Port of Greater Cincinnati Development Authority

Financial Report

December 31, 2015

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 Street, Suite 300
Cincinnati, Ohio 45202

We have reviewed the *Independent Auditors' Report* of the Port of Greater Cincinnati Development Authority, Hamilton County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2015 through December 31, 2015. 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 31, 2016

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Port of Greater Cincinnati Development Authority

Financial Report with Supplemental Information December 31, 2015

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Independent Auditor's Report

To the Board of Directors
Port of Greater Cincinnati
Development Authority

Report on the Financial Statements

We have audited the accompanying basic financial statements of Port of Greater Cincinnati Development Authority (the "Port Authority") as of and for the years ended December 31, 2015 and 2014 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, 2015 and 2014 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

Emphasis of Matter

As discussed in Note 12 to the basic financial statements, effective January 1, 2015, the Port Authority adopted new accounting guidance under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 is an amendment to Statement No. 27. In acordance with Statement No. 68, the Port Authority is now recognizing its unfunded pension benefit obligation as a liability on the statement of net position for the first time. This statement also enhances accountability and transperency through revised note disclosures and required supplemental information (RSI). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2016 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

July 20, 2016

Our discussion and analysis of the Port of Greater Cincinnati Development Authority's (the "Port Authority") financial performance provides an overview of the financial activities for the fiscal years ended December 31, 2015, 2014, and 2013. 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, 2015:

- The Port Authority's net position increased to $14.0 million by the end of 2015, as a result of this year's operations. Growth in restricted trust assets led the 8 percent increase in net position over the prior year.
- Operating revenue of $4.5 million in 2015 was $2.0 million or 79 percent higher than the prior year due to adding new sources of service revenue in garage parking and a mortgage down payment assistance program.
- The remaining three floors of the five-story Kenwood Collection parking garage were made available to the public in 2015. As a result, $20.9 million of construction in progress was reclassified to depreciable capital assets.
- Long-term liabilities increased $10.7 million or 13 percent in 2015 due to new revenue bond issues of $8.8 million for Fountain Square South Garage and $2.5 million for the Southwest Ohio Regional Bond Fund, less reductions on debt.
- Capital grants in 2015 totaled $1.3 million, of which $1.0 million was granted by Hamilton County, Ohio for participation in the aforementioned bond fund and $0.3 million was funded by the City of Cincinnati for real estate development in Bond Hill.

Using this Annual Report

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

Condensed Financial Information

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

	Business-type Activities				
	2013	2014	2015	Change	Percent Change
Assets					
Other assets	$ 34,235,045	$ 33,443,844	$ 44,634,087	$ 11,190,243	33%
Capital assets being depreciated - Net	30,077,764	28,668,221	48,601,048	19,932,827	70%
Capital assets not being depreciated	21,357,442	21,357,442	450,000	(20,907,442)	-98%
Total assets	85,670,251	83,469,507	93,685,135	10,215,628	12%
Deferred Outflows of Resources	-	-	228,537	228,537	N/A
Total assets and deferred outflows	85,670,251	83,469,507	93,913,672	10,444,165	13%
Liabilities					
Current liabilities	3,822,487	2,126,154	828,982	(1,297,172)	-61%
Long-term liabilities:					
Due within one year	1,151,154	1,597,700	1,559,916	(37,784)	-2%
Due in more than one year	68,024,131	66,733,647	77,467,622	10,733,975	16%
Total liabilities	72,997,772	70,457,501	79,856,520	9,399,019	13%
Deferred Inflows of Resources	-	-	15,209	15,209	N/A
Net Position					
Net investment in capital assets	5,300,024	4,398,417	3,319,205	(1,079,212)	-25%
Restricted	5,708,332	6,870,160	10,320,276	3,450,116	50%
Unrestricted	1,664,123	1,743,429	402,462	(1,340,967)	-77%
Total net position	**$ 12,672,479**	**$ 13,012,006**	**$ 14,041,943**	**$ 1,029,937**	8%

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

	Business-type Activities				
	2013	2014	2015	Change	Percent Change
Operating Revenue					
Public funding	$ 1,750,000	$ 1,400,000	$ 1,400,000	$ -	0%
Charges for services	1,403,276	1,110,819	3,102,741	1,991,922	179%
Total operating revenue	3,153,276	2,510,819	4,502,741	1,991,922	79%
Operating Expenses					
Salaries and benefits	1,819,012	2,058,355	2,049,404	(8,951)	0%
Professional services	415,792	351,532	744,126	392,594	112%
Occupancy	69,838	76,757	113,033	36,276	47%
Travel and business development	51,794	50,770	56,309	5,539	11%
Equipment and supplies	37,892	21,821	25,666	3,845	18%
Other operating expenses	449,725	128,840	202,565	73,725	57%
Depreciation	1,459,366	1,473,725	2,292,820	819,095	56%
Total operating expenses	4,303,419	4,161,800	5,483,923	1,322,123	32%
Operating Loss	(1,150,143)	(1,650,981)	(981,182)	669,799	-41%
Restricted bond revenue	5,642,217	6,548,298	5,955,804	(592,494)	-9%
Interest expense	(2,921,628)	(2,866,786)	(3,116,380)	(249,594)	9%
Grants	141,207	-	-	-	0%
Grant expenditures	(140,700)	-	-	-	0%
Loss on sale of property	-	-	(31,910)	(31,910)	N/A
Impairment on asset	-	(4,339,059)	-	4,339,059	-100%
Investment income	13,498	13,221	11,623	(1,598)	-12%
Bond administrative expense	(778,408)	(1,233,196)	(1,413,952)	(180,756)	15%
Capital grants and contributions	3,162,814	3,868,030	1,346,174	(2,521,856)	-65%
Increase in Net Position	3,968,857	339,527	1,770,177	1,430,650	421%
Adjustment for change in accounting principle	-	-	(740,240)	(740,240)	N/A
Change in Net Position	**$ 3,968,857**	**$ 339,527**	**$ 1,029,937**	**$ 690,410**	203%

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 $1.8 million, or 14 percent, in 2015, before a $740,240 beginning of year reduction for the change in accounting principle. In comparison, net position in 2014 increased by $0.3 million, or 3 percent. The lower increase in net position during 2014 resulted from an asset impairment 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, decreased by $1.3 million, or 77 percent in 2015, partly due to the $865,748 net pension liability created in 2015 due to a change in accounting principle. In comparison, last year's unrestricted net position increased by $79,306, or 5 percent. The current level of unrestricted net position stands at $402,462, or about 7 percent of annual operating expenditures.

Restricted net position increased by nearly $3.5 million, or 50 percent in 2015. The increase was derived from a $3.0 million increase in trust restricted equity and a $0.5 million increase in grant restricted equity. New trust assets were added during the year for Fountain Square South Garage, Communities First (the Port Authority's mortgage down payment assistance program), and the Southwest Ohio Regional Bond Fund. The increase in grants relates to recognition of $0.5 million from the City of Cincinnati restricted to parking deals. In contrast, restricted net position increased by nearly $1.2 million or 20 percent in the previous year. The 2014 increase consisted of a $1.9 million increase in Cincinnati Mall trust assets offset by a $0.7 million decrease in grants from the City of Cincinnati.

Net investment in capital assets decreased by $1.1 million, or 25 percent in 2015, due to depreciation of $2.3 million offset by $1.3 million of leasehold improvements and a $0.1 million change in outstanding bonds financing capital assets. In contrast, last year's net investment in capital assets decreased by $0.9 million, or 17 percent, due to depreciation of $1.4 million offset by a $0.5 million reduction in bonds outstanding.

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 garage parking, mortgage down payment assistance, management of other organizations, utilization of Port Authority finance tools, and oversight of development projects. Service revenue increased nearly $2.0 million in 2015 compared to the prior year primarily as a result of adding two new sources of service revenue. Garage parking and mortgage down payment assistance contributed $1.2 million and $0.7 million, respectively, in their initial year of operations. Service revenue in 2013 was higher than the preceding year due to a $275,000 reimbursement from the City of Cincinnati for the parking modernization plan that was terminated late in the year.

Operating Expenses

Operating expenses increased $1.3 million or 32 percent in 2015 compared to the prior year primarily from increases in professional services and depreciation. Professional services increased $0.4 million due to new garage operator fees of $0.2 million and a $0.2 million increase in legal and consulting expense. Depreciation increased $0.8 million largely as a result of transferring $20.9 million of Kenwood Collection capital assets from nondepreciable construction in progress to depreciable placed-in-service assets.

In 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 and included in operating revenue as charges for services. For years 2015 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 revenue received under reimbursement-type grants and subsequently passed through to third parties, service payments, special assessments, or other revenue assigned by and received from other public bodies to support Port Authority revenue bonds, other nonoperating contributions to Port Authority projects, and certain post-closing bond reserves established for future debt service.

Restricted bond revenue decreased $0.6 million or 9 percent in 2015 largely due to a $0.7 million decline in Cincinnati Mall bond revenues. In comparison, restricted bond revenue increased $0.9 million or 16 percent in 2014 due to a $0.5 million reimbursement from the City of Cincinnati on debt issuance costs related to the cancelled parking modernization plan, and higher Cincinnati Mall bond revenue.

Bond administrative expenses increased $0.2 million or 15 percent in 2015 mainly due to the bond issuance of Fountain Square South Garage and the Southwest Ohio Regional Bond Fund. In 2014, bond administrative expenses increased $0.5 million or 58 percent due to debt issuance cost on the cancelled parking modernization plan.

Grant receipts and expenditures in 2013 relate 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 2013 through 2015 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 and a $1 million grant from Hamilton County in 2015. 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 2015, 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, 2015, the Port Authority had $0.6 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. No impairment was recorded for years 2013 or 2015.

Capital Asset and Debt Administration

At the end of 2015, the Port Authority had $49.0 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 placed in service the remaining three floors of the five-story Kenwood Collection parking garage, which was made available to the public for parking in February 2015. As a result, $20.9 million in construction in progress was reclassed to depreciable capital assets. Additionally in 2015, the Port Authority made leasehold improvements totaling $1.3 million to Fountain Square South Garage upon obtaining a long-term lease with the City of Cincinnati. This activity was offset by additional depreciation on capital assets in the amount of $2.4 million.

In 2014, the Port Authority relocated its office space, and as a result, recognized the disposal of leasehold improvements while purchasing furniture and equipment totaling $64,182 for its new office space. Capital assets in 2014 were similarly offset by additional depreciation of $1.5 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. In 2015, the Port Authority issued $8.8 million of parking facility revenue bonds for acquiring a leasehold interest in and improving Fountain Square South Garage, as well as financing other Port Authority facilities approved by its board of directors. Also in 2015, the Port Authority issued $2.5 million of state loan revenue bonds to establish its bond fund program (Ohio Revised Code, Chapter 166 Loan). The following table summarizes these bonds and other conduit financings issued in years 2015 and 2013. No financings were issued in the year 2014.

Issue Date	Project Name		Bond Amount
01/2015	Fountain Square South Garage	$	8,800,000
04/2015	Southwest Ohio Regional Bond Fund		2,500,000
12/2015	AHA Colonial Village *		5,170,000
	Total 2015	$	16,470,000
06/2013	Fifth and Race Parking Project *	$	36,000,000
08/2013	Saint Ursula Villa School *		5,300,000
	Total 2013	$	41,300,000

** Conduit revenue bond obligations*

Economic Factors and Next Year's Budgets and Rates

The Port Authority continues to provide project financing by issuing bonds, which generate front-end fees and annual administrative fees, including structured financings for which such fees may be significant. Conduit financings generally provide for front-end fees only. The Port Authority continues to add new programs to its available public finance tools, which could generate higher earned revenue in 2016.

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 2016, which is unchanged from this year.

In 2016, 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. In 2016, the City appropriated to the Port Authority capital grant funds of $3 million for real estate development in Bond Hill and Roselawn, and $2 million for Queensgate.

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, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	$ 6,626,439	$ 2,630,789
Receivables - Net of allowance	595,545	181,518
Prepaid expenses and other assets	224,467	147,105
Total current assets	7,446,451	2,959,412
Noncurrent assets:		
Restricted cash and investments	10,748,674	5,372,396
Restricted investments - Pledged bonds	19,120,000	19,265,000
Capital assets - Net (Note 3):		
Assets not subject to depreciation	450,000	21,357,442
Assets subject to depreciation	48,601,048	28,668,221
Assets held for resale (Note 11)	7,318,964	5,847,036
Total noncurrent assets	86,238,686	80,510,095
Total assets	93,685,137	83,469,507
Deferred Outflows of Resources		
Deferred outflow of resources - Pension (Note 7)	115,914	-
Deferred outflow of resources - Interest rate swap agreement (Note 4)	112,623	-
Total deferred outflows of resources	228,537	-
Liabilities		
Current liabilities:		
Accounts payable	655,365	115,734
Accrued liabilities and other	173,619	1,441,545
Unearned grant revenue	-	547,972
Retainage payable	-	20,903
Total current liabilities	828,984	2,126,154
Noncurrent liabilities:		
Due to other governmental entities	659,489	572,946
Accounts payable from restricted assets	19,120,000	19,265,000
Accrued expenses payable from restricted assets	299,956	283,848
Net pension obligation (Note 7)	865,748	-
Accrued interest payable from restricted assets	1,147,072	1,154,036
Current portion of long-term debt payable from restricted assets (Note 4)	1,259,960	1,313,852
Long-term debt payable from restricted assets (Note 4)	2,825,877	114,419
Long-term debt payable from future restricted bond revenue (Note 4)	52,849,436	45,627,246
Total noncurrent liabilities	79,027,538	68,331,347
Total liabilities	79,856,522	70,457,501
Deferred Inflows of Resources - Pension	15,209	-
Equity - Net position		
Net investment in capital assets	3,319,205	4,398,417
Restricted:		
Grants	4,810,987	4,363,919
Trust assets	5,509,289	2,506,241
Unrestricted	402,462	1,743,429
Total net position	**$ 14,041,943**	**$ 13,012,006**

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

Port of Greater Cincinnati Development Authority

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended December 31 2015	Year Ended December 31 2014
Operating Revenue		
Public funding (Note 5)	$ 1,400,000	$ 1,400,000
Charges for services	3,102,741	1,110,819
Total operating revenue	4,502,741	2,510,819
Operating Expenses		
Salaries and benefits	2,049,404	2,058,355
Professional services	744,126	351,532
Occupancy	113,033	76,757
Travel and business development	56,309	50,770
Equipment and supplies	25,666	21,821
Other operating expenses	202,565	128,840
Depreciation	2,292,820	1,473,725
Total operating expenses	5,483,923	4,161,800
Operating Loss	(981,182)	(1,650,981)
Nonoperating Revenue (Expenses)		
Restricted bond revenue	5,955,804	6,548,298
Interest expense	(3,116,380)	(2,866,786)
Loss on sale of property	(31,910)	-
Unrealized loss on land held for resale	-	(4,339,059)
Investment income	11,623	13,221
Bond administrative expense	(1,413,952)	(1,233,196)
Total nonoperating revenue (expenses)	1,405,185	(1,877,522)
Income (Loss) - Before capital grants and contributions	424,003	(3,528,503)
Capital Grants and Contributions	1,346,174	3,868,030
Increase in Net Position	1,770,177	339,527
Net Position - Beginning of year - As restated (Note 12)	12,271,766	12,672,479
Net Position - End of year	**$ 14,041,943**	**$ 13,012,006**

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

Statement of Cash Flows

	Year Ended December 31	
	2015	2014
Cash Flows from Operating Activities		
Receipts from public funding sources	$ 1,400,000	$ 1,400,000
Receipts from charges for services	2,990,452	1,126,631
Payments to suppliers	(1,009,602)	(539,366)
Payments to employees	(1,974,598)	(2,042,326)
Net cash provided by (used in) operating activities	1,406,252	(55,061)
Cash Flows from Capital and Related Financing Activities		
Proceeds from the issuance of capital debt	11,300,000	-
Receipt of capital grants	1,195,653	2,858,097
Restricted bond revenue	5,417,832	7,086,271
Proceeds from the sale of assets held for sale	118,090	-
Purchase and development of assets held for sale	(1,525,050)	(5,179,089)
Purchase and construction of capital assets	(1,322,525)	(62,880)
Principal paid on capital debt	(2,628,852)	(506,544)
Interest paid	(3,112,236)	(2,870,665)
Bond administrative expenses paid	(1,488,862)	(1,488,539)
Net cash provided by (used in) capital and related financing activities	7,954,050	(163,349)
Cash Flows from Investing Activities - Interest received on investments	11,623	13,221
Net Increase (Decrease) in Cash and Cash Equivalents	9,371,925	(205,189)
Cash and Cash Equivalents - Beginning of year	8,003,185	8,208,374
Cash and Cash Equivalents - End of year	**$ 17,375,110**	**$ 8,003,185**
Statement of Net Position Classification		
Cash and investments	$ 6,626,439	$ 2,630,789
Restricted cash	10,748,674	5,372,396
Total cash and cash equivalents	**$ 17,375,113**	**$ 8,003,185**
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (981,182)	$ (1,650,981)
Depreciation	2,292,820	1,473,725
Changes in assets and liabilities:		
Accounts receivable	(176,964)	208,606
Prepaid and other assets	(145,508)	(39,701)
Accounts payable	157,851	(32,962)
Accrued and other liabilities	259,235	(13,748)
Net cash provided by (used in) operating activities	**$ 1,406,252**	**$ (55,061)**

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

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 that revenue and would be non-recourse to the general revenue and assets of the Port Authority. The Port Authority has issued such bonds in the past and expects to continue to do so.

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

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

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

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

In April 2015, the Port Authority became an eligible issuer of economic development revenue bonds for the Southwest Ohio Regional Bond Fund, created from the expansion of the Dayton-region Port Authority Bond Fund. The expanded bond fund serves growing companies in the Dayton and Cincinnati regions. The Port Authority also issues bond fund debt repayable from tax increment financing and special assessments. The Port Authority provided no bond fund loans in 2015 (see subsequent event in Note 13).

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

The Port Authority capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. There is no capitalized interest for 2015 and 2014.

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.

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

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 revenue, expenses, and changes in net position under the classification of capital grants and contributions.

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

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, 2015 and 2014, the aggregate amount of monies in the general operating funds of the Port Authority was $6,649,728 and $2,722,316, respectively, all of which constituted "active deposits," with two qualified banking institutions deposited in accordance with UDA. At December 31, 2015 and 2014, approximately $750,000 and $500,000, respectively, of the Port Authority's deposits were covered by FDIC insurance. The remaining bank balances at December 31, 2015 and 2014 of approximately $5,900,000 and $2,222,000, 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, 2015 did the Port Authority have any amounts for investment in the unrestricted general operating funds of the Port Authority not constituting active deposits.

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

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

Note 3 - Capital Assets

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

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

Note 3 - Capital Assets (Continued)

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
Subtotal	21,357,442	-	-	21,357,442
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

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

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

Construction Commitments - The Port Authority's commitments as of December 31, 2015 are $0 compared to $20,903 a year earlier.

Note 4 - Long-term Debt

The bonds are special limited obligations of the Port Authority payable only from the funds established with and revenue assigned to the bond trustee under the trust indenture, primarily the revenue assigned by the cities to the Port Authority under cooperative agreements and treated as nonoperating revenue of the Port Authority. The bondholders have no recourse to any other revenue 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 as of December 31, 2015 follows:

Description	Amount
Business-type Activities:	
Revenue Bonds:	
2004 Cincinnati Mall Public Infrastructure (formerly known as Cincinnati Mills) Special Obligation Development Revenue Bonds, bearing interest at 6.30 percent and 6.40 percent, maturing in 2024 and 2034	$ 15,640,000
2006 Springdale Pictoria Public Parking/Infrastructure Special Obligation Development Revenue Bonds, bearing interest at 0.45 percent, maturing in 2031	7,585,000
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	3,367,372
2008 Kenwood Central Public Parking/Infrastructure Special Obligation Development Revenue Bonds, bearing interest at 8.50 percent, maturing in 2039	19,120,000
2015 Fountain Square South Garage Parking Facility Revenue Bonds, bearing interest at 3.33 percent, maturing in 2045	8,695,000
2015 Southwest Ohio Regional Bond Fund - State Loan Revenue Bonds, bearing interest at 0.00 percent, maturing in 2055	2,500,000
Total	$ 56,907,372

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 $27,901 and $29,293 of the Port Authority for the years ended December 31, 2015 and 2014, respectively):

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

	Beginning Balance January 1, 2014	Additions	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

Debt Service Requirements - The annual total principal and interest requirements to service all debt outstanding at December 31, 2015 are as follows:

Years Ending December 31		Business-type Activities		
		Principal	Interest	Total
2016		$ 1,259,960	$ 3,268,020	$ 4,527,980
2017		1,333,408	3,199,280	4,532,688
2018		1,400,316	3,132,375	4,532,691
2019		1,483,324	3,061,234	4,544,558
2020		1,574,072	2,990,562	4,564,634
2021-2025		10,920,388	13,438,383	24,358,771
2026-2030		11,602,796	10,411,551	22,014,347
2031-2035		12,315,152	6,508,660	18,823,812
2036-2040		7,564,700	2,573,294	10,137,994
2041-2045		4,953,256	1,045,414	5,998,670
2046-2050		-	-	-
2051-2055		2,500,000	-	2,500,000
	Total	$ 56,907,372	$ 49,628,773	$ 106,536,145

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.

Interest is payable semi-annually at 6.30 percent and 6.40 percent for the 2024 and 2034 term bonds, respectively. Interest payments for 2015 and 2014 were paid upon the due date.

At December 31, 2015 and 2014, the amounts outstanding for administrative expenses totaled $0 and $283,848, 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
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		560,000	857,885	1,417,885
2021-2025		3,410,000	3,692,113	7,102,113
2026-2030		4,710,000	2,408,000	7,118,000
2031-2034		5,050,000	673,920	5,723,920
	Total	$ 15,640,000	$ 11,384,129	$ 27,024,129

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, 2015, 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. The letter of credit is currently extended to February 15, 2017. Obligations under the reimbursement agreement providing for that letter of credit are payable only from the trust estate established under the trust indenture. On February 15, 2015, the letter of credit fee increased from 3.0 percent to 3.5 percent.

Note 4 - Long-term Debt (Continued)

On February 1, 2014, the interest rate was reset to 0.45 percent from 0.50 percent per year. The interest rate remained at 0.45 percent per year on the February 1, 2015 reset date. Assuming a constant interest rate of 0.45 percent per year from February 1, 2015 to the maturity of the bonds, debt service as of December 31, 2015 is estimated as follows:

Years Ending December 31		Principal	Interest	Total
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		410,000	26,460	436,460
2021-2025		2,300,000	102,578	2,402,578
2026-2030		2,760,000	45,788	2,805,788
2031		615,000	1,384	616,384
	Total	$ 7,585,000	$ 299,533	$ 7,884,533

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 revenue, expenses, assets, and liabilities is treated as a separate issue of conduit revenue bonds issued by the Port Authority (Red Bank Conduit Bonds). The remaining improvements financed are owned by the Port Authority (Red Bank Port Infrastructure) and, to the extent issued to finance Red Bank Port Infrastructure ($3,543,000 principal amount), those bonds (Red Bank Infrastructure Bonds), and related revenue, expenses, assets, and liabilities, are treated as a separate issue of infrastructure development revenue bonds issued to finance assets of the Port Authority. The debt service requirements for the Port Authority's portion of the Red Bank Infrastructure Bonds as of December 31, 2015 are as follows:

Years Ending December 31	Principal	Interest	Total
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	78,472	173,417	251,889
2021-2025	503,144	792,192	1,295,336
2026-2030	777,796	615,306	1,393,102
2031-2035	1,140,152	348,840	1,488,992
2036	634,700	17,851	652,551
Total	$ 3,367,372	$ 2,677,135	$ 6,044,507

Kenwood Central Public Parking/Infrastructure (Kenwood Collection, formerly Kenwood Development) - 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 (the "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. This purchase is not considered a redemption or extinguishment. 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. As of December 31, 2015, the interest rate was 8.5 percent for both the Series A and Series B Bonds.

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.

Note 4 - Long-term Debt (Continued)

Assuming a constant interest rate of 8.50 percent per year to the maturity of the tax-exempt bonds, debt service is estimated as follows as of December 31, 2015:

Years Ending December 31		Principal	Interest	Total
2016		$ 235,000	$ 1,619,692	$ 1,854,692
2017		245,000	1,594,898	1,839,898
2018		260,000	1,573,441	1,833,441
2019		280,000	1,550,498	1,830,498
2020		295,000	1,530,212	1,825,212
2021-2025		2,010,000	7,184,877	9,194,877
2026-2030		3,355,000	6,063,016	9,418,016
2031-2035		5,510,000	4,205,075	9,715,075
2036-2039		6,930,000	1,275,302	8,205,302
	Total	$ 19,120,000	$ 26,597,011	$ 45,717,011

See Note 13 - Subsequent Events for details on the refunding of these bonds in May 2016.

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

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

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

Note 4 - Long-term Debt (Continued)

Assuming a constant interest rate of 5.0925 percent per year to the maturity of the bonds, debt service is estimated as follows as of December 31, 2015:

Years Ending December 31	Principal	Interest	Total
2016	$ 188,800	$ 445,714	$ 634,514
2017	198,400	434,512	632,912
2018	208,000	424,041	632,041
2019	218,700	413,050	631,750
2020	230,600	402,588	633,188
2021-2025	2,697,244	1,666,623	4,363,867
2026-2030	-	1,279,441	1,279,441
2031-2035	-	1,279,441	1,279,441
2036-2040	-	1,280,141	1,280,141
2041-2045	4,953,256	1,045,414	5,998,670
Total	$ 8,695,000	$ 8,670,965	$ 17,365,965

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

The state loan revenue bonds consist of term bonds maturing on April 29, 2055 in a lump sum. Interest (if any) is payable semi-annually and is based upon the net investment earnings from the $2.5 million held by the trustee. At December 31, 2015, the interest rate was 0.00 percent since the funds held by the trustee had no investment earnings during the year.

Line of Credit - In April 2015, 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 the one-month LIBOR plus 200 basis points. No debt was drawn from the line of credit and it expired in April 2016.

Note 5 - Public Funding

For the years ended December 31, 2015 and 2014, public funding for the Port Authority came from the following sources:

	2015	2014
Hamilton County, Ohio	$ 700,000	$ 700,000
City of Cincinnati, Ohio	700,000	700,000
Total	$ 1,400,000	$ 1,400,000

Note 6 - Leases

Operating Leases - As of December 31, 2015, 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
2016	$ 90,520
2017	112,291
2018	105,311
2019	105,291
2020	106,870
Thereafter	510,660
Total	$ 1,030,943

On January 8, 2015, the City of Cincinnati leased a City-owned parking garage (Fountain Square Garage) to the Port Authority for $100 for a 30-year term. The purpose of the lease is to modernize and improve the garage and provide funds for the Port for Economic Development within the City limits. In accordance with the agreement, the Port Authority issued bonds to make improvements to the garage (see Note 4). The improvements are capitalized as leasehold improvements (see Note 3) and are amortized over the life of the lease.

Note 7 - Cost-Sharing Defined Benefit Pension Plan

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also include costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

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

Note 7 - Cost-Sharing Defined Benefit Pension Plan (Continued)

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

Benefits Provided - All benefits of OPERS, and any benefit increases, are established by the legislature pursuant to R.C. Chapter 145. The board, pursuant to R.C. Chapter 145, has elected to maintain funds to provide healthcare coverage to eligible Traditional Pension Plan and Combined Plan retirees and survivors of members. Healthcare coverage does not vest and is not requried under R.C. Chapter 145. As a result, coverage may be reduced or eliminated at the discration of the board. Additional information on OPERS healthcare coverage can be found in the OPERS 2014 CAFR.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013, comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013. Please see the Plan Statement in the OPERS 2014 CAFR for additional details.

Note 7 - Cost-Sharing Defined Benefit Pension Plan (Continued)

In the Traditional Pension Plan, State and Local members are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with five years of service. For Groups A and B, the annual benefit is based on 2.2 percent of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5 percent for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2 percent for the first 35 years and a factor of 2.5 percent for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Refer to the age-and-service tables located in the OPERS 2014 CAFR Plan Statement for additional information regarding the requirements for reduced and unreduced benefits. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

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

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

Payable to the Pension Plan

At December 31, 2015, the Port Authority reported a payable of $42,955 for the outstanding amount of contributions to the plan required for the year ended December 31, 2015.

Note 7 - Cost-Sharing Defined Benefit Pension Plan (Continued)

Net Pension Liability, Deferrals, and Pension Expense

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

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

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

Contributions of $69,720 reported as deferred outflows of resources related to pension resulting from Port Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2016	$ 4,531
2017	4,531
2018	10,374
2019	11,549
. Total	$ 30,985

Note 7 - Cost-Sharing Defined Benefit Pension Plan (Continued)

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

	OPERS Traditional Pension Plan
Valuation date	December 31, 2014
Experience study	5-year period ended December 31, 2010
Actuarial cost method	Individual entry age
Investment rate of return	8.00%
Wage inflation	3.75%
Projected salary increases (includes wage inflation of 3.75%)	4.25-10.05%
Cost-of-living adjustments	3.00% Simple - Net of pension plan investment expense, including inflation

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

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

Projected Cash Flows

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

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

Note 7 - Cost-Sharing Defined Benefit Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014 for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Fixed income	23 %	2.31 %
Domestic equities	20 %	5.84 %
Real estate	10 %	4.25 %
Private equity	10 %	9.25 %
International equities	19 %	7.40 %
Other investments	18 %	4.59 %
Total	100 %	5.28 %

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolios, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

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

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability	$ 1,592,726	$ 865,748	$ 253,455

Note 7 - Cost-Sharing Defined Benefit Pension Plan (Continued)

OPERS issues a publicly available, stand-alone financial report that includes financial statements, required supplemental information, and detailed information about OPERS' fiduciary net position. That report can be obtained by visiting the OPERS website at www.opers.org. Additional information supporting the preparation of the schedules of collective pension amounts and employer allocations (including the disclosure of the net pension liability/(asset), required supplemental information on the net pension liability/(asset), and the unmodified audit opinion on the combined financial statements) is located in OPERS 2014 CAFR. This CAFR is available at www.opers.org or by contacting OPERS at: OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-7377.

Other Postemployment Benefits - OPERS maintains two cost-sharing multiple-employer defined benefit postemployment healthcare trusts, which fund multiple healthcare plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored postemployment healthcare coverage. In order to qualify for postemployment healthcare coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post Employment 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 2015 and 2014, local employer units contributed at a rate of 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Employee contributions do not fund postretirement healthcare benefits.

Note 7 - Cost-Sharing Defined Benefit Pension Plan (Continued)

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide healthcare funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee’s Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS board of trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment healthcare benefits. The portion of employer contributions allocated to health care for members in the Traditional Pension and Combined plans was 1 percent during calendar year 2013 and 2 percent in years 2014 and 2015, as recommended by the OPERS’ actuary. The OPERS board of trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the healthcare benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

The portion of the employer contributions that was made to fund other postemployment benefits (OPEB) for 2015, 2014, and 2013 was approximately $32,400, $33,100, and $14,500, respectively. There are no postemployment benefits provided by the Port Authority other than those provided through OPERS.

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 three years.

Note 9 - Conduit Revenue Bond Obligations

The Port Authority has outstanding aggregate conduit revenue bond obligations of approximately $421,098,000 and $409,432,000 at December 31, 2015 and 2014, 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 2015, the Port Authority issued conduit debt for AHA Colonial Village. 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, UC Health Drake Center, Fifth and Race Development, and Saint Ursula Villa.

Note 10 - Upcoming Accounting Pronouncements

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.

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

Note 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, for sale to the public.

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. In 2014, the City Council passed a resolution appropriating these funds for the TechSolve II project.

The real estate held for development has been recorded at the lower of cost or market value. 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 upon their completion of redevelopment. An approximately $4,300,000 cost-to-market adjustment was recorded for the writedown. No cost-to-market adjustment was required in 2015.

A summary of real estate held for redevelopment follows:

	2015	2014
MidPointe Crossing	$ 3,072,902	$ 3,027,113
TechSolve II	1,884,239	1,846,600
Bond Hill Neighborhood	1,125,468	-
Other	1,236,355	973,323
Total	$ 7,318,964	$ 5,847,036

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 - Change in Accounting Principles and Restatement of Net Position

For year ended December 31, 2015, the Port Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68.* GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures.

The impact of these changes on net position as reported on December 31, 2014 is as follows:

Net position - December 31, 2014 - As previously stated	$ 13,012,006
Net pension liability	(846,193)
Deferred outflow - Payments subsequent to the measurement date	105,953
Net position - December 31, 2014 - As restated	$ 12,271,766

Note 13 - Subsequent Events

In March 2016, the letter of credit agreement covering the Southwest Ohio Regional Bond Fund was amended and restated to include the Port Authority as a party to the agreement. Prior to the amendment, the letter of credit agreement was exclusively between the issuing bank and the Dayton-Montgomery County Port Authority. The letter of credit amount is $5,000,000 at a fee of 1.7 percent, which costs are shared equally between the Port Authority and the Dayton-Montgomery County Port Authority.

In May 2016, the Port Authority refunded series 2008A and 2008B bonds on the Kenwood Project by issuing taxable series 2016A and 2016B bonds with par amounts of $15,915,000 and $2,750,000, respectively. Maturity dates on the refunding term bonds range from January 2021 to January 2039, while interest rates are fixed ranging from 3.75 percent to 6.60 percent. Issuance costs from the financing were $1,014,838. Additionally, the Kenwood Project bonds will no longer be classified as pledged bonds since the trustee is no longer holding the bonds.

In June 2016, the Port Authority acquired the former headquarters of Gibson Greetings located at 2100 Section Road in Amberley Village for a purchase price of $8,425,000 plus closing cost. The 56-acre site was acquired with proceeds derived from a $7.0 million issuance of patient capital notes sold to seven investors and a $2.5 million issuance of bonds under the Southwest Ohio Regional Bond Fund.

Note 13 - Subsequent Events (Continued)

Also in June 2016, the City of Cincinnati appropriated to the Port Authority capital grant funds of $3 million for economic development in Bond Hill and Roselawn, and $2 million for Queensgate. Additionally, the City amended the 2013 real estate services agreement with the Port Authority in regard to the requirement that 20 percent of net sale proceeds be returned to the City. The amendment now has the Port Authority retaining 100 percent of sale proceeds on properties funded under this agreement.

In July 2016, the Port Authority sold eight acres of redeveloped land at TechSolve II for a sale price of approximately $700,000.

Required Supplemental Information

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	$ 103,833	$ 105,605	$ 99,498	$ 49,846	$ 22,609	$ 11,849	$ 9,063	$ 6,638	$ 7,560	$ 7,418
Contributions in relation to the contractually required contribution	103,833	105,605	99,498	49,846	22,609	11,849	9,063	6,638	7,560	7,418
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Port Authority's covered employee payroll	$ 865,273	$ 880,038	$ 765,372	$ 498,963	$ 226,090	$ 135,414	$ 113,284	$ 94,829	$ 90,545	$ 80,634
Contributions as a percentage of covered employee payroll	12.0 %	12.0 %	13.0 %	10.0 %	10.0 %	8.75 %	8.0 %	7.0 %	8.35 %	9.2 %

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

	2014	2013
Port Authority's proportion of the net pension liability (asset)	0.100000 %	- %
Port Authority's proportionate share of the net pension liability (asset)	$ 865,747	$ 846,193
Port Authority's covered employee payroll	$ 880,038	$ 765,372
Port Authority's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	98.4 %	110.6 %
Plan fiduciary net position as a percentage of total pension liability	86.50 %	86.40 %

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Port of Greater Cincinnati Development Authority (the "Port Authority") as of and for the year ended December 31, 2015, 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 July 20, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2015-001 to be a material weakness.

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

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2015-002 to be a significant deficiency.

Compliance and Other Matters

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

Port of Greater Cincinnati Development Authority's Responses to Findings

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

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

July 20, 2016

Section II - Financial Statement Audit Findings

Reference Number	Finding
2015-001	**Finding Type** - Material Weakness

Criteria - Accounting standards require accounts payable to be recorded in the period in which the services were performed.

Condition - We noted cut-off errors during our testing of accounts payable at year end.

Context - Of the errors noted, two items were improperly included and seven items were improperly excluded from accounts payable.

Cause - The errors occurred because the Port Authority recorded accounts payable based on when the invoice was received, rather than the period when the services were actually performed.

Effect - Accounts payable is understated by approximately $50,000 (net) at year end and is included on the passed audit adjustment listing.

Recommendation - The Port Authority should put a procedure in place to review accounts payable to ensure accruals are based on the service period rather than the period received.

Views of Responsible Officials and Planned Corrective Actions - In order to improve the quality of the Port Authority's existing procedures in place to review accounts payable processing, the Port Authority will document an accounting policy clarifying proper A/P cut off procedures between periods and it will be shared with the accounting staff. Additionally, reviews will be performed by the Accounting Director to ensure the policy is being properly followed by staff.

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2015-002	**Finding Type** - Significant Deficiency

Criteria - In an ideal control environment, administrative access to the financial applications of the software systems should be segregated from the employees who have the ability to post journal entries.

Condition - During our information technology general controls review that was performed in connection with the audit, we noted that the finance management staff has full administrative access to the financial software and is also able to post transactions

Context - The Port Authority has some mitigating controls in place for this item. However, the risk is increased due to the recent growth and complexity of the Port Authority's activities.

Cause - The size of the Port Authority administrative staff contibutes to the difficulty of assigning administrative access to an individual outside of the finance department.

Effect - While we did not note any missapropriation of assets during the audit, individuals with full administrative access to the general ledger system could adjust financial data without being identified.

Recommendation - The Port Authority should assign an individual outside of the finance department to have full administrative access to the general ledger system.

Views of Responsible Officials and Planned Corrective Actions - The Port Authority will assign full administrative access to the general ledger system exclusively to management in its legal department. General ledger system access granted to the accounting/finance department will be restricted to ensure proper segregation of duties.

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 10, 2016

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