Port of Greater Cincinnati Development Authority

Financial Report

December 31, 2014

Port of Greater Cincinnati

DEVELOPMENT AUTHORITY

To improve the economic vitality of the region through catalytic investment

Dave Yost · Auditor of State

Board of Directors
Port of Greater Cincinnati Development Authority
3 E Fourth St, Suite 300
Cincinnati, OH 45202

We have reviewed the *Independent Auditor's Report* of the Port of Greater Cincinnati Development Authority, Hamilton County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Port of Greater Cincinnati Development Authority is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

October 16, 2015

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov

This page intentionally left blank.

Port of Greater Cincinnati Development Authority

Financial Report

December 31, 2014

Contents

Plante & Moran, PLLC
Suite 200
537 E. Pete Rose Way
Cincinnati, OH 45202-3578
Tel: 513.595.8800
Fax: 513.595.8806
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Port of Greater Cincinnati
Development Authority

Report on the Financial Statements

We have audited the accompanying basic financial statements of Port of Greater Cincinnati Development Authority (the "Port Authority") as of and for the years ended December 31, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Port of Greater Cincinnati Development Authority as of December 31, 2014 and 2013 and the changes in its financial position and its cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Port of Greater Cincinnati
Development Authority

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015 on our consideration of Port of Greater Cincinnati Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Port of Greater Cincinnati Development Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

June 15, 2015

Our discussion and analysis of Port of Cincinnati Development Authority's (the "Port Authority") financial performance provides an overview of the financial activities for the fiscal years ended December 31, 2014, 2013, and 2012. Please read it in conjunction with the Port Authority's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2014:

- The Port Authority's net position increased to $13.0 million by the end of 2014, as a result of this year's operations. Growth in restricted trust assets primarily led the 3 percent increase in net position over the prior year.
- Capital grants and contributions of nearly $3.9 million in 2014 were $705,216 or 22 percent above the prior year due to the Port Authority's utilization of pledged grant funding from the City of Cincinnati (the "City") and new corporate grants.
- Total operating expenses of $4.2 million in 2014 were 3 percent lower than the prior year.
- MidPointe and TechSolve II properties in Bond Hill were listed for sale to the private sector, resulting in a cost-to-market adjustment of $4.3 million, representing the true subsidy invested to make the properties marketable.

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 Authority as a whole and present a longer-term view of its finances. These are followed by the statement of cash flows, which presents detailed information about the changes in the Port Authority's cash position during the year.

Condensed Financial Information

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

	Business-type Activities				
	2012	2013	2014	Change	Percent Change
Assets					
Other assets	$ 31,240,556	$ 34,235,045	$ 33,443,844	$ (791,201)	-2%
Capital assets	49,249,614	51,435,206	50,025,663	(1,409,543)	-3%
Total assets	80,490,170	85,670,251	83,469,507	(2,200,744)	-3%
Liabilities					
Current liabilities	372,450	3,822,487	2,126,154	(1,696,333)	-44%
Long-term liabilities:					
Due within one year	2,279,141	1,151,154	1,597,700	446,546	39%
Due in more than one year	69,134,957	68,024,131	66,733,647	(1,290,484)	-2%
Total liabilities	71,786,548	72,997,772	70,457,501	(2,540,271)	-3%
Net Position					
Net investment in capital assets	2,035,266	5,300,024	4,398,417	(901,607)	-17%
Restricted	5,383,893	5,708,332	6,870,160	1,161,828	20%
Unrestricted	1,284,463	1,664,123	1,743,429	79,306	5%
Total net position	**$ 8,703,622**	**$12,672,479**	**$ 13,012,006**	**$ 339,527**	3%

	Business-type Activities				
	2012	2013	2014	Change	Percent Change
Operating Revenue					
Public funding	$ 1,400,000	$ 1,750,000	$ 1,400,000	$ (350,000)	-20%
Charges for services	985,687	1,403,276	1,110,819	(292,457)	-21%
Total operating revenue	2,385,687	3,153,276	2,510,819	(642,457)	-20%
Operating Expenses					
Salaries and benefits	1,366,704	1,819,012	2,058,355	239,343	13%
Professional services	325,772	415,792	351,532	(64,260)	-15%
Occupancy	58,916	69,838	76,757	6,919	10%
Travel and business development	38,963	51,794	50,770	(1,024)	-2%
Equipment and supplies	29,135	37,892	21,821	(16,071)	-42%
Other operating expenses	91,482	449,725	128,840	(320,885)	-71%
Depreciation	1,449,614	1,459,366	1,473,725	14,359	1%
Total operating expenses	3,360,586	4,303,419	4,161,800	(141,619)	-3%
Operating Loss	(974,899)	(1,150,143)	(1,650,981)	(500,838)	44%
Restricted bond revenues	7,792,644	5,642,217	6,548,298	906,081	16%
Interest expense	(3,153,294)	(2,921,628)	(2,866,786)	54,842	-2%
Grants	869,018	141,207	-	(141,207)	-100%
Grant expenditures	(846,799)	(140,700)	-	140,700	-100%
Impairment on asset	-	-	(4,339,059)	(4,339,059)	N/A
Investment income	15,305	13,498	13,221	(277)	-2%
Bond administrative expense	(2,378,711)	(778,408)	(1,233,196)	(454,788)	58%
Capital grants and contributions	2,000,000	3,162,814	3,868,030	705,216	22%
Change in Net Position	**$ 3,323,264**	**$ 3,968,857**	**$ 339,527**	**$ (3,629,330)**	-91%

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

The net position of all business-type activities increased by $0.3 million, or 3 percent, from a year ago to $13 million. In comparison, last year's net position increased by $4 million, or 46 percent. The lower increase in net position during 2014 resulted from a cost-to-market adjustment of $4.3 million, further detailed in Note 11.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by $79,000, or 5 percent. In comparison, last year's unrestricted net position increased by $380,000, or 30 percent. The current level of unrestricted net position stands at $1,743,429, or about 42 percent of annual operating expenditures.

Restricted net position increased by nearly $1.2 million, or 20 percent. The increase was derived from a $1.9 million increase in Cincinnati Mall trust assets offset by a $0.7 million decrease in assets from City capital grants. In contrast, restricted net position increased by $324,000, or 6 percent, in the previous year. The 2013 increase consisted of a $1.8 million increase in capital grants from the City, offset by a $1.5 million decrease in trust assets primarily due to payment of subcontractor claims on the Kenwood project.

Net investment in capital assets decreased by $0.9 million, or 17 percent, due to $1.4 million of depreciation offset by a $0.5 million reduction in bonds outstanding. In contrast, last year's net investment in capital assets increased by $3.3 million, or 160 percent, primarily due to the receipt of settlement payments on the Kenwood Project.

Operating Revenue

Public funding in the form of operating grants is provided in equal amounts of $700,000 from the City of Cincinnati and Hamilton County to support the Port Authority's economic development and inclusion activities. However, due to a six-month change in the City's fiscal year end, an additional one-time payment of $350,000 was received during the year ended December 31, 2013. These grants are appropriated annually and have not increased since 2012.

Charges for services consist primarily of fees charged for managing other organizations, utilizing the Port Authority's financing tools, and overseeing development projects. The largest component of service revenue is management fees from the county Landbank, which were $500,000 for years 2012 and 2013 and $550,000 in 2014. Revenues in 2013 were higher than the preceding and following years due mainly to a $275,000 reimbursement from the City of Cincinnati for the parking modernization plan that was terminated late in the year. Additionally, real estate development fees earned under the City agreement were higher in 2013.

Operating Expenses

Overall, operating expenses decreased 3 percent in 2014 compared to an increase of 28 percent in 2013. Salaries and benefits increased by 13 percent in 2014 and 33 percent in 2013, based on additional hiring in each year to support the increased real estate development and community revitalization activities.

During 2013, the Port Authority paid a consultant to conduct a cargo market and strategic planning study, contributing to the higher professional services in that year. Also in 2013, the Port Authority incurred costs of $275,000 related to a City of Cincinnati parking modernization plan that was terminated late in the year. These other operating expenses were reimbursed in full by the City. The reimbursement is included in operating revenue as charges for services. For years 2012 and 2013, the Port Authority had adequate operating revenue to cover its operating expenses before depreciation on capital assets. However in 2014, the Port Authority had $177,256 of operating expenses before depreciation in excess of operating revenue.

Nonoperating Income (Expenses)

Nonoperating income consists of grant 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 Port Authority revenue bonds, other nonoperating contributions to Port Authority projects, and certain post-closing bond reserves established for future debt service.

Restricted bond revenues increased $906,081, or 16 percent, in 2014 mainly due to a reimbursement of $462,028 from the City of Cincinnati on debt issuance costs related to the cancelled parking modernization plan, and higher Cincinnati Mall bond revenues. Restricted bond revenues in 2012 were $2.1 million higher than 2013 primarily due to the receipt of past due payments on the Kenwood development.

Bond administrative expenses increased $454,788, or 58 percent, in 2014 due to the aforementioned $462,028 of debt issuance cost on the cancelled parking modernization plan. Similarly, 2012 bond administrative expenses were $1.6 million higher than 2013 due to the aforementioned settlement of litigation involving the Kenwood project.

Grant receipts and expenditures for the years 2012 and 2013 related to remediation of former industrial sites (Brownfield), which decreased each year as projects were completed. Brownfield grants were provided by the Clean Ohio Fund and the U.S. EPA Brownfield Assessment Fund.

All capital grants and contributions during the years 2012 through 2014 were provided by the City of Cincinnati per the MidPointe and TechSolve II development agreements, with the exception of a $400,000 grant from Duke Energy in 2014. The Port Authority has two agreements with the City. The first agreement provided capital contributions of $2 million in 2012. The second agreement, which began in 2013 and continues beyond 2014, provides capital contributions of $8.5 million with a repayment requirement equal to 20 percent of sale proceeds. Thus, capital grants for the second agreement are reflected net of the estimated 20 percent repayment reserve. As of December 31, 2014, the Port Authority had $0.8 million of capital grant funds remaining on the second development agreement. These capital contributions are to be used to support real estate activities in targeted areas, including but not limited to property acquisition, environmental remediation, site preparation, design, and infrastructure.

In 2014, the Port Authority worked with commercial real estate brokers to market properties for sale at MidPointe and TechSolve II. Based upon the listed selling prices, management estimated the net realizable values and recorded a cost-to-market adjustment of $4.3 million. This write-down represents the true subsidy invested to make the properties marketable.

Capital Asset and Debt Administration

At the end of 2014, the Port Authority had $50.0 million invested in a broad range of capital assets, including public parking garages and lots, public infrastructure, and utilities. During the year, the Port Authority relocated office space and, as a result, recognized the disposal of leasehold improvements and purchased furniture and equipment for its new office. This activity was offset by additional depreciation on capital assets in the amount of $1.4 million.

In 2013, the construction in progress related to the unfinished Kenwood project increased by $3.6 million as a result of payment of subcontractor claims. Capital assets in 2013 were similarly offset by additional depreciation of $1.4 million.

In support of economic development and other authorized projects within the City of Cincinnati and Hamilton County, the Port Authority considers and, with board approval, issues revenue bonds. Conduit financings were issued in years 2013 and 2012 as shown below. No financings were issued in 2014.

Date of Issue	Project Name	Bond Amount
June 2013	Fifth and Race Parking Project	$ 36,000,000
August 2013	St. Ursula Villa School	5,300,000
	Total 2013	$ 41,300,000
June 2012	UC Health - Drake Center	$ 24,200,000
July 2012	Oakley Station	6,835,000
	Total 2012	$ 31,035,000

Economic Factors and Next Year's Budgets and Rates

The Port Authority continues to provide project financing by issuing bonds, which generate front-end fees and annual administrative fees, including structured financings for which such fees may be significant. Conduit financings generally provide for front-end fees only. The Port Authority continues to add new programs to its available public finance tools, which could generate higher earned revenue in 2015.

The Port Authority will continue to rely on operating support provided from its public partners - the City of Cincinnati and Hamilton County. The City and County are expected to make operating grants of $700,000 each in 2015, which is unchanged from this year.

In 2015, development at MidPointe and TechSolve II shifts from assembly, remediation, and demolition of parcels to marketing real estate for sale to the private sector. Real estate sales could be a source of additional capital funding next year.

Capital funding for real estate development is subject to annual discretionary appropriation by the Cincinnati City Council, which approved a long-term lease with the Port Authority for the Fountain Square South Garage in January 2015. Funds advanced from the garage are expected to be the main source of capital funding for real estate development in 2015.

Contacting the Management

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

Port of Greater Cincinnati Development Authority

Statement of Net Position

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	$ 2,630,789	$ 4,804,350
Receivables - Net of allowance	181,518	685,115
Prepaid expenses and other assets	147,105	-
Total current assets	2,959,412	5,489,465
Noncurrent assets:		
Restricted cash and investments	5,372,396	3,404,024
Restricted investments - Pledged bonds	19,265,000	19,400,000
Capital assets - Net (Note 3)	50,025,663	51,435,206
Assets held for resale (Note 11)	5,847,036	5,941,556
Total noncurrent assets	80,510,095	80,180,786
Total assets	83,469,507	85,670,251
Liabilities		
Current liabilities:		
Accounts payable	115,734	1,317,975
Accrued liabilities and other	1,441,545	1,266,491
Unearned grant revenue	547,972	1,099,525
Retainage payable	20,903	138,496
Total current liabilities	2,126,154	3,822,487
Noncurrent liabilities:		
Due to other governmental entities	572,946	790,703
Accrued expenses payable from restricted assets	283,848	264,610
Accounts payable from restricted assets	19,265,000	19,400,000
Accrued interest payable from restricted assets	1,154,036	1,156,519
Current portion of long-term debt payable from restricted assets (Note 4)	1,313,852	886,544
Long-term debt payable from restricted assets (Note 4)	114,419	541,727
Long-term debt payable from future restricted bond revenues (Note 4)	45,627,246	46,135,182
Total noncurrent liabilities	68,331,347	69,175,285
Total liabilities	70,457,501	72,997,772
Equity - Net position		
Net investment in capital assets	4,398,417	5,300,024
Restricted:		
Grants	4,363,919	5,091,961
Trust assets	2,506,241	616,371
Unrestricted	1,743,429	1,664,123
Total net position	**$ 13,012,006**	**$ 12,672,479**

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

Port of Greater Cincinnati Development Authority

Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended December 31 2014	2013
Operating Revenue		
Public funding	$ 1,400,000	$ 1,750,000
Charges for services	1,110,819	1,403,276
Total operating revenue	2,510,819	3,153,276
Operating Expenses		
Salaries and benefits	2,058,355	1,819,012
Professional services	351,532	415,792
Occupancy	76,757	69,838
Travel and business development	50,770	51,794
Equipment and supplies	21,821	37,892
Other operating expenses	128,840	449,725
Depreciation	1,473,725	1,459,366
Total operating expenses	4,161,800	4,303,419
Operating Loss	(1,650,981)	(1,150,143)
Nonoperating Revenue (Expenses)		
Restricted bond revenues	6,548,298	5,642,217
Interest expense	(2,866,786)	(2,921,628)
Grants	-	141,207
Unrealized loss on land held for resale	(4,339,059)	-
Other nonoperating expenses	-	(140,700)
Investment income	13,221	13,498
Bond administrative expense	(1,233,196)	(778,408)
Total nonoperating (expenses) revenue	(1,877,522)	1,956,186
(Loss) Income - Before capital grants and contributions	(3,528,503)	806,043
Capital Grants and Contributions	3,868,030	3,162,814
Increase in Net Position	339,527	3,968,857
Net Position - Beginning of year	12,672,479	8,703,622
Net Position - End of year	**$ 13,012,006**	**$ 12,672,479**

Port of Greater Cincinnati Development Authority

Statement of Cash Flows

	Year Ended December 31 2014	2013
Cash Flows from Operating Activities		
Receipts from public funding sources	$ 1,400,000	$ 1,750,000
Receipts from charges for services	1,126,631	1,403,276
Payments to suppliers	(539,366)	290,184
Payments to employees	(2,042,326)	(1,808,275)
Net cash (used in) provided by operating activities	(55,061)	1,635,185
Cash Flows from Noncapital Financing Activities - Operating grants and subsidies	-	507
Cash Flows from Capital and Related Financing Activities		
Receipt of capital grants	2,858,097	4,939,922
Restricted bond revenues	7,086,271	5,642,217
Purchase of assets held for sale	(5,179,089)	(5,015,149)
Purchase of capital assets	(62,880)	(3,644,958)
Principal paid on capital debt	(506,544)	(1,998,704)
Interest paid	(2,870,665)	(3,590,221)
Bond administrative expenses paid	(1,488,539)	(795,627)
Net cash used in capital and related financing activities	(163,349)	(4,462,520)
Cash Flows from Investing Activities - Interest received on investments	13,221	13,498
Net Decrease in Cash and Cash Equivalents	(205,189)	(2,813,330)
Cash and Cash Equivalents - Beginning of year	8,208,374	11,021,704
Cash and Cash Equivalents - End of year	**$ 8,003,185**	**$ 8,208,374**
Statement of Net Position Classification		
Cash and investments	$ 2,630,789	$ 4,804,350
Restricted cash	5,372,396	3,404,024
Total cash and cash equivalents	**$ 8,003,185**	**$ 8,208,374**
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (1,650,981)	$ (1,150,143)
Depreciation	1,473,725	1,459,366
Changes in assets and liabilities:		
Accounts receivable	208,606	(1,033,498)
Prepaid and other assets	(39,701)	5,714
Accounts payable	(32,962)	2,343,009
Accrued and other liabilities	(13,748)	10,737
Net cash (used in) provided by operating activities	**$ (55,061)**	**$ 1,635,185**

Note 1 - Organization and Reporting Entity and Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

Port Authority Powers

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

Note 1 - Organization and Reporting Entity and Summary of Significant Accounting Policies (Continued)

Special Financing, Projects, and Programs

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

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

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

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

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

Common Bond Fund Programs - 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. Common bond funds are a tool that supplements the financing options available to small and medium-sized companies within the community. The Port Authority has access to such programs through the Ohio Enterprise Bond Fund Program, cooperative agreements, and existing common bond fund programs of other Ohio port authorities. However, the Port Authority has not yet utilized any such programs through 2014. In addition, if justified by demand, the Port Authority could seek capital to fund future programs sponsored by the Port Authority.

Note 1 - Organization and Reporting Entity and Summary of Significant Accounting Policies (Continued)

Lease Financing Projects - Port authorities may provide assistance through issuance of revenue bonds to finance the acquisition, construction, and leasing of a project to provide financial and accounting advantages to non-governmental users. Lease financings have 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. Lease financings have typically been undertaken by port authorities in the categories of capital lease, operating lease, or synthetic lease. The Port Authority has provided capital lease financing.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The financial statements consist of a single-purpose business-type activity which is reported on the accrual basis of accounting, using the economic resources measurement focus.

The financial statements of the Port Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Note 1 - Organization and Reporting Entity and Summary of Significant Accounting Policies (Continued)

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

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

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

Assets, Liabilities, and Net Position

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

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

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

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

Note 1 - Organization and Reporting Entity and Summary of Significant Accounting Policies (Continued)

The Port Authority capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. There is no capitalized interest for 2014 and 2013.

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

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

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

Due to other Governmental Entities - Due to other governmental entities represents 20 percent of the expected sale proceeds of redeveloped property (assets held for resale) which is required to be returned to the City of Cincinnati based on contractual provisions.

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

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

Note 1 - Organization and Reporting Entity and Summary of Significant Accounting Policies (Continued)

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

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

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

Deposits - Monies in the funds of the Port Authority, except as otherwise described below with respect to investments controlled by the terms of a bond resolution or trust agreement or indenture, and to the extent in excess of current needs, may be invested in accordance with the Ohio Uniform Depository Act, Revised Code Sections 135.01-135.21 (UDA). At December 31, 2014 and 2013, the aggregate amount of monies in the general operating funds of the Port Authority was $2,722,316 and $4,816,617, respectively, all of which constituted "active deposits," with one qualified banking institution deposited in accordance with UDA. At December 31, 2014 and 2013, approximately $500,000 and $353,000, respectively, of the Port Authority's deposits were covered by FDIC insurance. The remaining bank balances at December 31, 2014 and 2013 of approximately $2,222,000 and $4,463,000, respectively, were collateralized with securities by the pledging institution's trust department or agent, but not in the Port Authority's name. At no time during the two-year period ended December 31, 2014 did the Port Authority have any amounts for investment in the unrestricted general operating funds of the Port Authority not constituting active deposits.

Note 2 - Deposits and Investments (Continued)

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

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

Note 3 - Capital Assets

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

Business-type Activities	Balance January 1, 2014	Additions	Disposals	Balance December 31, 2014
Capital assets not being depreciated:				
Land easements - Red Bank	$ 450,000	$ -	$ -	$ 450,000
Construction in progress - Kenwood	20,907,442	-	-	20,907,442
Capital assets being depreciated:				
Land improvements - Cincinnati Mall	4,519,426	-	-	4,519,426
Land improvements - Springdale Pictoria	882,619	-	-	882,619
Land improvements - Red Bank	2,539,587	-	-	2,539,587
Buildings - Cincinnati Mall	10,084,875	-	-	10,084,875
Buildings - Springdale Pictoria	9,260,329	-	-	9,260,329
Buildings - Kenwood	12,687,156	-	-	12,687,156
Office equipment	72,650	10,206	-	82,856
Furniture and fixtures	-	53,976	-	53,976
Leasehold improvements	21,038	-	-	21,038
Subtotal	40,067,680	64,182	-	40,131,862
Accumulated depreciation:				
Land improvements - Cincinnati Mall	1,340,198	152,040	-	1,492,238
Land improvements - Springdale Pictoria	262,825	36,459	-	299,284
Land improvements - Red Bank	641,041	114,200	-	755,241
Buildings - Cincinnati Mall	2,885,400	342,832	-	3,228,232
Buildings - Springdale Pictoria	2,737,662	383,687	-	3,121,349
Buildings - Kenwood	2,091,893	411,520	-	2,503,413
Office equipment	20,945	20,010	-	40,955
Furniture and fixtures	-	1,891	-	1,891
Leasehold improvements	9,952	11,086	-	21,038
Subtotal	9,989,916	1,473,725	-	11,463,641
Net capital assets being depreciated	30,077,764	(1,409,543)	-	28,668,221
Net capital assets	$ 51,435,206	$ (1,409,543)	$ -	$ 50,025,663

Note 3 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2013	Additions	Disposals	Balance December 31, 2013
Capital assets not being depreciated:				
Land easements - Red Bank	$ 450,000	$ -	$ -	$ 450,000
Construction in progress - Kenwood	17,306,122	3,601,320	-	20,907,442
Capital assets being depreciated:				
Land improvements - Cincinnati Mall	4,519,426	-	-	4,519,426
Land improvements - Springdale Pictoria	882,619	-	-	882,619
Land improvements - Red Bank	2,539,587	-	-	2,539,587
Buildings - Cincinnati Mall	10,084,875	-	-	10,084,875
Buildings - Springdale Pictoria	9,260,329	-	-	9,260,329
Buildings - Kenwood	12,687,156	-	-	12,687,156
Office equipment	49,931	34,500	(11,781)	72,650
Leasehold improvements	11,900	9,138	-	21,038
Subtotal	40,035,823	43,638	(11,781)	40,067,680
Accumulated depreciation:				
Land improvements - Cincinnati Mall	1,188,158	152,040	-	1,340,198
Land improvements - Springdale Pictoria	226,366	36,459	-	262,825
Land improvements - Red Bank	526,841	114,200	-	641,041
Buildings - Cincinnati Mall	2,542,568	342,832	-	2,885,400
Buildings - Springdale Pictoria	2,353,975	383,687	-	2,737,662
Buildings - Kenwood	1,680,373	411,520	-	2,091,893
Office equipment	21,571	11,155	(14,347)	20,945
Leasehold improvements	2,479	7,473	(9,141)	9,952
Subtotal	8,542,331	1,459,366	(11,781)	9,989,916
Net capital assets being depreciated	31,493,492	(1,415,728)	-	30,077,764
Net capital assets	$ 49,249,614	$ 2,185,592	$ -	$ 51,435,206

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

Construction Commitments - The Port Authority has few active construction projects at year end. The Port Authority's commitments as of December 31, 2014 are $20,903 compared to $2,785,461 a year earlier.

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

Note 4 - Long-term Debt

The bonds are special limited obligations of the Port Authority payable only from the funds established with and revenues assigned to the bond trustee under the trust indenture, primarily the revenues assigned by the cities to the Port Authority under cooperative agreements and treated as nonoperating revenues of the Port Authority. The bondholders have no recourse to any other revenues or assets of the Port Authority.

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

A detailed description of each bond issue follows:

Description	Amount
Business-type Activities:	
Revenue Bonds:	
2004 Cincinnati Mall Public Infrastructure (formerly known as Cincinnati Mills) Special Obligation Development Revenue Bonds, bearing interest at 6.30 percent and 6.40 percent, maturing in 2024 and 2034	$ 16,425,000
2006 Springdale Pictoria Public Parking/Infrastructure Special Obligation Development Revenue Bonds, bearing interest at 0.45 percent, maturing in 2031	7,925,000
2007 Fairfax Red Bank Public Infrastructure Special Obligation Development Revenue Bonds, bearing interest at 5.50 percent and 5.625 percent, maturing in 2025 and 2036	3,411,224
2008 Kenwood Central Public Parking/Infrastructure Special Obligation Development Revenue Bonds, bearing interest at 8.25 percent, maturing in 2039	19,265,000
Total	$ 47,026,224

Note 4 - Long-term Debt (Continued)

Changes in Long-term Debt - The following is a summary of long-term debt transactions (net of unamortized bond premiums in the amount of $29,293 and $30,685) of the Port Authority for the years ended December 31, 2014 and 2013, respectively:

	Beginning Balance January 1, 2014	Reductions	Ending Balance December 31, 2014	Due Within One Year
Business-type Activities -				
Revenue bonds	$ 47,532,768	$ 506,544	$ 47,026,224	$ 1,313,852

	Beginning Balance January 1, 2013	Reductions	Ending Balance December 31, 2013	Due Within One Year
Business-type Activities -				
Revenue bonds	$ 49,530,080	$ 1,997,312	$ 47,532,768	$ 886,544

Debt Service Requirements - The annual total principal and interest requirements to service all debt outstanding at December 31, 2014 are as follows:

	Business-type Activities		
Years Ending December 31	Principal	Interest	Total
2015	$ 1,313,852	$ 2,816,543	$ 4,130,395
2016	1,071,160	2,772,545	3,843,705
2017	1,135,008	2,715,713	3,850,721
2018	1,192,316	2,662,057	3,854,373
2019	1,264,624	2,602,581	3,867,205
2020-2024	7,658,908	11,960,270	19,619,178
2025-2029	10,870,480	9,560,193	20,430,673
2030-2034	13,367,448	5,959,163	19,326,611
2035-2039	9,152,428	1,924,255	11,076,683
Total	$ 47,026,224	$ 42,973,320	$ 89,999,544

Note 4 - Long-term Debt (Continued)

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

As of December 31, 2014, the principal payment scheduled for February 2014 in the amount of $380,000 was past due but subsequently paid in February 2015. Interest payments for 2014 and 2013 were paid upon the due date.

The trustee elected not to pay certain past due administrative expenses; however, future trust revenues and indemnification by various parties, if needed, are expected to pay these administrative expenses. At December 31, 2014 and 2013, the amounts outstanding for administrative expenses totaled $283,848 and $264,000, respectively, and are included in accrued expenses payable from restricted assets on the statement of net position.

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

Years Ending December 31	Principal	Interest	Total
2015	$ 785,000	$ 1,008,613	$ 1,793,613
2016	435,000	982,153	1,417,153
2017	460,000	953,960	1,413,960
2018	490,000	924,035	1,414,035
2019	525,000	892,063	1,417,063
2020-2024	3,195,000	3,900,558	7,095,558
2025-2029	4,420,000	2,700,160	7,120,160
2030-2034	6,115,000	1,031,200	7,146,200
Total	$ 16,425,000	$ 12,392,740	$ 28,817,740

Note 4 - Long-term Debt (Continued)

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

Interest is payable semiannually at variable interest rates currently reset annually and with conversion options permitting the interest rate to be reset weekly or fixed to maturity. Until the interest rate on the bonds is fixed to maturity, bondholders have certain rights to tender bonds for purchase, as provided by the trust indenture. At issuance and as of December 31, 2014, RBC Capital Markets (formerly Seasongood & Mayer, LLC) is the remarketing agent for the bonds. Credit and liquidity support are provided for the bonds pursuant to a U.S. Bank N.A. Irrevocable Letter of Credit dated October 25, 2006, and as amended, extended, and reissued, and stated to expire on February 15, 2016, but extended one additional year annually thereafter if not terminated by the bank at least 270 days before February 15, 2016 or any subsequent expiration date. Obligations under the reimbursement agreement providing for that letter of credit are payable only from the trust estate established under the trust indenture. On February 15, 2014, the letter of credit fee increased from 2.3 percent to 3.0 percent.

Note 4 - Long-term Debt (Continued)

On February 1, 2013, the interest rate was reset to 0.50 percent from 0.65 percent per year. On February 1, 2014, the interest rate was reset to 0.45 percent per year. Assuming a constant interest rate of 0.45 percent per year from February 1, 2014 to the maturity of the bonds, debt service as of December 31, 2014 is estimated as follows:

Years Ending December 31		Principal	Interest	Total
2015		$ 340,000	$ 34,898	$ 374,898
2016		355,000	33,334	388,334
2017		370,000	31,703	401,703
2018		380,000	30,015	410,015
2019		395,000	28,271	423,271
2020-2024		2,215,000	112,736	2,327,736
2025-2029		2,660,000	57,983	2,717,983
2030-2031		1,210,000	5,490	1,215,490
	Total	$ 7,925,000	$ 334,430	$ 8,259,430

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

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

Note 4 - Long-term Debt (Continued)

Because of the nature and location of certain of the improvements financed, those improvements are owned by the Village of Fairfax or other political subdivisions pursuant to cooperative agreements, dedication, or other arrangements (Red Bank Non-Port Infrastructure). The portion of the revenue bonds issued to finance Red Bank Non-Port Infrastructure ($4,132,000 principal amount) and related revenues, expenses, assets, and liabilities is treated as a separate issue of conduit revenue bonds issued by the Port Authority (Red Bank Conduit Bonds). The remaining improvements financed are owned by the Port Authority (Red Bank Port Infrastructure) and, to the extent issued to finance Red Bank Port Infrastructure ($3,543,000 principal amount), those bonds (Red Bank Infrastructure Bonds), and related revenues, expenses, assets, and liabilities, are treated as a separate issue of infrastructure development revenue bonds issued to finance assets of the Port Authority. The debt service requirements for the Port Authority's portion of the Red Bank Infrastructure Bonds as of December 31, 2014 are as follows:

Years Ending December 31		Principal	Interest	Total
2015		$ 43,852	$ 189,602	$ 233,454
2016		46,160	187,127	233,287
2017		60,008	184,207	244,215
2018		62,316	180,843	243,159
2019		64,624	177,352	241,976
2020-2024		463,908	818,786	1,282,694
2025-2029		715,480	657,230	1,372,710
2030-2034		1,052,448	410,507	1,462,955
2035-2036		902,428	61,084	963,512
	Total	$ 3,411,224	$ 2,866,738	$ 6,277,962

Kenwood Central Public Parking/Infrastructure (Kenwood Project) - In January 2008, the Port Authority issued $14,315,000 principal amount of Series 2008A Special Obligation Development Revenue Bonds (Series A) and $6,115,000 of Series 2008B Taxable Special Obligation Development Revenue Bonds (Series B) for the purpose of financing costs of the acquisition, construction, installation, equipping, improvement, and development, in cooperation with Sycamore Township, Ohio, of public infrastructure improvements. The bonds (both Series A and Series B) consist of term bonds maturing on February 1, 2039.

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

Note 4 - Long-term Debt (Continued)

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

At issuance and until February 1, 2011, credit and liquidity support were provided for each series of the bonds pursuant to a LaSalle Bank NA (now part of Bank of America) Irrevocable Letter of Credit dated January 29, 2008, and stated to expire on February 15, 2011. During this period, interest was payable semiannually at variable interest rates reset weekly with conversion options permitting the interest rate to be fixed to maturity under certain conditions.

On December 30, 2010, U.S. Bank National Association, as Trustee, issued a "Notice of Termination of the Letter of Credit and Mandatory Tender" for each series. Each notice indicated that the Trustee has received neither a notice of extension of the Bank of America letter of credit nor a notice of an alternate or replacement letter of credit. As a result, the bonds were tendered to the Trustee for purchase on February 1, 2011, in accordance with the trust indenture, at 100 percent of the principal amount plus any accrued interest. The bonds were purchased from proceeds of draws on the letters of credit and are held as pledged bonds under the indenture until successfully remarketed. While so held, the bonds will bear interest at the lesser of (i) the sum of the prime rate and 5 percent per year or (ii) 15 percent. The current interest rate is 8.25 percent for both the Series A and the Series B bonds. This purchase is not considered a redemption or extinguishment.

Note 4 - Long-term Debt (Continued)

The registered bank bonds are recorded in the financial statements as a restricted investment - pledged bonds with an offsetting accounts payable - from restricted assets. In May 2011, the Trustee determined that the investment should be written down to 95 percent of its face value, which resulted in a decrease to the investment and related liability to Bank of America. In 2012, the Trustee reversed this write-down, restoring the investment and related liability to 100 percent of face value. Assuming a constant interest rate of 8.25 percent per year to the maturity of the tax-exempt bonds, debt service is estimated as follows as of December 31, 2014:

Years Ending December 31	Principal	Interest	Total
2015	$ 145,000	$ 1,583,430	$ 1,728,430
2016	235,000	1,569,932	1,804,932
2017	245,000	1,545,843	1,790,843
2018	260,000	1,527,163	1,787,163
2019	280,000	1,504,895	1,784,895
2020-2024	1,785,000	7,128,190	8,913,190
2025-2029	3,075,000	6,144,820	9,219,820
2030-2034	4,990,000	4,511,967	9,501,967
2035-2039	8,250,000	1,863,173	10,113,173
Total	$ 19,265,000	$ 27,379,413	$ 46,644,413

Line of Credit - In April 2014, the Port Authority obtained a $4.5 million line of credit for the sole purpose of pursuing a property acquisition from the federal government in the TechSolve II redevelopment area. The line of credit had a one-year term with an interest rate equal to one-month LIBOR plus 200 basis points. No debt was drawn from the line of credit and it expired in April 2015.

Note 5 - Public Funding

For the years ended December 31, 2014 and 2013, public funding for the Port Authority came from the following sources:

	2014	2013
Hamilton County, Ohio	$ 700,000	$ 700,000
City of Cincinnati, Ohio	700,000	1,050,000
Total	$ 1,400,000	$ 1,750,000

Due to a six-month change in the City's fiscal year end, an additional one-time payment of $350,000 was received during the year ended December 31, 2013.

Note 6 - Leases

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

Future minimum lease payments are as follows:

Years Ending December 31		Amount
2015		$ 19,739
2016		90,520
2017		112,291
2018		105,311
2019		105,291
Thereafter		617,530
	Total	$ 1,050,682

Note 7 - Retirement and Postemployment Benefit Plan

Pension Benefits - All full-time employees are required to join the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan - A cost-sharing, multiple-employer defined benefit plan
2. The Member-directed Plan - A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan - A cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-directed Plan.

Note 7 - Retirement and Postemployment Benefit Plan (Continued)

OPERS provides retirement, disability, survivor, and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, 2013, and 2012, member and employer contribution rates were consistent across all three plans. Contribution rates for calendar years 2014, 2013, and 2012 were 10 percent and 14 percent for the employee and employer shares, respectively, for each year. Employer contributions required were $231,802, $203,825, and $148,015 for 2014, 2013, and 2012, respectively, which equaled 100 percent of employer charges for each year.

Postemployment Benefits - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-directed Plan do not qualify for ancillary benefits, including postemployment healthcare coverage. In order to qualify for postemployment healthcare coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an other postemployment benefit (OPEB) as described in GASB Statement No. 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement healthcare through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement healthcare benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014 and 2013, local employer units contributed at a rate of 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

Note 7 - Retirement and Postemployment Benefit Plan (Continued)

OPERS Postemployment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS board of trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment healthcare benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered to 1 percent for both plans, as recommended by the OPERS actuary. The OPERS board of trustees is also authorized to establish rules for the retiree, or his or her surviving beneficiaries, to pay a portion of the healthcare benefits provided.

Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the employer contributions that was made to fund other postemployment benefits (OPEB) for 2014, 2013, and 2012 was approximately $33,100, $14,500, and $42,300, respectively.

There are no postemployment benefits provided by the Port Authority other than those provided through OPERS.

Changes to the healthcare plan were adopted by the OPERS board of trustees in September 2012 with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved healthcare changes, OPERS expects to consistently allocate 4 percent of employer contributions toward the healthcare fund after the end of the transition period.

Note 8 - Risk Management

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

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

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

Note 9 - Conduit Revenue Bond Obligations

The Port Authority has outstanding aggregate conduit revenue bond obligations of approximately $409,432,000 and $408,815,000 at December 31, 2014 and 2013, respectively. The conduit revenue bonds issued are payable solely from the net revenue derived from the respective agreements and are not a general obligation of the Port Authority. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the Port Authority's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source. In 2013, the Port Authority issued conduit debt for Fifth and Race Development and Saint Ursula Villa. Additional conduit debt outstanding includes the following: the Cincinnati Zoo, Queen City Square, Sisters of Mercy of the Americas - Regional Community of Cincinnati, Fairfax Red Bank Public Infrastructure, Fountain Square, 12th and Vine Parking, Oakley Station, and UC Health Drake Center.

Note 10 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Port Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for Port Authority financial statements in the year ending December 31, 2015.

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Port Authority is currently evaluating the impact this standard will have on the financial statements when adopted, during the Port Authority's 2016 fiscal year.

Note 10 - Upcoming Accounting Pronouncements (Continued)

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 will require governments providing postemployment benefits other than pensions (such as retiree healthcare benefits), to recognize their unfunded pension benefit obligation as a liability on the face of the financial statements. Governments that participate in a cost-sharing OPEB plan that is administered through a trust (such as OPERS) will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Port Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for Port Authority financial statements in the year ending December 31, 2018.

Note 11 - Assets Held for Resale

The Port Authority has entered into agreements with the City of Cincinnati (the "City") to redevelop real estate in certain identified growth opportunity areas. Under the Agreement for Redevelopment Services (the "Redevelopment Agreement") the City will provide the Port Authority up to $6.2 million for the acquisition and preparation for redevelopment of the property formerly known as Jordan Crossing. The Port Authority intends to sell the redeveloped property, now known as MidPointe Crossing, to developers upon completion.

The Port Authority acquired additional real estate near MidPointe Crossing and incurred redevelopment expenses in connection with this project known as TechSolve II. Funding for this redevelopment project, formerly known as Seymour Plaza, was provided by a $2 million capital grant from the City in 2012 under a separate agreement. The Redevelopment Agreement providing funding for MidPointe Crossing also provides for an additional $2.3 million subject to future appropriation by the City Council. Subsequent to year end, the City Council passed a resolution appropriating these funds for the TechSolve II project.

As of December 31, 2014, management estimated the net realizable value based upon the list prices used by commercial real estate brokers for the MidPointe Crossing and TechSolve II properties. A $4,300,000 cost-to-market adjustment was recorded for the writedown.

Note 11 - Assets Held for Resale (Continued)

A summary of real estate held for redevelopment follows:

	2014	2013
MidPointe Crossing	$ 3,027,113	$ 3,784,632
TechSolve II	1,846,600	2,156,089
Other	973,323	835
Total	$ 5,847,036	$ 5,941,556

The real estate held for development has been recorded at the lower of cost or market value, which, at December 31, 2014 was the market value, and at December 31, 2013 was the cost.

The Redevelopment Agreement provides for the City to disburse funds to the Port Authority based on contracts entered into as well as noncontract payments. Because the Port Authority is required to return to the City any unused funds with respect to contracts, the unused portion is recorded as a liability, unearned grant revenue, in the statement of net position.

Note 12 - Subsequent Events

In January 2015, the Port Authority executed a 30-year agreement to lease the Fountain Square South Garage from the City of Cincinnati. The garage consists of 396 underground parking spaces near the center of downtown. Upon execution of the lease, the Port Authority issued $8.8 million of bonds to fund garage renovations and economic development projects. The variable rate bonds have a final maturity date in 2045 and are currently fully covered by a swap converting debt cost to a fixed rate of 5.09 percent.

In April 2015, the Port Authority became an eligible issuer of economic development revenue bonds for the Southwest Ohio Regional Bond Fund, created from the expansion of the Dayton-region Port Authority Bond Fund. The expanded bond fund serves growing companies in 14 counties by providing access to project capital at terms and rates not available through traditional lending channels. The Port Authority's participation in the bond fund was made available by a $3.5 million deposit into the common fund, of which $2.5 million was loaned by the State of Ohio and $1 million was granted by Hamilton County. Combined with Dayton's existing $10 million in reserves, the new fund has approximately $13.5 million in reserves and capacity to issue approximately $80 million in bonds.

Plante & Moran, PLLC
Suite 200
537 E. Pete Rose Way
Cincinnati, OH 45202-3578
Tel: 513.595.8800
Fax: 513.595.8806
plantemoran.com

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Port of Greater Cincinnati Development Authority (the "Port Authority") as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements, and have issued our report thereon dated June 15, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Plante & Moran, PLLC

Cincinnati, Ohio
June 15, 2015

Dave Yost • Auditor of State

PORT OF GREATER CINCINNATI DEVELOPMENT AUTHORITY

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 5, 2015