Port of Greater Cincinnati Development Authority

Financial Report

December 31, 2012

Port of Greater Cincinnati

DEVELOPMENT AUTHORITY

To improve the economic vitality of the region through catalytic investment

Port of Greater Cincinnati Development Authority

Contents

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Independent Auditor's Report

To the Board of Directors
Port of Greater Cincinnati
Development Authority

Report on the Financial Statements

We have audited the accompanying basic financial statements of Port of Greater Cincinnati Development Authority (the "Port Authority") as of and for the year ended December 31, 2012 and the related notes to the financial statements.

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. 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 the Port of Greater Cincinnati Development Authority as of December 31, 2012 and the changes in its financial position and its cash flows thereof for the year 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

Emphasis of Matter

As discussed in Note 11 to the basic financial statements, in 2012, the Port Authority adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and early adopted GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. As a result, the description for net assets was changed to net position and bond issuance costs are now expensed when incurred. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Information

The basic financial statements of Port of Greater Cincinnati Development Authority as of and for the year ended December 31, 2011 were audited by a predecessor auditor, which expressed an unqualified opinion on the basic financial statements. The predecessor auditor's report was dated June 26, 2012.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8 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.

Plante & Moran, PLLC

June 13, 2013

Our discussion and analysis of Port of Greater Cincinnati Development Authority's (the "Port Authority") financial performance provides an overview of the Port Authority's financial activities for the fiscal years ended December 31, 2012, 2011, and 2010. 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, 2012:

- In February, the Port Authority began management of the Hamilton County Land Reutilization Corporation (Landbank). Management fees of $500,000 are included in operating revenues and contributed to the 55 percent increase in unrestricted net position.

- The City of Cincinnati provided $2 million in capital funding. As of December 31, 2012, the Port Authority had not yet invested these funds. The City's capital funding is subject to annual discretionary appropriation.

- The Port Authority's staff grew to 14 from seven full-time employees, resulting in a 64 percent increase in payroll and benefits expense. This increase in staff supports the Port Authority's new real estate development and landbanking activities.

- The foreclosure sale of the Kenwood Towne Place private development, adjacent to the Port Authority's-owned public garage, occurred in July. The Port Authority received $3,900,000 under the court-approved distribution for payment of past due TIF obligations, which is included in nonoperating revenues. A portion of these proceeds was used to pay administrative expenses of the trust, resulting in a decrease in accrued expenses of $1,400,000.

Using this Annual Report

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

Condensed Financial Information

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

	Business-type Activities				
	2010	2011	2012	Change	Percent Change
Assets					
Other assets	$ 8,630,604	$ 28,926,996	$ 31,240,556	$ 2,313,560	8%
Capital assets	52,100,794	50,656,109	49,249,614	(1,406,495)	-3%
Total assets	60,731,398	79,583,105	80,490,170	907,065	1%
Liabilities					
Current liabilities	2,457,497	3,725,552	2,651,591	(1,073,961)	-29%
Long-term liabilities	49,974,945	70,477,195	69,134,957	(1,342,238)	-2%
Total liabilities	52,432,442	74,202,747	71,786,548	(2,416,199)	-3%
Net Position					
Net investment in capital assets	5,303,251	3,241,632	2,035,266	(1,206,366)	-37%
Restricted	2,349,090	1,307,502	5,383,893	4,076,391	312%
Unrestricted	646,615	831,224	1,284,463	453,239	55%
Total net position	**$ 8,298,956**	**$ 5,380,358**	**$ 8,703,622**	**$ 3,323,264**	62%

	Business-type Activities				
	2010	2011	2012	Change	Percent Change
Operating Revenue					
Public funding	$ 700,000	$ 1,050,000	$ 1,400,000	$ 350,000	33%
Charges for project services	340,242	421,972	985,687	563,715	134%
Total operating revenue	1,040,242	1,471,972	2,385,687	913,715	62%
Operating Expenses					
Salaries and benefits	924,916	835,135	1,366,704	531,569	64%
Professional services	263,029	277,310	325,772	48,462	17%
Occupancy	48,968	50,926	58,916	7,990	16%
Travel and business development	17,905	13,684	38,963	25,279	185%
Equipment and supplies	17,193	14,437	29,135	14,698	102%
Other operating expenses	218,825	163,248	91,482	(71,766)	-44%
Depreciation	1,445,121	1,444,685	1,449,614	4,929	0%
Total operating expenses	2,935,957	2,799,425	3,360,586	561,161	20%
Operating Loss	(1,895,715)	(1,327,453)	(974,899)	352,554	27%
Restricted bond revenues	1,155,070	2,744,482	7,792,644	5,048,162	184%
Interest expense	(1,474,454)	(3,041,641)	(3,153,294)	(111,653)	4%
Grant receipts	41,987	2,082,209	869,018	(1,213,191)	-58%
Grant expenditures	(41,987)	(1,968,291)	(846,799)	1,121,492	-57%
Investment income	28,499	10,708	15,305	4,597	43%
Bond administrative expense	(640,180)	(1,418,612)	(2,378,711)	(960,099)	68%
Capital grants and contributions	-	-	2,000,000	2,000,000	n/a
Change in Net Position	**$ (2,826,780)**	**$ (2,918,598)**	**$ 3,323,264**	**$ 6,241,862**	214%

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 62 percent from a year ago - increasing from $5.4 million to $8.7 million. In contrast, last year's net position decreased by 35 percent.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations - increased by $453,000, or 55 percent. The current level of unrestricted net position stands at $1,284,000, or about 22 percent of operating expenditures.

Restricted net position increased by $4,076,000, or 312 percent, mainly due to the City's $2 million capital contribution and a $1.4 million decrease in accrued bond administrative expenses. This compares to a decrease of 44 percent in the previous year.

Net investment in capital assets decreased by $1,206,000, or 37 percent, due to a decrease in unspent bond proceeds and depreciation, offset by principal payments on the revenue bonds. This compares to a decrease of 39 percent in the previous year.

Operating Revenue

Public funding in the form of operating grants is provided in equal amounts from the City of Cincinnati and Hamilton County to support the Port Authority's Brownfield, public finance, transportation, and economic inclusion activities. These grants are appropriated annually; the amounts were increased by a total of $350,000 in 2011 and again in 2012.

Project services revenue has historically consisted of fees charged for environmental assessment and cleanup (Brownfield), debt financing, and other projects pursued by the Port Authority. Improving economic conditions in 2011 resulted in new fees earned on three conduit bond financings that year. In 2012, new fees were earned on two conduit bond financings and management of the Landbank, which resulted in an increase in fees of $564,000 or 134 percent. This compares to an increase of 24 percent in 2011 from new fees earned on three conduit bond financings that year.

Operating Expenses

As mentioned previously, the Port Authority added professional and administrative staff to support the new real estate development and landbanking activities, resulting in an increase in salaries and benefits of $532,000 or 64 percent. This compares to a decrease of $90,000, or almost 10 percent in 2011. The doubling of staff necessitated a move to new office space and increased related occupancy, equipment, supplies, and travel expenses.

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.

Grant receipts have historically related to Brownfield projects, but in 2011 included $1,175,000 in grant funds provided by the City of Cincinnati to assist in the development of certain project improvements at the Queen City Square Tower site in the Central Business District. Grants for Brownfield projects increased by $865,000 in 2011 and decreased by $38,000 in 2012 as projects continue to wind down. Brownfield grants were provided by the Clean Ohio Fund and the U.S. EPA Brownfield Assessment Fund.

Restricted bond revenues increased by $5 million in 2012, primarily due to receipt of past due TIF obligations on the Kenwood Towne Place private development.

Capital contributions of $2 million in 2012 were provided by the City of Cincinnati to acquire and redevelop property in targeted areas. The City's capital funding is subject to annual appropriation, but is expected to increase in 2013. As of December 31, 2012, none of the contributions had been spent.

Capital Asset and Debt Administration

At the end of 2012, the Port Authority had $50 million invested in a broad range of capital assets, including public parking garages and lots, public infrastructure, and utilities. No significant capital asset activity occurred during the year. The construction in progress related to the unfinished Kenwood Towne Place development is expected to start up again in 2013.

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. Two conduit financings and one refinancing were closed in 2011. Two conduit financings were closed in 2012 as shown below:

Date of Issue	Project Name	Bond Amount
June 2012	UC Health - Drake Center	$ 24,200,000
July 2012	Oakley Station	6,835,000
	Total 2012	$ 31,035,000
December 2011	Fountain Square Project (Series 2011)	$ 8,928,000
December 2011	12th and Vine Parking Project	820,000
December 2011	Fountain Square Conduit Bonds (reissued)	15,496,727
	Total 2011	**$ 25,244,727**

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. Two conduit financings were closed in 2012. Bond financing revenues could be substantially higher in 2013 than 2012.

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 2013. Due to a change in the City's fiscal year, there will be a timing difference in these payments.

In 2012, the Port Authority initiated real estate development projects under agreement with the City of Cincinnati. In 2013, there will be additional capital contributions and new earned revenue for these development services.

Contacting the Port Authority's Management

This financial report is intended to provide our stakeholders with a general overview of the Port Authority's finances and to show the Port Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Port Authority's office manager at 513-621-3000.

Port of Greater Cincinnati Development Authority

Statement of Net Position

	December 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	$ 3,285,870	$ 869,424
Receivables - Net of allowance	329,200	139,083
Prepaid expenses and other assets	5,714	-
Total current assets	3,620,784	1,008,507
Noncurrent assets:		
Restricted cash and investments	7,735,834	8,509,989
Restricted investments - Pledged bonds	19,745,000	19,408,500
Capital assets - Net (Note 3)	49,249,614	50,656,109
Other noncurrent assets	138,938	-
Total noncurrent assets	76,869,386	78,574,598
Total assets	80,490,170	79,583,105
Liabilities		
Current liabilities:		
Accounts payable	359,444	48,733
Accrued liabilities and other	13,006	8,550
Total current liabilities	372,450	57,283
Noncurrent liabilities payable from restricted assets:		
Accrued expenses - Trusts	281,829	1,703,265
Accounts payable - Pledged bonds	19,745,000	19,428,502
Accrued interest	1,825,112	2,430,144
Current portion of long-term debt (Note 4)	1,997,312	1,187,502
Long-term debt (Note 4)	1,565,601	-
Current portion of long-term debt payable from future restricted bond revenues (Note 4)	-	777,502
Long-term debt payable from future restricted bond revenues (Note 4)	45,999,244	48,618,549
Total noncurrent liabilities	71,414,098	74,145,464
Total liabilities	71,786,548	74,202,747
Net Position - As restated for 2011 (Note 11)		
Net investment in capital assets	2,035,266	3,241,632
Restricted - Grants:		
Trust assets	3,281,084	1,187,502
Grants	2,102,809	120,000
Unrestricted	1,284,463	831,224
Total net position	**$ 8,703,622**	**$ 5,380,358**

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	
	2012	2011
Operating Revenue		
Public funding	$ 1,400,000	$ 1,050,000
Charges for services	985,687	421,972
Total operating revenue	2,385,687	1,471,972
Operating Expenses		
Salaries and benefits	1,366,704	835,135
Professional services	325,772	277,310
Occupancy	58,916	50,926
Travel and business development	38,963	13,684
Equipment and supplies	29,135	14,437
Other operating expenses	91,482	163,248
Depreciation	1,449,614	1,444,685
Total operating expenses	3,360,586	2,799,425
Operating Loss	(974,899)	(1,327,453)
Nonoperating Revenue (Expenses)		
Restricted bond revenues	7,792,644	2,744,482
Interest expense	(3,153,294)	(3,041,641)
Grant receipts	869,018	2,082,209
Grant expenditures	(846,799)	(1,968,291)
Investment income	15,305	10,708
Bond administrative expense	(2,378,711)	(1,418,612)
Total nonoperating revenue (expenses)	2,298,163	(1,591,145)
Income (Loss) - Before capital grants and contributions	1,323,264	(2,918,598)
Capital Grants and Contributions	2,000,000	-
Increase (Decrease) in Net Position	3,323,264	(2,918,598)
Net Position - Beginning of year - As restated for 2011 (Note 11)	5,380,358	8,298,956
Net Position - End of year	**$ 8,703,622**	**$ 5,380,358**

Statement of Cash Flows

	Year Ended December 31 2012	2011
Cash Flows from Operating Activities		
Receipts from public funding sources	$ 1,400,000	$ 1,050,000
Receipts from charges for services	985,687	421,972
Payments to suppliers	(595,362)	(475,453)
Payments to employees	(1,355,214)	(833,996)
Net cash provided by operating activities	435,111	162,523
Cash Flows from Noncapital Financing Activities - Operating grants and subsidies	22,219	113,918
Cash Flows from Capital and Related Financing Activities		
Restricted bond revenues	7,792,644	2,744,482
Receipt of capital grants	2,000,000	-
Purchase of capital assets	(43,119)	(113,908)
Principal paid on capital debt	(1,021,396)	(210,181)
Interest paid	(3,758,326)	(1,128,656)
Bond administrative expenses paid	(3,800,147)	(1,120)
Net cash provided by capital and related financing activities	1,169,656	1,290,617
Cash Flows from Investing Activities		
Interest received on investments	15,305	10,708
Proceeds from sale and maturities of investment securities	-	886,232
Net cash provided by investing activities	15,305	896,940
Net Increase in Cash and Cash Equivalents	1,642,291	2,463,998
Cash and Cash Equivalents - Beginning of year	9,379,413	6,915,415
Cash and Cash Equivalents - End of year	**$ 11,021,704**	**$ 9,379,413**
Cash and investments	$ 3,285,870	$ 869,424
Restricted cash	7,735,834	8,509,989
Total cash and cash equivalents	**$ 11,021,704**	**$ 9,379,413**
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (974,899)	$ (1,327,453)
Depreciation	1,449,614	1,444,685
Changes in assets and liabilities:		
Receivables	(190,117)	38,850
Prepaid and other assets	(144,652)	-
Accounts payable	310,711	5,302
Accrued and other liabilities	(15,546)	1,139
Net cash provided by operating activities	**$ 435,111**	**$ 162,523**

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 Port of Greater Cincinnati Development Authority:

Reporting Entity

Port of Greater Cincinnati Development 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 and Hamilton County, Ohio 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 and, unless issued as part of a capital lease financing, would have no interest in the property financed. 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 2012. 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 month's expenditures until the next year's appropriation is approved by the board.

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.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*, the Port Authority follows the GASB guidance as applicable to enterprise funds.

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.

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 financing assets are depreciated over the life of the bond, or a lesser useful life when appropriate. Capital assets in excess of $2,500 are capitalized.

The Port Authority capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. There is no capitalized interest for 2012 and 2011.

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

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.

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.

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.

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

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.

Reclassification - Certain reclassifications were made to the 2011 statement of revenues, expenses, and changes in net position to conform to the classifications used in 2012.

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, 2012, the aggregate amount of monies in the general operating funds of the Port Authority was $3,335,263, all of which constituted "active deposits," deposited in accordance with UDA. All of that money was, at December 31, 2012, deposited with two qualified banking institutions. At December 31, 2012 and 2011, approximately $1,582,000 and $316,000, respectively, of the Port Authority's deposits were covered by FDIC insurance. The remaining bank balances at December 31, 2012 and 2011 of approximately $1,753,000 and $555,000, 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, 2012 did the Port Authority have any amounts for investment in the unrestricted general operating funds of the Port Authority not constituting active deposits.

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 board of directors or the trust indenture or agreement securing those revenue bonds.

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.

Note 3 - Capital Assets

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

Business-type Activities	Balance January 1, 2012	Additions	Disposals	Balance December 31, 2012
Capital assets not being depreciated:				
Land easements	$ 450,000	$ -	$ -	$ 450,000
Construction in progress	17,306,122	-	-	17,306,122
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 Central Parking	12,687,156	-	-	12,687,156
Office equipment	33,059	33,382	(16,510)	49,931
Leasehold improvements	9,141	11,900	(9,141)	11,900
Subtotal	40,016,192	45,282	(25,651)	40,035,823
Accumulated depreciation:				
Land improvements - Cincinnati Mall	1,036,118	152,040	-	1,188,158
Land improvements - Springdale Pictoria	189,907	36,459	-	226,366
Land improvements - Red Bank	412,641	114,200	-	526,841
Buildings - Cincinnati Mall	2,199,736	342,832	-	2,542,568
Buildings - Springdale Pictoria	1,970,288	383,687	-	2,353,975
Buildings - Kenwood Central Parkin	1,268,853	411,520	-	1,680,373
Office equipment	29,521	6,397	(14,347)	21,571
Leasehold improvements	9,141	2,479	(9,141)	2,479
Subtotal	7,116,205	1,449,614	(23,488)	8,542,331
Net capital assets being depreciated	32,899,987	(1,404,332)	(2,163)	31,493,492
Net capital assets	$ 50,656,109	$ (1,404,332)	$ (2,163)	$ 49,249,614

Note 3 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2011	Additions	Disposals	Balance December 31, 2011
Capital assets not being depreciated:				
Land easements	$ 450,000	$ -	$ -	$ 450,000
Construction in progress	17,306,122	-	-	17,306,122
Capital assets being depreciated:				
Land improvements - Cincinnati Mall	4,519,426	-	-	4,519,426
Land improvements - Springdale Pictora	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 Pictora	9,260,329	-	-	9,260,329
Buildings - Kenwood Central Parking	12,687,156	-	-	12,687,156
Office furnishings	33,059	-	-	33,059
Leasehold improvements	9,141	-	-	9,141
Subtotal	40,016,192	-	-	40,016,192
Accumulated depreciation:				
Land improvements - Cincinnati Mall	884,078	152,040	-	1,036,118
Land improvements - Springdale Pictoria	153,448	36,459	-	189,907
Land improvements - Red Bank	298,441	114,200	-	412,641
Buildings - Cincinnati Mall	1,856,904	342,832	-	2,199,736
Buildings - Springdale Pictoria	1,586,601	383,687	-	1,970,288
Buildings - Kenwood Central Parking	857,333	411,520	-	1,268,853
Office equipment	25,574	3,947	-	29,521
Leasehold improvements	9,141	-	-	9,141
Subtotal	5,671,520	1,444,685	-	7,116,205
Net capital assets being depreciated	34,344,672	(1,444,685)	-	32,899,987
Net capital assets	$ 52,100,794	$ (1,444,685)	$ -	$ 50,656,109

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.

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	$ 17,725,000
2006 Springdale Pictoria Public Parking/Infrastructure Special Obligation Development Revenue Bonds, bearing interest at 0.65 percent, maturing in 2031	8,575,000
2007 Fairfax Red Bank Public Infrastructure Special Obligation Development Revenue Bonds, bearing interest at 5.5 percent and 5.625 percent, maturing in 2025 and 2036	3,485,080
2008 Kenwood Central Public Parking/Infrastructure Special Obligation Development Revenue Bonds, bearing interest at 8.25 percent, maturing in 2039	19,745,000
Total	$ 49,530,080

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 $32,077 and $33,469 of the Port Authority for the years ended December 31, 2012 and 2011, respectively:

	Beginning Balance January 1, 2012	Reductions	Ending Balance December 31, 2012	Due Within One Year
Business-type Activities -				
Revenue bonds	$ 50,550,080	$ 1,020,000	$ 49,530,080	$ 1,997,312

	Beginning Balance January 1, 2011	Reductions	Ending Balance December 31, 2011	Due Within One Year
Business-type Activities -				
Revenue bonds	$ 50,907,641	$ 357,561	$ 50,550,080	$ 1,965,000

Debt Service Requirements - The annual total principal and interest requirements to service all debt outstanding at December 31, 2012 are as follows:

	Business-type Activities		
Years Ending December 31	Principal	Interest	Total
2013	$ 1,997,312	$ 3,604,184	$ 5,601,496
2014	886,544	2,860,718	3,747,262
2015	933,852	2,820,420	3,754,272
2016	1,071,160	2,776,249	3,847,409
2017	1,135,008	2,719,236	3,854,244
2018-2022	6,746,204	12,687,182	19,433,386
2023-2027	9,419,312	10,652,309	20,071,621
2028-2032	12,757,044	7,572,976	20,330,020
2033-2037	10,698,644	3,446,458	14,145,102
2038-2039	3,885,000	335,648	4,220,648
Total	$ 49,530,080	$ 49,475,380	$ 99,005,460

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.

The trustee has elected not to pay certain scheduled principal and interest payments on the bonds. Past due principal and interest totaled $945,000 and $564,000, respectively, at December 31, 2012, which is included in the 2013 debt service requirements.

The trustee has also 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, 2012 and 2011, the amounts outstanding for administrative expenses totaled $260,000 and $300,000, respectively, and are included in accrued expenses payable from restricted assets on the statement of net position.

Assuming the 2011 and 2012 past-due interest payments and the past-due 2010, 2011, and 2012 principal payments and related accrued interest are paid on December 31, 2012, the debt service requirements are as follows:

Years Ending December 31	Principal	Interest	Total
2013	$ 1,300,000	$ 1,753,540	$ 3,053,540
2014	380,000	1,033,340	1,413,340
2015	405,000	1,008,613	1,413,613
2016	435,000	982,153	1,417,153
2017	460,000	953,960	1,413,960
2018-2022	2,805,000	4,278,243	7,083,243
2023-2027	3,885,000	3,229,773	7,114,773
2028-2032	5,360,000	1,764,160	7,124,160
2033-2034	2,695,000	175,840	2,870,840
Total	$ 17,725,000	$ 15,179,622	$ 32,904,622

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 semi-annually 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, 2012, 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, 2014, but extended one additional year annually thereafter if not terminated by the bank at least 270 days before February 15, 2014 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.

Note 4 - Long-term Debt (Continued)

On February 1, 2011, the interest rate was reset to 0.75 percent from 0.65 percent per year. On February 1, 2012, the interest rate was reset to 0.65 percent per year. Assuming a constant interest rate of 0.65 percent per year from February 1, 2012 to the maturity of the bonds, debt service as of December 31, 2012 is estimated as follows:

Years Ending December 31	Principal	Interest	Total
2013	$ 320,000	$ 48,505	$ 368,505
2014	330,000	40,450	370,450
2015	340,000	38,775	378,775
2016	355,000	37,038	392,038
2017	370,000	35,225	405,225
2018-2022	2,055,000	146,613	2,201,613
2023-2027	2,475,000	90,088	2,565,088
2028-2031	2,330,000	23,850	2,353,850
Total	$ 8,575,000	$ 460,544	$ 9,035,544

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 semi-annually 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, 2012 are as follows:

Years Ending December 31	Principal	Interest	Total
2013	$ 32,312	$ 193,981	$ 226,293
2014	41,544	191,951	233,495
2015	43,852	189,602	233,454
2016	46,160	187,127	233,287
2017	60,008	184,207	244,215
2018-2022	376,204	864,865	1,241,069
2023-2027	609,312	730,794	1,340,106
2028-2032	907,044	520,923	1,427,967
2033-2036	1,368,644	189,220	1,557,864
Total	$ 3,485,080	$ 3,252,670	$ 6,737,750

Kenwood Central Public Parking/Infrastructure - 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 Towne Place (KTP Development), and other neighboring properties including the Kenwood Towne Center Mall.

Note 4 - Long-term Debt (Continued)

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

Due to litigation referred to above, there were not enough trust funds to pay administrative expenses in 2010 and 2011; however, the trustee received over $3,900,000 of past due TIF obligations from the foreclosure sales proceeds and was able to pay the past due amounts. At December 31, 2012 and 2011, the amounts outstanding for administrative expenses were $22,000 and $1,403,000, respectively, and are included in accrued expenses payable from restricted assets on the statement of net position.

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 semi-annually 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 not received 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 five percent (5 percent) per year and (ii) fifteen percent (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 offset accounts payable - pledged bonds liability. 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, 2012:

Years Ending December 31	Principal	Interest	Total
2013	$ 345,000	$ 1,608,155	$ 1,953,155
2014	135,000	1,594,977	1,729,977
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
2018-2022	1,510,000	7,397,462	8,907,462
2023-2027	2,450,000	6,601,656	9,051,656
2028-2032	4,160,000	5,264,043	9,424,043
2033-2037	6,635,000	3,081,398	9,716,398
2038-2039	3,885,000	335,648	4,220,648
Total	$ 19,745,000	$ 30,582,544	$ 50,327,544

Note 5 - Public Funding

For the years ended December 31, 2012 and 2011, public funding for the Port Authority came from the following sources:

	2012	2011
Hamilton County, Ohio	$ 700,000	$ 525,000
City of Cincinnati, Ohio	700,000	525,000
Total	$ 1,400,000	$ 1,050,000

Note 6 - Leases

Operating Leases - As of December 31, 2012, noncancelable operating leases for office space and equipment expire in various years through 2019. The office space lease expires June 30, 2014, with two three-year renewal options.

Future minimum lease payments are as follows:

Years Ending December 31		Amount
2013		$ 80,395
2014		53,308
2015		6,305
2016		6,305
2017		6,305
2018-2019		1,576
	Total	$ 154,194

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 2011, 2010, and 2009, member and employer contribution rates were consistent across all three plans. Contribution rates for calendar years 2012, 2011, and 2010 were 10 percent and 14 percent for the employee and employer shares, respectively, for each year. Employer contributions required were $148,015, $88,569, and $95,015 for 2012, 2011, and 2010, 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 health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of postretirement healthcare benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012 and 2011, 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 during calendar years 2012 and 2011 for members in the Traditional Plan was 4 percent. The portion of employer contributions allocated to health care during calendar years 2012 and 2011 for members in the Combined Plan was 6.05 percent. The OPERS board of trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the healthcare benefits provided.

Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the employer contributions that was made to fund OPEB for 2012, 2011, and 2010 was $1,500, $3,600, and $3,500, respectively.

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

In September 2012, the governor signed into law legislation amending the pension and retirement benefits provided to eligible employees under OPERS. Such amendments include increasing the retirement eligibility age and years of service requirements of employees, restricting cost of living increases, and increasing employee contribution rates. In addition, the amended law authorizes the board of OPERS to implement a contribution-based benefit cap to limit the retirement allowance a retiree may receive.

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, and natural disasters. 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 $390,120,000 and $360,840,000 at December 31, 2012 and 2011, 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 2012, the Port Authority issued conduit debt for Oakley Station and UC Health (Drake Center). 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, and 12th and Vine Parking.

Note 10 - Upcoming Accounting Pronouncements

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer(s) and certain nonemployer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For Port of Greater Cincinnati Development Authority, this standard will be adopted for the year ending December 31, 2014.

In June 2012, the GASB issued 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 financial statements for the year ending December 31, 2015.

Note 11 - Changes in Accounting Principles and Restatement of Net Position

During the year, the Port Authority adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement provides guidance for deferred outflows of resources and deferred inflows of resources and their applicability to consumption or acquisition of net position, formerly reported as net assets, by the Port Authority. Deferred bond premium, net of amortization, is now included as a deferred outflow of resources and was formerly reported as a liability.

Additionally, the Port Authority early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to reclassify certain items that were previously reported as assets and liabilities and resources, or outflows of resources. The impact of adopting this new pronouncement was to restate and decrease beginning net position by $2,670,884 and $2,784,792 for the years ended December 31, 2012 and 2011, respectively. In addition, the financial statements now recognize bond issuance costs as a current expense (outflow of resources) when incurred rather than amortizing those costs over the life of the bond.

	2012	2011
Net position - Beginning of year - As previously reported	$ 8,051,242	$ 11,083,748
Net position for effect of change in accounting related to bond issuance costs	(2,670,884)	(2,784,792)
Net position - December 31 - As restated	$ 5,380,358	$ 8,298,956