022 and 2021. All investment earnings for the years 2022 and 2021 were forwarded to the State of Ohio by the trustee in either the year received, or soon after yearend. Interest payable to the State of Ohio as of December 31, 2022 and 2021 was \$20,421 and \$4,175, respectively, and included in accrued expenses payable from restricted assets.

Assuming an interest rate of 0.0 percent per year to the maturity of the bonds, debt service as of December 31, 2022 is estimated as a lump-sum principal payment of \$2.5 million in the year 2055. Total pledged revenues on the bonds for the years ended December 31, 2022 and 2021 were approximately \$30,000 and \$1,000, respectively, compared to net debt service (principal and interest) of approximately \$30,000 and \$1,000, respectively.

Note 7 - Long-term Debt (Continued)

Cincinnati Neighborhood Commercial Real Estate Loan Fund

In 2017, The Port issued two tranches of Economic and Community Development Revenue Bonds totaling \$2,000,000 to establish its Commercial Real Estate Loan Fund (the "Loan Fund") that will focus on rebuilding commercial districts in targeted Cincinnati neighborhoods. The Port issued a third tranche in the amount of \$500,000 in 2018, and a final tranche of \$2,500,000 in 2019, bringing the total Loan Fund issue to \$5,000,000 at December 31, 2019.

The Kresge Foundation, a private, national foundation based in Detroit, Michigan, provided initial capital to seed the Loan Fund up to \$5,000,000. The Port administers the Loan Fund and develops the program.

The Loan Fund is part of a program aligned with The Port’s strategic initiative to comprehensively revitalize disinvested target neighborhoods through acquisition and rehab of blighted residential properties and development of commercial districts with place-based, neighborhood-serving retail, arts and culture, and microenterprise. Among the program goals are to help lower the barrier for local business formation by providing available space for target tenants; stabilizing neighborhoods through the support of entrepreneurship; and restoring vibrant retail and commerce with a focus on inclusivity and engagement of neighborhood-based enterprise.

The Port provided loans from the Commercial Real Estate Loan Fund totaling: \$1,035,000 in 2017; \$1,937,000 in 2019; \$25,094 in 2020; \$960,385 in 2021; and \$0 in 2022 (see Notes 2 & 4).

The bonds bear interest at 0.00 percent per year through January 25, 2019, and 2.00 percent thereafter through the bond maturity date of December 31, 2026. Interest payments are quarterly in arrears, starting with the initial interest payment date of March 31, 2019. The bonds constitute special obligations of The Port, and the bond payments due are payable solely from pledged revenue, including the Loan Fund and liens against mortgaged properties. Total pledged revenues on the bonds for the years ended December 31, 2022 and 2021 were approximately \$93,000 and \$60,000, respectively, compared to net debt service (principal and interest) of approximately \$100,000 and \$100,000, respectively.

Assuming an interest rate of 2.00 percent, debt service is estimated as follows as of December 31, 2022:

Years Ending December 31	Principal	Interest	Total
2023	\$ 500,000	\$ 100,000	\$ 600,000
2024	1,000,000	90,000	1,090,000
2025	1,000,000	70,000	1,070,000
2026	<u>2,500,000</u>	<u>50,000</u>	<u>2,550,000</u>
Total	<u>\$ 5,000,000</u>	<u>\$ 310,000</u>	<u>\$ 5,310,000</u>

Fifth and Plum Project

In June 2018, The Port issued \$12,590,000 principal amount Development Revenue Bonds (Series 2018) for the purpose of acquiring real and personal property comprising the project and paying bond issuance costs. The 1.7 acre property is a 250-space parking lot located south of the Duke Energy Convention Center in the southwest corner of Cincinnati’s central business district. The Port will continue to operate the property as a surface parking lot in the short term, while exploring development options for the best long-term benefit to the region.

December 31, 2022 and 2021

Note 7 - Long-term Debt (Continued)

The term bonds have an initial interest rate of 4.95 percent. On June 2, 2028 the interest rate resets through maturity at a rate equal to the 10-year U.S. Treasury Securities rate on this date plus 2.12 percent, with a minimum calculated rate of 5.03 percent and a maximum calculated rate of 6.75 percent. The bonds have a maturity date of June 1, 2043 with semiannual payments of interest and principal on the bonds (principal payments commence June 1, 2024). Total pledged revenues on the bonds for the years ended December 31, 2022 and 2021 were approximately \$967,000 and \$930,000, respectively, compared to net debt service (principal and interest) of approximately \$623,000 and \$623,000, respectively. Additionally, The Port's nontax revenue is pledged to support the principal and interest payment if other funds held in the trust are not available.

Assuming a constant interest rate of 4.95 percent per year through June 1, 2028, and 6.75 percent (the maximum rate on the reset date) thereafter to the maturity of the bonds, debt service is estimated as follows as of December 31, 2022:

Years Ending December 31	Principal	Interest	Total
2023	\$ -	\$ 623,205	\$ 623,205
2024	225,000	620,483	845,483
2025	265,000	608,850	873,850
2026	305,000	595,238	900,238
2027	355,000	579,521	934,521
2028-2032	1,640,000	3,529,721	5,169,721
2033-2037	3,230,000	2,872,969	6,102,969
2038-2042	5,800,000	1,422,563	7,222,563
2043	<u>770,000</u>	<u>25,986</u>	<u>795,986</u>
Total	<u>\$ 12,590,000</u>	<u>\$ 10,878,536</u>	<u>\$ 23,468,536</u>

Greater Cincinnati Neighborhoods Housing Revitalization Loan Fund

In August 2018, The Port issued an initial \$1,000,000 Housing and Community Development Revenue Bond to establish its Greater Cincinnati Neighborhoods Housing Revitalization Loan Fund (the "Program Fund") to rehab foreclosed, vacant residential properties into homes ready for sale in targeted Cincinnati neighborhoods. In May 2020, The Port issued an additional \$1,000,000 Housing and Community Development Revenue Bond for the Program Fund.

The Greater Cincinnati Foundation provided the initial and additional capital to seed the Program Fund. The Port administers the Program Fund and develops the program.

The Program Fund is part of The Port's strategic initiative to comprehensively revitalize disinvested target neighborhoods through acquisition and rehabilitation of blighted residential properties. This strategy has increasingly focused on barriers to opportunity, including the growing housing affordability crisis in Hamilton County and concern over displacement of legacy residents in neighborhoods undergoing revitalization.

During 2022 and 2021, The Port provided project loans from the Program Fund totaling \$0 and \$1,303,600, respectively (see Notes 2 & 4). Two non-profit organizations managed by The Port are eligible borrowers, namely the Hamilton County Land Reutilization Corporation and Homesteading & Urban Redevelopment Corporation.

December 31, 2022 and 2021

Note 7 - Long-term Debt (Continued)

The initial bond bears interest at 0.00 percent per year through March 31, 2019 and 2.2213 percent thereafter through the bond maturity date of April 1, 2025. The additional bond bears interest at 2.00 percent through the bond maturity date of April 1, 2025. Interest payments are quarterly in arrears, commencing on July 1, 2019. The bonds constitute special obligations of The Port, and the bond payments due are payable solely from pledged revenue, including the Program Fund and liens against mortgaged properties. Total pledged revenues on the bonds for the years ended December 31, 2022 and 2021 were approximately \$40,000 and \$29,000, respectively, compared to net debt service (principal and interest) of approximately \$42,000 and \$42,000, respectively.

Assuming interest rates of 2.2213 percent on the initial bond and 2.00 percent on the additional bond, debt service is estimated as follows as of December 31, 2022:

Years Ending December 31	Principal	Interest	Total
2023	\$ -	\$ 42,213	\$ 42,213
2024	-	42,213	42,213
2025	2,000,000	21,106	2,021,106
Total	\$ 2,000,000	\$ 105,532	\$ 2,105,532

Fountain Square South Garage - Parking Facility

In March 2019, The Port refinanced and consolidated debt for Fountain Square South Garage and Amberley Site bonds. The \$11,325,000 principal debt issued consists of: \$4,025,000 of bonds from the Southwest Ohio Regional Bond Fund issued by The Port at a fixed interest rate of 5.00 percent, and \$7,300,000 from the Central Ohio Regional Bond Fund issued by the Columbus-Franklin County Finance Authority at a fixed interest rate of 4.65 percent. The cross collateralized bonds have a final maturity date in the year 2043. The refinance eliminated the interest rate swap on the 2015 Fountain Square South Garage bonds and removed The Port’s nontax revenue pledge assigned under the Amberley Site bonds.

The 2016 Amberley Site development bonds were issued 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 the Patient Capital Fund. The principal balance of these bonds on the refinance date was \$1,980,000.

The 2015 Parking Facility Revenue Bonds were issued for the purpose of acquiring a leasehold interest in, improving, furnishing, and equipping The Port’s facilities, which includes Fountain Square South Garage (an underground parking garage located in downtown Cincinnati, Ohio), or financing other facilities approved by its board of directors. The principal balance of these bonds at refinancing was \$8,064,100.

A long-term lease agreement for Fountain Square South Garage is with the City of Cincinnati, Ohio whereby The Port 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 (see Note 8). Total pledged revenues on the bonds for the years ended December 31, 2022 and 2021 were approximately \$1,784,000 and \$2,506,000, respectively, compared to net debt service (principal and interest) of approximately \$745,000 and \$751,000, respectively. Note, the 2021 pledged revenue includes \$911,052 from a favorable tax ruling.

December 31, 2022 and 2021

Note 7 - Long-term Debt (Continued)

The debt service requirements for the bonds are as follows as of December 31, 2022:

Years Ending December 31	Principal	Interest	Total
2023	\$ 255,000	\$ 498,605	\$ 753,605
2024	260,000	486,316	746,316
2025	280,000	473,670	753,670
2026	290,000	460,184	750,184
2027	310,000	446,108	756,108
2028-2032	1,815,000	1,989,233	3,804,233
2033-2037	2,365,000	1,499,760	3,864,760
2038-2042	3,080,000	862,281	3,942,281
2043	1,850,000	79,871	1,929,871
Total	<u>\$ 10,505,000</u>	<u>\$ 6,796,028</u>	<u>\$ 17,301,028</u>

Convention Center Garages - Parking Facilities

In April 2019, The Port acquired two parking facilities located at 605 Plum and 609 Elm, directly north of the Duke Energy Convention Center in Cincinnati's central business district. The 605 Plum parking facility has approximately 280,000 square feet, with 5 levels, 890 parking spaces and 7,800 square feet of retail on the street level. The 609 Elm parking facility has approximately 240,000 square feet with 5 levels and 680 parking spaces.

The \$27,170,000 principal debt issued for The Port's acquisition of the garages includes: \$4,500,000 of bonds from the Southwest Ohio Regional Bond Fund issued by The Port at a fixed interest rate of 4.65 percent, \$15,245,000 of bonds issued by the State of Ohio (ODOT) with fixed interest rates ranging between 2.00 and 5.00 percent, and a \$7,425,000 loan from the Ohio Development Services Agency (ODSA) with an initial interest rate of 0.00 percent later increasing to 3.00 percent. All debt related to the garages is cross collateralized and matures in the year 2043. Interest and principal on the bonds are paid semiannually, however The Port funds debt service to the trustee monthly from parking operations.

A long-term ground lease agreement for the 605 Plum garage is with the City of Cincinnati, Ohio whereby The Port has agreed to pay a percentage of garage operating revenues to the City. This accrued ground lease liability is netted from parking revenue.

Total pledged revenues on the bonds for the years ended December 31, 2022 and 2021 were approximately \$1,288,000 and \$971,000, respectively, compared to net debt service (principal and interest) of approximately \$1,516,000 and \$1,387,000, respectively. The Port's non-tax revenue is pledged to support the principal and interest payment if other funds held in the trust are not available.

The debt service requirements for the bonds are as follows as of December 31, 2022:

Years Ending December 31	Principal	Interest	Total
2023	\$ 782,561	\$ 854,399	\$ 1,636,960
2024	817,497	858,562	1,676,059
2025	840,566	832,324	1,672,890
2026	878,981	798,578	1,677,559
2027	907,630	769,917	1,677,547
2028-2032	5,158,136	3,256,699	8,414,835
2033-2037	6,179,053	2,304,105	8,483,158
2038-2042	7,414,958	1,139,732	8,554,690
2043	2,097,952	64,998	2,162,950
Total	<u>\$ 25,077,334</u>	<u>\$ 10,879,314</u>	<u>\$ 35,956,648</u>

Note 7 - Long-term Debt (Continued)

Convention Center Hotel

In February 2020, The Port issued \$52,855,000 principal amount of Revenue Bonds for the purpose of financing the acquisition and demolition of the 872-room former Millennium Hotel and certain other buildings located directly east of the Duke Energy Convention Center in Cincinnati’s central business district. Approximately \$13.7 million of bond proceeds will fund demolition work, which began in 2020 and will continue through the year 2022. The Port and officials are exploring development options for the best long-term benefit to the region, including a new standalone hotel, expanding the Duke Energy Convention Center, or a combination thereof.

The term bonds have a fixed interest rate of 3.00 percent and a lump sum principal payment due on the bond maturity date of May 1, 2023. Interest on the bonds is paid semiannually beginning November 1, 2020. The bond payments due are payable solely from pledged revenues, including a portion of Hamilton County’s Transient Occupancy Tax. Total pledged revenues on the bonds for the years ended December 31, 2022 and 2021 were approximately \$1,593,000 and \$1,587,000 compared to net debt service (principal and interest) of approximately \$1,586,000 and \$1,586,000, respectively.

The debt service requirements for the bonds are as follows as of December 31, 2022:

Years Ending December 31	Principal	Interest	Total
2023	\$ 52,855,000	\$ 792,825	\$ 53,647,825
Total	\$ 52,855,000	\$ 792,825	\$ 53,647,825

See subsequent events disclosure (Note 16) for additional detail on the refinancing of the Convention Center Hotel bonds.

Patient Capital Fund

In June 2016, The Port issued \$7,325,000 principal amount Economic Development Mortgage Revenue Bond Anticipation Notes to establish its Patient Capital Fund. In 2017, The Port issued an additional \$3,500,000 principal amount bringing the total original issue to \$10,825,000 as of December 31, 2017. The original notes reached their 5-year maturity date in June 2021 and noteholders were presented with the option to redeem or rollover their notes into the 2021 Patient Capital Fund. Of the original \$10,825,000 issue, \$350,000 was redeemed upon maturity and \$10,475,000 was rolled into the 2021 Patient Capital Fund for another 5-year term maturing in June 2026.

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 Fund 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 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 utilized Patient Capital Fund 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 Avenue in Bond Hill (the former Cincinnati Gardens arena). In subsequent years, The Port utilized Patient Capital Fund funds in the amounts of: \$497,559 in year 2017 for redevelopment of the Amberley Site; \$691,387 in year 2019 to acquire 25 acres at 2000 West Street in Reading, Ohio (a former Dow Chemical site); \$2,312,537 in year 2020 to acquire 42 acres on Reading Road in Evandale, Ohio (formerly Formica Corporation); and \$427,235 in year 2021 to acquire 8 acres on Reading Road in Reading, Ohio (formerly GE Aviation land).

December 31, 2022 and 2021

Note 7 - Long-term Debt (Continued)

The 2021 Patient Capital Fund has two tranches consisting of \$9,480,000 of bonds that pay interest semi-annually and \$995,000 of notes that pay interest in lump sum upon final maturity in June 2026. The bonds and notes bear interest at 0.15 percent per year. The Port's nontax revenue is pledged to support the interest payment if other funds held in trust are not available. The notes and bonds constitute special obligations of The Port, issued under and secured by the trust agreement and payable solely from the pledged revenue and secured mortgages authorized by the trust agreement. Total pledged revenues on the bonds for the year ended December 31, 2022 and 2021 were approximately \$634,000 and \$88,000, with net debt service (principal and interest) payments of \$169,000 and \$433,000, respectively.

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, 2022:

Years Ending December 31	Principal	Interest	Total
2023	\$ -	\$ 13,328	\$ 13,328
2024	-	13,328	13,328
2025	-	13,328	13,328
2026	10,320,000	12,906	10,332,906
Total	\$ 10,320,000	\$ 52,890	\$ 10,372,890

Home Portfolio

In January 2022, The Port issued \$15,865,000 principal amount of Non-Tax Revenue Bonds for the acquisition and improvement of a rental portfolio consisting of 194 single family homes in Hamilton County. The portfolio was acquired through an auction to settle the foreclosure of an out-of-town investor. The Port plans to transition the rental portfolio to owner-occupied housing in an effort to increase home ownership. The issued bonds include \$9,860,000 at a fixed interest rate of 3.49 percent maturing in 2046, and \$6,005,000 at a fixed interest rate of 3.94 percent maturing in 2034.

Interest on the bonds is paid semiannually beginning June 1, 2022. Bond debt service is payable solely from pledged revenues, including home lease receipts, home sale receipts, and a non-tax revenue pledge of The Port. Total pledged revenues on the bonds for the year ended December 31, 2022 was approximately \$1,532,000 compared to net debt service (principal and interest) of approximately \$497,000. The Port's non-tax revenue is pledged to support the principal and interest payment if other funds held in the trust are not available.

The debt service requirements for the bonds are as follows as of December 31, 2022:

Years Ending December 31	Principal	Interest	Total
2023	\$ -	\$ 580,711	\$ 580,711
2024	445,000	576,377	1,021,377
2025	465,000	558,647	1,023,647
2026	485,000	540,129	1,025,129
2027	500,000	520,823	1,020,823
2028-2032	2,820,000	2,288,817	5,108,817
2033-2037	3,385,000	1,695,077	5,080,077
2038-2042	4,010,000	1,050,403	5,060,403
2043-2046	3,755,000	301,011	4,056,011
Total	\$ 15,865,000	\$ 8,111,995	\$ 23,976,995

December 31, 2022 and 2021

Note 8 – Leases

Lessee Activity

The Port leases various facilities, land, and equipment under lease agreements which have been recorded according to the GASB 87 standard. The future principal and interest payments as of December 31, 2022 for the lease liability are as follows:

Years Ending December 31	Principal	Interest	Total
2023	\$ 192,589	\$ 12,495	\$ 205,084
2024	199,437	6,632	206,069
2025	<u>102,333</u>	<u>1,095</u>	<u>103,428</u>
Total	<u>\$ 494,359</u>	<u>\$ 20,222</u>	<u>\$ 514,581</u>

In February 2020, The Port acquired the former Millennium Hotel at 150 W. Fifth Street, directly east of the Convention Center in Cincinnati’s central business district (see Note 7). The acquisition included the transfer of a ground lease covering a portion of the demolition project site. The 99-year ground lease is dated November 1975 and expires in November 2074. Rent is paid quarterly and subject to an increase based upon a CPI (Consumer Price Index) calculation every five years. Nonoperating rents during the year of acquisition were \$100,032 and increased to \$125,888 in 2022. The Port’s lease liability includes these ground lease payments through the term of the refinanced Convention Center Hotel bonds (Note 16).

In April 2019, The Port acquired the 605 Plum Street garage adjacent to the Convention Center in Cincinnati’s central business district (see Note 7). The acquisition included the transfer of a ground lease with the City of Cincinnati, the owner of title to the property. The ground lease is dated March 22, 1985 and has a term expiring on March 31, 2055. Basic rent, as defined by the lease, is \$1 payable annually plus a percentage of garage operating revenues, which were not included in the calculation of the lease liability. The amount of outflows of resources for these variable payments are \$44,675 and \$33,811 for the years ended December 31, 2022 and 2021, respectively.

In January 2015, the City of Cincinnati leased a city-owned parking garage (Fountain Square South Garage) to The Port for \$100 for a 30-year term, which is not included in the calculation of the lease liability. The purpose of the lease is to modernize and improve the garage and provide funds to The Port for economic development within the city limits. In accordance with the agreement, The Port issued bonds to make improvements to the garage (see Note 7). The improvements are capitalized as leasehold improvements (see Note 5) and are amortized over the life of the lease.

Lessor Activity

The Port leases various facilities and land to others under lease agreements which have been recorded according to the GASB 87 standard. The Port recognized \$14,782 and \$5,730 in interest revenue and \$38,462 and \$18,282 in lease revenue for the years ended December 31, 2022 and 2021, respectively.

In January 2022, The Port acquired a portfolio of 194 single family rental properties, most of which are leased to tenants. The lease agreements have a maximum one-year term and convert to month-to-month leases thereafter. Since the term for these agreements is less than one year, they’re excluded from The Port’s lease receivable for GASB 87 (Note 4).

Note 9 - Public Funding

For the years ended December 31, 2022 and 2021, public funding for The Port came from the following sources:

	<u>2022</u>	<u>2021</u>
Hamilton County, Ohio	\$ 800,000	\$ 1,400,000
City of Cincinnati, Ohio	<u>700,000</u>	<u>700,000</u>
Total	<u>\$ 1,500,000</u>	<u>\$ 2,100,000</u>

Note 10 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB 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 net pension/OPEB liability (asset) represents the Port’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB liability (asset) 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’s obligation for the liability to annually required payments. The Port cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the Port does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability and net OPEB liability (asset). Any liability for the contractually required pension/OPEB contributions outstanding at the end of the year is included in accrued liabilities and other.

The remainder of this note includes the pension disclosures. See Note 11 for the OPEB disclosures.

December 31, 2022 and 2021

Note 10 – Defined Benefit Pension Plans (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Port employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, the Combined Plan is no longer available for member selection. Substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (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.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment.

When a benefit recipient has received benefits for 12 months, the member is eligible for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

December 31, 2022 and 2021

Note 10 – Defined Benefit Pension Plans (Continued)

The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows for both fiscal years ending December 31, 2022 and 2021:

	<u>State and Local</u>
Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Port's contractually required contribution was \$366,076 and \$423,768 for 2022 and 2021, respectively. Of the 2022 amount, \$39,122 is reported as an accrued liabilities and other.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port's proportion of the net pension liability was based on the Port's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>2022 OPERS</u>	<u>2021 OPERS</u>
Proportion of the Net Pension Liability:		
Current Measurement Period	0.015441%	0.014207%
Prior Measurement Period	<u>0.014207%</u>	<u>0.011787%</u>
Change in Proportion	<u>0.001234%</u>	<u>0.002420%</u>
Proportionate Share of the Net		
Pension Liability	\$ 1,343,429	\$ 2,078,102
Pension Expense	\$ 183,034	\$ 140,416

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight-line method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five-year period.

December 31, 2022 and 2021

Note 10 – Defined Benefit Pension Plans (Continued)

At December 31, 2022, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022 OPERS	2021 OPERS
Deferred Outflows of Resources		
Differences between Expected and Actual Experience	\$ 68,486	\$ 17,620
Changes of Assumptions	167,994	732
Changes in Proportionate Share and Differences in Contributions	264,890	342,502
Port Contributions Subsequent to the Measurement Date	366,076	423,768
Total Deferred Outflows of Resources	\$ 867,446	\$ 784,622
Deferred Inflows of Resources		
Differences between Expected and Actual Experience	\$ 29,465	\$ 88,002
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,597,962	822,783
Changes in Proportionate Share and Differences in Contributions	-	82,187
Total Deferred Inflows of Resources	\$ 1,627,427	\$ 992,972

\$366,076 reported as deferred outflows of resources related to pension resulting from Port contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2023	\$ 9,741
2024	(505,854)
2025	(375,744)
2026	(254,200)
Total	\$ (1,126,057)

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results.

December 31, 2022 and 2021

Note 10 – Defined Benefit Pension Plans (Continued)

The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2 percent down to 6.9 percent, for the defined benefit investments.

Key actuarial assumptions and methods used in the latest actuarial valuation, prepared as of December 31, 2021, reflecting experience study results, are presented below:

	<u>OPERS Traditional Plan</u>
Wage Inflation	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00 percent, simple
Post-January 7, 2013 Retirees	3.00 percent, simple through 2022, then 2.05 percent, simple
Investment Rate of Return	6.90 percent
Actuarial Cost Method	Individual Entry Age

Key actuarial assumptions and methods used in the prior actuarial valuation, prepared as of December 31, 2020, are presented below:

	<u>OPERS Traditional Plan</u>
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00 percent, simple
Post-January 7, 2013 Retirees	0.50 percent, simple through 2021, then 2.15 percent, simple
Investment Rate of Return	7.20 percent
Actuarial Cost Method	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

December 31, 2022 and 2021

Note 10 – Defined Benefit Pension Plans (Continued)

The most recent experience study was completed for the five-year period ending December 31, 2020.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 15.3 percent for 2021.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees 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 plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized below:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00%	1.03%
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other investments	4.00	2.85
Total	100.00%	4.21%

Discount Rate

The discount rate used to measure the total pension liability for the current year was 6.90 percent. The discount rate for the prior year was 7.20 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits 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.

December 31, 2022 and 2021

Note 10 – Defined Benefit Pension Plans (Continued)

Sensitivity of the Port’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following table presents the Port’s proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 6.9 percent, as well as what the Port’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Port's Proportionate Share of the Net Pension Liability (Asset)			
Calendar Year 2022	\$ 3,542,011	\$ 1,343,429	\$ (486,083)
Calendar Year 2021	\$ 3,990,400	\$ 2,078,102	\$ 488,146

Note 11 - Defined Benefit OPEB Plans

Net OPEB Liability (Asset)

See Note 10 for a description of the net OPEB liability (asset).

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree’s years of service and age when they first enrolled in OPERS coverage.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

December 31, 2022 and 2021

Note 11 – Defined Benefit OPEB Plans (Continued)

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension must have twenty or more years of qualifying Ohio service credit with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contribution to health care for members. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care 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 into the RMA for participants in the member-directed plan for 2022 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Port had no contractually required contribution for 2022.

December 31, 2022 and 2021

Note 11 – Defined Benefit OPEB Plans (Continued)

Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2021, and was determined by rolling forward the total OPEB liability as of January 1, 2021, to December 31, 2021. The Port's proportion of the net OPEB liability (asset) was based on the Port's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2022 OPERS	2021 OPERS
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Period	0.019411%	0.018818%
Prior Measurement Period	0.018818%	0.018862%
Change in Proportion	<u>0.000593%</u>	<u>-0.000044%</u>
Proportionate Share of the Net		
OPEB Liability (Asset)	\$ (607,982)	\$ (335,258)
OPEB Expense	\$ (521,236)	\$ (1,974,404)

At December 31, 2022 and 2021, the Port reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022 OPERS	2021 OPERS
Deferred Outflows of Resources		
Changes of Assumptions	\$ -	\$ 164,817
Changes in Proportionate Share and Differences in Contributions	9,978	2,039
Total Deferred Outflows of Resources	<u>\$ 9,978</u>	<u>\$ 166,856</u>
Deferred Inflows of Resources		
Differences between Expected and Actual Experience	\$ 92,222	\$ 302,568
Net Difference between Projected and Actual		
Earnings on OPEB Plan Investments	289,845	178,563
Changes of Assumptions	246,104	543,218
Changes in Proportionate Share and Differences in Contributions	1,441	10,653
Total Deferred Inflows of Resources	<u>\$ 629,612</u>	<u>\$ 1,035,002</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS
2023	\$ (383,385)
2024	(131,293)
2025	(63,330)
2026	(41,626)
Total	<u>\$ (619,634)</u>

December 31, 2022 and 2021

Note 11 – Defined Benefit OPEB Plans (Continued)

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions. The actuarial valuation used for 2021 compared to those used for 2020 are as follows:

	December 31, 2021	December 31, 2020
Wage Inflation	2.75 percent	3.25 percent
Projected Salary Increases,	2.75 to 10.75 percent	3.25 to 10.75 percent
	including wage inflation	including wage inflation
Single Discount Rate	6.00 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	1.84 percent	2.00 percent
Health Care Cost Trend Rate	5.50 percent, initial	8.50 percent, initial
	3.50 percent, ultimate in 2034	3.50 percent, ultimate in 2035
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above-described tables.

The most recent experience study was completed for the five-year period ending December 31, 2020.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the

December 31, 2022 and 2021

Note 11 – Defined Benefit OPEB Plans (Continued)

assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 14.3 percent for 2021.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return 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 rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00%	0.91%
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other investments	7.00	1.93
Total	100.00%	3.45%

Discount Rate

A single discount rate of 6.0 percent was used to measure the total OPEB liability on the measurement dates of December 31, 2021 and 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

December 31, 2022 and 2021

Note 11 – Defined Benefit OPEB Plans (Continued)

Sensitivity of the Port’s Proportionate Share of the Net OPEB (Asset) to Changes in the Discount Rate

The following table presents the Port’s proportionate share of the net OPEB (asset) calculated using the single discount rate of 6.00 percent, as well as what the Port’s proportionate share of the net OPEB (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Port’s Proportionate Share of the Net OPEB (Asset)			
Calendar Year 2022	\$ (357,551)	\$ (607,982)	\$ (815,844)
Calendar Year 2021	\$ (83,364)	\$ (335,258)	\$ (542,335)

Sensitivity of the Port’s Proportionate Share of the Net OPEB (Asset) to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB (asset). The following table presents the net OPEB (asset) calculated using the assumed trend rates, and the expected net OPEB (asset) if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50 percent and the trend starting in 2022 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
Port’s Proportionate Share of the Net OPEB (Asset)			
Calendar Year 2022	\$ (614,552)	\$ (607,982)	\$ (600,188)
Calendar Year 2021	\$ (343,429)	\$ (335,258)	\$ (326,116)

Note 12 - Risk Management

The Port 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 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 has no further risk. The State of Ohio establishes employer payments, employee payments, and reserves.

December 31, 2022 and 2021

Note 12 – Risk Management (Continued)

In February 2020, a developer sued The Port for \$5 million in fees tied to the redevelopment of the former Millennium Hotel in Cincinnati’s central business district. In November 2021, a Hamilton County judge ruled in favor of the developer and in November 2022 the \$5 million settlement plus post judgement interest was paid. Hamilton County provided The Port with funding for this settlement, which is reflected in nonoperating grants and grant expenditures for the year 2022. Subsequently, the developer has sued The Port for pre-judgement interest on the \$5 million settlement, which is pending a decision from the judge. The Port accrued a potential liability for this payment in 2022, which is reflected under bond administration expense.

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

Note 13 – Conduit Revenue Bond Obligations

The Port has outstanding aggregate conduit revenue bond obligations of approximately \$1,319,106,000 and \$1,150,732,000 at December 31, 2022 and 2021, respectively. The conduit revenue bonds issued provide third parties with financing to support their economic development projects, and are payable solely from the net revenue derived from the respective agreements and are not a general obligation of The Port. After these bonds are issued, all financial activity is administered by the paying agent. The bonds and related lease contracts are not reflected in The Port’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. The Port provides a limited commitment to maintain an issue’s tax-exempt status and to facilitate payments through an agent, but does not extend additional or voluntary commitments for these conduit debt obligations.

Note 14 - Assets Held for Resale

The Port’s assets held for resale consist of approximately 170 acres as of December 31, 2022, compared to 178 acres at the prior year end. All properties owned by The Port are located in Hamilton County, Ohio. A summary of real estate held for redevelopment follows:

	2022	2021
2100 Section Rd (Amberley Village)	\$ 7,162,913	\$ 7,162,913
MidPointe Crossing (Bond Hill)	958,108	940,000
Bond Hill and Roselawn Business Districts	5,028,798	4,899,465
2250 Seymour Ave - Gardens (Bond Hill)	-	617,298
Hudepohl (Queensgate)	721,795	718,795
2000 West Street - Dow (Reading)	1,435,924	808,004
10155 Reading Rd – Formica (Evendale)	2,364,053	2,364,053
Reading Rd – GE (Evendale)	565,397	556,462
8001-8109 Reading Rd (Sycamore Twp)	1,535,549	1,430,556
West End properties	2,240,500	872,781
Evanston properties	432,472	432,472
Price Hill properties	125,746	125,746
Camp Washington properties	1,946,143	-
435 Elm (Convention Ctr Business District)	1,094,506	-
Total	<u>\$ 25,611,904</u>	<u>\$ 20,928,545</u>

Assets held for resale are recorded at the lower of cost or market value. Management estimates net realizable value based upon the list prices used by commercial real estate brokers less selling costs. In 2022 and 2021, no cost-to-market adjustment was required to assets held for resale.

December 31, 2022 and 2021

Note 14 - Assets Held for Resale (Continued)

The Port funds its acquisition and redevelopment of real estate primarily from local and state redevelopment awards and the issuance of bonds and bond anticipation notes.

- The Port’s Patient Capital Fund (See Note 7) funded the acquisition, or portions thereof, for the following properties: 2100 Section Road, 2250 Seymour Avenue, 2000 West Street, 10155 Reading Road and the Reading Road property in Evendale.
- The Port’s real estate development fund, created by the issuance of Fountain Square South Garage parking revenue bonds (See Note 7) is used solely within the City of Cincinnati, and is primarily supporting West End, Price Hill and Evanston properties, and 435 Elm.
- The City of Cincinnati provided grants supporting MidPointe Crossing, 2250 Seymour Ave, Bond Hill and Roselawn Business Districts, Hudepohl and Camp Washington.
- Hamilton County provided grants supporting 2100 Section Road, and 8001-8109 Reading Road (former Carrousel Inn and Drake Motel).
- The State of Ohio (Jobs Ohio, ODSA and Ohio Brownfield) has provided grants to support 2100 Section Road, 2000 West Street (former Dow site), and Camp Washington.

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

Note 15 – Change in Accounting Principle and Restatement of Net Position

For the year ended December 31, 2022, The Port implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

December 31, 2022 and 2021

**Note 15 – Change in Accounting Principle and Restatement of Net Position
(Continued)**

The impact of adopting Statement No. 87 in The Port's financial statements is as follows:

	As previously reported December 31, 2021	As restated under GASB 87 December 31, 2021	Effect of Adoption
<u>Restatement to Statement of Net Position:</u>			
Assets			
Receivables – current	\$ 2,111,757	\$ 2,144,674	\$ 32,917
Prepaid expenses and other assets	1,062,878	1,026,972	(35,906)
Receivables – noncurrent	3,020,923	3,367,071	346,148
Capital assets – subject to depreciation and amortization	19,826,421	20,465,948	<u>639,527</u>
Total restatement to assets			982,686
Liabilities and deferred inflows of resources			
Lease liability – current	-	201,597	201,597
Accrued liabilities and other	546,436	495,120	(51,316)
Lease liability – noncurrent	-	494,359	494,359
Deferred Inflows of Resources - Leases	-	379,065	<u>379,065</u>
Total restatement to liabilities and deferred inflows of resources			1,023,705
Net Position			
Net investment in capital assets	(2,099,940)	(2,156,371)	(56,431)
Unrestricted	6,060,502	6,075,914	<u>15,412</u>
Total restatement to net position			(41,019)
<u>Restatement to Statement of Revenue, Expenses and Changes in Net Position:</u>			
Operating revenue			
Charges for services	\$ 9,072,775	\$ 9,069,386	\$ (3,389)
Operating expense			
Occupancy	151,481	101,506	(49,975)
Equipment and supplies	50,063	36,612	(13,451)
Taxes and holding costs	209,471	226,940	17,469
Depreciation and amortization	1,054,657	1,237,439	<u>182,782</u>
Total restatement to operating expense			136,825
Nonoperating revenue (expense)			
Investment income	93,850	99,580	5,730
Interest expense	(3,397,638)	(3,421,241)	(23,603)
Bond administrative expense	(327,475)	(227,443)	<u>100,032</u>
Total restatement to nonoperating revenue (expense)			82,159
Net position – beginning of year	3,573,748	3,590,784	17,036
Net position – end of year	9,855,122	9,814,103	(41,019)

Note 16 - Subsequent Events

In April 2023, The Port issued \$53.3 million of Revenue Bonds to refinance the 2020 Convention Center Hotel bonds. The bonds have a fixed interest rate of 5.00 percent and mature in the year 2025.

In June 2023, The Port issued \$6.3 million of Non-Tax Revenue Bonds to finance the acquisition of industrial properties. The bonds have a fixed interest rate of 5.375 and 6.00 percent and mature in the year 2048.

Required Supplementary Information

The Port

Required Supplementary Information Schedule of The Port's Pension Contributions OPERS Traditional Plan

Last Ten Fiscal Years Years Ended December 31

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 366,076	\$ 311,684	\$ 273,617	\$ 283,801	\$ 265,822	\$ 218,792	\$ 130,688	\$ 103,833	\$ 105,605	\$ 99,498
Contributions in relation to the contractually required contribution	<u>366,076</u>	<u>311,684</u>	<u>273,617</u>	<u>283,801</u>	<u>265,822</u>	<u>218,792</u>	<u>130,688</u>	<u>103,833</u>	<u>105,605</u>	<u>99,498</u>
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The Port's Covered Payroll	\$ 2,614,829	\$ 2,226,316	\$ 1,954,408	\$ 2,027,149	\$ 1,898,732	\$ 1,683,015	\$ 1,089,067	\$ 865,273	\$ 880,038	\$ 765,372
Contributions as a Percentage of Covered Payroll	14.00 %	14.00 %	14.00 %	14.00 %	14.00 %	13.00 %	12.00 %	12.00 %	12.00 %	13.00 %

The Port

Required Supplementary Information Schedule of The Port's OPEB Contributions OPERS Health Care Plan

**Last Six Fiscal Years
Years Ended December 31**

	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,830
Contributions in relation to the contractually required contribution	-	-	-	-	-	16,830
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,614,829	\$ 2,226,316	\$ 1,954,408	\$ 2,027,149	\$ 1,898,732	\$ 1,683,015
Contributions as a Percentage of Covered Payroll	- %	- %	- %	- %	- %	1.00 %

Note: OPEB data prior to 2017 is not available.

The Port

Required Supplementary Information Schedule of The Port's Proportionate Share of Net Pension Liability OPERS - Traditional Plan

Last Nine Plan Years For the Plan Years Ended December 31

	2022	2021	2020	2019	2018
The Port's proportion of the net pension liability	0.01544 %	0.01421 %	0.01179 %	0.01342 %	0.01274 %
The Port's proportionate share of the net pension liability	\$ 1,343,429	\$ 2,078,102	\$ 2,322,206	\$ 3,670,558	\$ 1,993,142
The Port's Covered Payroll	\$ 2,226,316	\$ 1,954,408	\$ 2,027,149	\$ 1,898,732	\$ 1,683,015
The Port's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	60.34 %	106.33 %	114.55 %	193.32 %	118.43 %
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.62 %	86.88 %	82.17 %	74.70 %	84.66 %
	2017	2016	2015	2014	
The Port's proportion of the net pension liability	0.00843 %	0.00695 %	0.00718 %	0.00718 %	
The Port's proportionate share of the net pension liability	\$ 1,912,511	\$ 1,203,569	\$ 865,747	\$ 846,193	
The Port's Covered Payroll	\$ 1,089,067	\$ 865,273	\$ 880,038	\$ 765,372	
The Port's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.61 %	139.10 %	98.38 %	110.56 %	
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	77.30 %	81.20 %	86.50 %	86.40 %	

Note: Pension data prior to 2014 is not available.

The Port

Required Supplementary Information Schedule of The Port's Proportionate Share of the Net OPEB Liability OPERS - Health Care Plan

Last Five Plan Years For the Plan Year Ended December 31

	2022	2021	2020	2019	2018
The Port's proportion of the net OPEB liability	0.01941 %	0.01882 %	0.01886 %	0.01909 %	0.01722 %
The Port's proportionate share of the net OPEB liability (asset)	\$ (607,982)	\$ (335,258)	\$ 2,605,332	\$ 2,488,494	\$ 1,870,194
The Port's Covered Payroll	\$ 2,226,316	\$ 1,954,408	\$ 2,027,149	\$ 1,898,732	\$ 1,683,015
The Port's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-27.31 %	-17.15%	128.52 %	131.06 %	111.12 %
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	128.23 %	115.57 %	47.80 %	46.33 %	54.14 %

Note: OPEB data prior to 2018 is not available.

December 31, 2022

Note A – Net Pension Liability

Changes in Assumptions – OPERS

Amounts reported incorporate changes in discount rate used in calculating the total pension liability as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Discount Rate	6.90%	7.20%	7.20%	7.50%	8.00%

Calendar year 2017 reflects an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. Wage inflation rate was also reduced from 3.25 percent to 2.75 percent.

Changes in Benefit Terms – OPERS

In October 2020, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from 1.40 percent simple through 2020 then 2.15 simple to 0.5 percent simple through 2021 then 2.15 percent simple.

In October 2019, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from 3.00 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 then 2.15 percent simple.

Note B – OPEB Liability (Asset)

Changes in Assumptions - OPERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

<u>Assumption</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Discount Rate	6.00%	6.00%	3.16%	3.96%	3.85%	4.23%
Municipal Bond Rate	1.84%	2.00%	2.75%	3.71%	3.31%	n/a
Health Care Cost Trend Ra	5.50%	8.50%	10.50%	10.00%	7.50%	n/a

For calendar year 2019, the investment rate of return decreased from 6.50 percent to 6.00 percent.

Changes in Benefit Terms – OPERS

For calendar year 2022, the cost of living adjustments decreased from 2.20 percent simple to 2.05 percent simple.

For calendar year 2021, the cost of living adjustments decreased from 3.00 percent simple to 2.20 percent simple.

INDEPENDENT AUDITOR’S 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*

Port of Greater Cincinnati Development Authority
Hamilton County, Ohio
3 East Fourth Street, Suite 300
Cincinnati, Ohio 45202

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 (*Government Auditing Standards*), the financial statements of the Port of Greater Cincinnati Development Authority (Port), Hamilton County, Ohio, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Port’s basic financial statements, and have issued our report thereon dated June 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port'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'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. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port'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 financial statements. 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*.

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'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
Gahanna, Ohio
June 28, 2023