THE PORT
Making Real Estate Work

Port of Greater Cincinnati Development Authority

Financial Report
with Supplemental Information
December 31, 2018

Contents

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Independent Auditor's Report

To the Board of Directors
Port of Greater Cincinnati Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Port of Greater Cincinnati Development Authority ("The Port") as of and for the years ended December 31, 2018 and 2017 and the related notes to the financial statements, which collectively comprise The Port's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Port of Greater Cincinnati Development Authority as of December 31, 2018 and 2017 and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the basic financial statements, The Port adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which resulted in The Port restating net position for the recognition of The Port's other postemployment benefit-related activity incurred prior to January 1, 2018. Our opinion is not modified with respect to this matter.

To the Board of Directors
Port of Greater Cincinnati Development Authority

Other Matters

Required Supplemental Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2019 on our consideration of the 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 the Port of Greater Cincinnati Development Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

June 11, 2019

Our discussion and analysis of Port of Greater Cincinnati Development Authority's (dba "The Port") financial performance provides an overview of the financial activities for the fiscal years ended December 31, 2018, 2017, and 2016. Please read it in conjunction with The Port's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2018:

- Operating revenue of $8.1 million in 2018 was $1.5 million or 22% higher than the prior year, as The Port continues to increase operating revenues through its growth in charges for services.

- Capital grants and contributions in 2018 totaled $8.0 million and includes a $4.9 million developer contribution on the RBM Development Phase 2B Project (Red Bank Medpace campus headquarters in Madisonville), $2.0 million in capital grants from the City of Cincinnati towards projects in Bond Hill and Roselawn, and $1.0 million from JobsOhio for the redevelopment of the former Cincinnati Gardens in Bond Hill.

- Capital assets increased $18.6 million in 2018 due to the $11.9 million acquisition of land at the Fifth and Plum Project adjacent to the Duke Energy Convention Center, $9.2 million of garage construction and infrastructure improvements at the RBM Development site, offset by $2.6 million of depreciation.

- Long-term liabilities increased $38.8 million or 44% in 2018 primarily as a result of issuing revenue bonds of $12.6 million for the Fifth and Plum Project, $22.8 million for RBM Development Phase 2B, and $1.0 million for the Greater Cincinnati Neighborhoods Housing Revitalization Loan Fund, which will rehab foreclosed, vacant residential properties into homes ready for sale in targeted Cincinnati neighborhoods.

- The Port's net position increased to $15.7 million by the end of 2018, an increase of $3.0 million or 23 percent over the prior year. The increase is net of a $1.7 million reduction to net position for the other postemployment benefit (OPEB) change in accounting principle (see Note 13).

Using this Annual Report

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

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				
	2016	2017	2018	Change	Percent Change
Assets					
Other assets	$ 50,414,626	$ 46,741,233	$ 70,006,057	$ 23,264,824	50%
Capital assets being depreciated - Net	47,010,358	44,616,643	48,414,870	3,798,227	9%
Capital assets not being depreciated	7,139,859	11,122,212	25,910,164	14,787,952	133%
Total assets	104,564,843	102,480,088	144,331,091	41,851,003	41%
Deferred Outflows of Resources	580,378	963,226	1,258,784	295,558	31%
Total assets and deferred outflows	105,145,221	103,443,314	145,589,875	42,146,561	41%
Liabilities					
Current liabilities	3,780,733	1,622,983	1,344,028	(278,955)	-17%
Long-term liabilities:					
Due within one year	3,184,348	3,496,184	4,411,824	915,640	26%
Due in more than one year	80,644,706	85,450,418	123,337,223	37,886,805	44%
Total liabilities	87,609,787	90,569,585	129,093,075	38,523,490	43%
Deferred Inflows of Resources	43,623	115,895	761,875	645,980	557%
Net Position					
Net investment in capital assets	6,318,938	3,606,442	5,568,793	1,962,351	54%
Restricted	10,092,061	8,646,265	9,685,628	1,039,363	12%
Unrestricted	1,080,812	505,127	480,504	(24,623)	-5%
Total net position	**$ 17,491,811**	**$ 12,757,834**	**$ 15,734,925**	**$ 2,977,091**	23%

Note: 2018 net position includes a $1,692,405 beginning of year reduction for a change in accounting principle.

	Business-type Activities				
	2016	2017	2018	Change	Percent Change
Operating Revenue					
Public funding	$ 1,400,000	$ 1,400,000	$ 1,400,000	$ -	0%
Charges for services	4,957,526	5,221,555	6,673,464	1,451,909	28%
Total operating revenue	6,357,526	6,621,555	8,073,464	1,451,909	22%
Operating Expenses					
Salaries and benefits	2,370,636	3,467,434	4,123,709	656,275	19%
Professional services	970,451	735,495	817,803	82,308	11%
Occupancy	158,757	168,262	163,998	(4,264)	-3%
Travel and business development	77,995	99,479	118,315	18,836	19%
Equipment and supplies	47,055	42,952	45,856	2,904	7%
Taxes	162,360	188,431	387,160	198,729	105%
Other operating expenses	155,520	202,466	224,224	21,758	11%
Depreciation	2,421,301	2,441,842	2,563,102	121,260	5%
Total operating expenses	6,364,075	7,346,361	8,444,167	1,097,806	15%
Operating Loss	(6,549)	(724,806)	(370,703)	354,103	-49%
Restricted bond revenues	4,314,603	3,529,284	4,289,551	760,267	22%
Interest expense	(3,246,599)	(3,339,353)	(3,970,017)	(630,664)	19%
Gain/(Loss) on sale of property	(134,974)	53,641	(37,000)	(90,641)	-169%
Impairment on asset	-	(8,038,144)	(1,593,070)	6,445,074	-80%
Investment income	28,076	95,455	457,473	362,018	379%
Bond administrative expense	(2,563,768)	(1,226,656)	(2,061,598)	(834,942)	68%
Gain on extinguishment of debt	3,365,000	-	-	-	0%
Capital grants and contributions	1,694,079	4,916,602	7,954,860	3,038,258	62%
Increase in Net Position	3,449,868	(4,733,977)	4,669,496	9,403,473	-199%
Adjustment for change in accounting principle	-	-	(1,692,405)	(1,692,405)	N/A
Change in Net Position	**$ 3,449,868**	**$ (4,733,977)**	**$ 2,977,091**	**$ 7,711,068**	-163%

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

The net position of all business-type activities increased by $3.0 million, or 23 percent, in 2018. In comparison, net position in 2017 decreased by $4.7 million, or 27 percent. The decrease in net position during 2017 was led by an $8.0 million cost-to-market adjustment, further detailed in Note 12.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased $24,623, or 5 percent in 2018. In comparison, in 2017 unrestricted net position decreased by $0.6 million, or 53 percent. The current level of unrestricted net position stands at $0.5 million, or about 10 percent of annual operating expenditures, excluding depreciation.

Restricted net position increased by $1.0 million, or 12 percent, in 2018, approximately equally between trust restricted equity versus grant restricted equity. The trust restricted equity increase resulted from a $255,305 increase in the reserve funds for Communities First (The Port's mortgage down payment assistance program), and principal paydowns on Fountain Square South Garage and Amberley Site bonds (see Note 6). The grant restricted equity increase was mainly derived from the recognition of unearned grant revenue on The Port's redevelopment at 2250 Seymour Ave (former Cincinnati Gardens). In contrast, restricted net position decreased by $1.4 million, or 14 percent, in 2017. The prior year decrease resulted from the Amberley Site write down financed by The Port's Bond Fund loan, which had a principal balance of $2.2 million at the end of 2017. This decrease in equity was partially offset by a $0.8 million increase in trusts restricted equity led by Communities First.

Net investment in capital assets increased $2.0 million, or 54 percent, in 2018 primarily due to a $4.9 million developer contribution towards the RBM Development Phase 2B Project (see Note 6), offset by depreciation of $2.6 million. In contrast, in 2017 net investment in capital assets decreased $2.7 million or 43 percent, mainly due to depreciation of $2.4 million.

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's economic development and inclusion activities. These grants are appropriated annually and have not increased since 2012.

Charges for services consist primarily of fees charged for: garage parking, utilization of The Port's finance tools, mortgage down payment assistance, management of other organizations, commercial real estate leases, and oversight of redevelopment projects. Service revenue increased $1.5 million or 28 percent in 2018 compared to the prior year. The increase was led by a $1.3 million increase in finance fee revenue. In comparison, service revenue increased $0.3 million in 2017 due to a $0.3 million increase in management fees.

Operating Expenses

Operating expenses increased $1.1 million or 15 percent in 2018 compared to the prior year, primarily due to a $0.7 million increase in salaries and benefits from additional staffing, and a $0.2 million increase in property taxes and holding costs.

In 2017, operating expenses increased $1.0 million over the prior year due to an increase in salaries and benefits resulting from additional staff.

For years 2017, 2016 and 2015, The Port had adequate operating revenue to cover its operating expenses before depreciation on capital assets.

Nonoperating Income (Expenses)

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

Restricted bond revenues increased $0.8 million or 22 percent in 2018 due to a $0.7 million increase in Kenwood Collection and $0.1 million increase in Springdale Pictoria bond revenues. In comparison, restricted bond revenues decreased $0.8 million or 18 percent in 2017 due to a $0.6 million decline in Kenwood Collection and $0.3 million decline in Cincinnati Mall bond revenues.

Bond administrative expenses increased $0.8 million or 68 percent in 2018 due to issuance costs on new financings in 2018 (see Note 6). In 2017, bond administrative expenses decreased $1.3 million or 52% due to less debt issuance costs from fewer new financings in 2017.

In 2018, The Port completed its redevelopment of the former Cincinnati Gardens at 2250 Seymour Avenue in Bond Hill and listed the property for sale by a commercial real estate broker. Based upon the listed selling prices and expected selling costs, management estimated the net realizable values and recorded a cost-to-market adjustment of $1.3 million in 2018. This write-down represents the subsidy invested to make the properties marketable. Additionally, The Port recognized a $0.2 million asset impairment in 2018 after discontinuing a redevelopment project planned at the US Army Reserve in Roselawn.

In comparison, in 2017 The Port completed its redevelopment of the Amberley Site at 2100 Section Road and had the property listed for sale by a commercial real estate broker, joining MidPointe Crossing and TechSolveII, which have been listed since 2014. Based upon the listed selling prices and expected selling costs, management estimated the net realizable values and recorded a cost-to-market adjustment of $8.0 million in 2017.

Capital grants and contributions increased $3.0 million or 62 percent in 2018 led by a $4.9 million developer contribution for the RBM Development Project Phase 2B in Madisonville. Other grants received in 2018 came from public sources for redevelopment projects in Bond Hill and Roselawn, including $2.0 million from the City of Cincinnati and $1.0 million from JobsOhio. In 2017, capital grants and contributions increased $3.2 million or 190 percent due to a $1.9 million and $1.8 million increase in capital grants provided by Hamilton County and JobsOhio, respectively, primarily for redevelopment of the Amberley Site at 2100 Section Road. Meanwhile, corporate and City of Cincinnati capital grants declined $0.5 million in 2017 compared to the prior year.

Capital Asset and Debt Administration

At the end of 2018, The Port had $74.3 million invested in a broad range of capital assets, including public parking garages and lots, public infrastructure, and utilities. During the year, The Port acquired land in the form of a 250-space surface parking lot at Fifth & Plum (directly south of the Duke Energy Convention Center) for $11.9 million and recognized $9.2 million of construction-in-progress on the two parking garages at the RBM Development in Madisonville, the campus headquarters of Medpace, a research-based drug and medical device company. The garage constructed in RBM Development Phase 2A was made available to the public in 2018, resulting in $6.3 million being reclassed from construction-in-progress to depreciable capital assets. This activity was offset by additional depreciation on capital assets in the amount of $2.6 million.

In comparison, in 2017 The Port recognized $4.0 million of construction-in-progress related to the parking garage at the RBM Development Phase 2A Project, and $2.4 million of additional depreciation on capital assets.

In support of economic development and other authorized projects within the City of Cincinnati and Hamilton County, The Port considers and, with board approval, issues bonds. In 2018, The Port issued $421.3 million of bonds, which was the highest amount of bonds issued in a single year for The Port. In comparison, The Port issued $161.8 million of bonds in 2017 and $101.4 million of bonds in 2016. The following table summarizes The Port's issuance of bonds and conduit financings in the years 2018, 2017 and 2016.

Issue Date	Project Name	Bond Amount
06/2018	Fifth and Plum Project	$ 12,590,000
07/2018	RBM Development Phase 2B - TIF	22,805,000
08/2018	Greater Cincinnati Neighborhoods Housing Revitalization Loan Fund	1,000,000
06/2018	Mercer Commons Garage (refinance) *	8,329,000
07/2018	Poste (formerly Firehouse Row) *	13,680,795
07/2018	RBM Development Phase 2B - Lease *	43,000,000
09/2018	Woodlawn Meadows Project **	1,855,000
09/2018	Madison and Whetsel **	2,795,000
09/2018	Madison and Whetsel *	1,412,602
10/2018	Springdale Office Park **	6,605,000
10/2018	Fourth and Race Parking Garage *	29,240,000
12/2018	Provident Bank Building *	28,000,000
12/2018	FC Cincinnati MLS Stadium *	250,000,000
	Total 2018	$ 421,312,397
01-11/2017	Cincinnati Neighborhood Commercial Real Estate Loan Fund (two tranches in 2017)	$ 2,000,000
11/2017	Fairfax Village Red Bank (refinance)	3,247,356
01–09/2017	Patient Capital Fund (3 new investors in 2017)	3,500,000
04/2017	Keystone Hotel *	17,300,000
09/2017	Rumpke *	24,000,000
09/2017	The Collegiate *	85,592,546
11/2017	Fairfax Village Red Bank (refinance) *	3,787,644
12/2017	Court & Walnut *	17,230,000
12/2017	Washington Park Garage *	5,100,000
	Total 2017	$ 161,757,546
05/2016	Kenwood Collection (refunding bonds)	$ 18,665,000
06/2016	Patient Capital Fund (bond anticipation notes)	7,325,000
06/2016	Amberley Site Redevelopment - 2100 Section Rd	2,500,000
07/2016	RBM Development - TIF	15,065,000
07/2016	RBM Development - Lease *	50,260,000
12/2016	Downtown/OTR West *	7,550,000
	Total 2016	$ 101,365,000

** Conduit revenue bond obligations*

*** Conduit revenue bond obligations - Southwest Ohio Regional Bond Fund*

Economic Factors and Next Year's Budgets and Rates

The Port 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 2019, which is unchanged from this year.

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

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

Capital funding from the City of Cincinnati for real estate development is subject to annual, discretionary appropriation by Cincinnati City Council. In 2016, the City appropriated to The Port capital grant funds of $3 million for business district redevelopment in Bond Hill and Roselawn (of which approximately $1.7 million remained available at the end of 2018), and $2 million for redevelopment of the former Hudepohl Brewery site in Queensgate. These funds are planned for capital expenditure in 2019 and will include developer fee revenue to The Port.

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, Vice President of Accounting & Financial Management at 513-621-3000.

Proprietary Funds
Statement of Net Position

December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	$ 6,027,391	$ 6,791,223
Receivables - Net of allowance	1,671,469	1,042,215
Prepaid expenses and other assets	297,395	379,375
Total current assets	7,996,255	8,212,813
Noncurrent assets:		
Restricted cash and investments	41,815,468	21,593,260
Notes receivable	1,960,858	1,025,586
Capital assets: (Note 4)		
Assets not subject to depreciation	25,910,164	11,122,212
Assets subject to depreciation	48,414,870	44,616,643
Assets held for resale (Note 12)	18,233,476	15,909,574
Total noncurrent assets	136,334,836	94,267,275
Total assets	144,331,091	102,480,088
Deferred Outflows of Resources		
Pension (Note 9)	1,121,157	963,226
OPEB (Note 9)	137,627	-
Total deferred outflows of resources	1,258,784	963,226
Liabilities		
Current liabilities:		
Accounts payable	949,230	891,488
Accrued liabilities and other	245,311	172,510
Unearned grant revenue	149,487	558,985
Total current liabilities	1,344,028	1,622,983
Noncurrent liabilities:		
Accrued interest payable from restricted assets	1,735,958	1,321,931
Accrued expenses payable from restricted assets	806,766	827,401
Net pension obligation (Note 9)	1,993,142	1,912,511
Net OPEB obligation (Note 9)	1,870,194	-
Current portion of long-term debt payable from restricted assets (Note 6)	1,869,100	1,346,852
Long-term payable from restricted assets (Note 6)	30,253,489	11,636,056
Long-term debt payable from future restricted bond revenue (Note 6)	89,220,398	71,901,851
Total noncurrent liabilities	127,749,047	88,946,602
Total liabilities	129,093,075	90,569,585
Deferred Inflows of Resources		
Pension	471,083	19,453
OPEB	139,317	-
Interest rate swap agreement	151,475	96,442
Total deferred inflows of resources	761,875	115,895
Net Position		
Net investment in capital assets	5,568,793	3,606,442
Restricted:		
Grants	7,002,927	6,495,281
Trust assets	2,682,701	2,150,984
Unrestricted	480,504	505,127
Total net position	**$ 15,734,925**	**$ 12,757,834**

See notes to financial statements.

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

Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenue		
Public funding (Note 7)	$ 1,400,000	$ 1,400,000
Charges for services	6,673,464	5,221,555
Total operating revenue	8,073,464	6,621,555
Operating Expenses		
Salaries and benefits	4,123,709	3,467,434
Professional services	817,803	735,495
Occupancy	163,998	168,262
Travel and business development	118,315	99,479
Equipment and supplies	45,856	42,952
Other operating expenses	224,224	202,466
Taxes and holding costs	387,160	188,431
Depreciation	2,563,102	2,441,842
Total operating expenses	8,444,167	7,346,361
Operating Loss	(370,703)	(724,806)
Nonoperating Revenue (Expense)		
Restricted bond revenue	4,289,551	3,529,284
Investment income	457,473	95,455
Interest expense	(3,970,017)	(3,339,353)
(Loss) gain on sale of property	(37,000)	53,641
Impairment on assets	(1,593,070)	(8,038,144)
Bond administrative expense	(2,061,598)	(1,226,656)
Grants	5,164	-
Grant expenditures	(5,164)	-
Total nonoperating (expense) revenue	(2,914,661)	(8,925,773)
Loss - Before capital grants and contributions	(3,285,364)	(9,650,579)
Capital Grants and Contributions	7,954,860	4,916,602
Increase (Decrease) in Net Position	4,669,496	(4,733,977)
Net Position - Beginning of year - as restated (Note 13)	11,065,429	17,491,811
Net Position - End of year	**$ 15,734,925**	**$ 12,757,834**

See notes to financial statements.

Propriety Funds
Statement of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Receipts from public funding sources	$ 1,400,000	$ 1,400,000
Receipts from charges for services	6,612,152	5,113,020
Payments to suppliers	(1,417,409)	(1,681,182)
Payments to employees	(3,563,755)	(3,155,910)
Net cash and cash equivalents provided by operating activities	3,030,988	1,675,928
Cash Flows from Noncapital Financing Activities		
Receipts from grants and subsidies	7,086,552	3,585,201
Proceeds from the issuance of debt	1,500,000	5,500,000
Principal paid on debt	(398,680)	(375,664)
Interest paid	(429,319)	(445,680)
Proceeds from the sale of assets held for sale	1,000	279,000
Purchase and development of assets held for sale	(4,073,408)	(5,352,022)
Net cash and cash equivalents provided by noncapital financing activities	3,686,145	3,190,835
Cash Flows from Capital and Related Financing Activities		
Proceeds from the issuance of capital debt	35,395,000	3,247,356
Restricted bond revenue	4,289,552	3,529,284
Purchase and construction of capital assets	(21,160,230)	(3,491,272)
Principal paid on capital debt	(948,172)	(4,183,948)
Interest paid	(2,229,092)	(2,777,894)
Bond administrative expenses paid	(2,093,166)	(1,658,322)
Net cash and cash equivalents provided by (used in) capital and related financing activities	13,253,892	(5,334,796)
Cash Flows from Investing Activities		
Interest received on investments	460,900	99,723
Loans provided	(973,549)	(1,035,000)
Net cash and cash equivalents (used in) investing activities	(512,649)	(935,277)
Net Increase (Decrease) in Cash and Cash Equivalents	19,458,376	(1,403,310)
Cash and Cash Equivalents - Beginning of year	28,384,483	29,787,793
Cash and Cash Equivalents - End of year	**$ 47,842,859**	**$ 28,384,483**
Classification of Cash and Cash Equivalents		
Cash and investments	$ 6,027,391	$ 6,791,223
Restricted cash	41,815,468	21,593,260
Total cash and cash equivalents	**$ 47,842,859**	**$ 28,384,483**

Propriety Funds
Statement of Cash Flows (Continued)

Years Ended December 31, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (370,703)	$ (724,806)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	2,563,102	2,441,842
Changes in assets and liabilities:		
Accounts receivable	(101,932)	139,057
Prepaid and other assets	(339,307)	(446,136)
Accounts payable	362,214	(332,396)
Accrued and other liabilities	917,614	598,367
Net cash and cash equivalents provided by operating activities	**$ 3,030,988**	**$ 1,675,928**

See notes to financial statements.

Note 1 - Nature of Business

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

Note 2 - Significant Accounting Policies

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

Reporting Entity

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

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

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

Port Authority Powers

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

Special Financing, Projects, and Programs

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

Conduit Revenue Bond Financings - Port authorities may provide assistance through conduit revenue bond financing. These revenue bond financings are based on the creditworthiness of the borrower and may include some form of credit enhancement. The issuing port authority has no obligation with respect to the bonds except to the extent of loan payments payable solely from pledged receipts and, unless issued as part of a capital lease financing, would have no interest in the property financed (see Note 11). The Port has several conduit revenue bond issues outstanding and provides such assistance upon request.

Note 2 - Significant Accounting Policies (Continued)

The Port issues conduit debt on behalf of third parties. The Port classifies debt as conduit debt when all of the following characteristics exist: 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, and the third party has ultimate control over and primary benefit from the asset resulting from the expenditure of bond proceeds.

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

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

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

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

In April 2015, The Port became an eligible issuer of economic development revenue bonds for the Southwest Ohio Regional Bond Fund, created from the expansion of the Dayton-region Port Authority Bond Fund. The expanded bond fund serves growing companies in the Dayton and Cincinnati regions. The Port also issues bond fund debt repayable from tax increment financing and special assessments. See Note 6 and Note 11 for additional details regarding the bond fund activity.

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

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

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

Note 2 - Significant Accounting Policies (Continued)

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

Management Agreements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The Port maintains budgetary control by not permitting total 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 follows the GASB guidance as applicable to proprietary funds. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

Assets, Liabilities, and Net Position

Bank Deposits and Investments

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

Restricted Assets

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

Note 2 - Significant Accounting Policies (Continued)

Assets Held for Resale

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

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 capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Capitalized interest for 2018 and 2017 was $552,648 and $307,083, respectively.

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

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

Notes Receivable

In October 2018, The Port provided five housing loans from the Greater Cincinnati Neighborhoods Housing Revitalization Loan Fund totaling $973,549 (see Note 6). All five loans mature in the year 2025 and have an annual interest rate of 2.50 percent. Interest payments are due quarterly starting in 2019.

In December 2017, The Port provided two commercial loans from the Cincinnati Neighborhood Commercial Real Estate Loan Fund totaling $1,035,000 (see Note 6). Both loans mature in the year 2024 and have an annual interest rate of 3.75 percent. Interest payments are due quarterly starting in 2018.

Compensated Absences (Vacation and Sick Leave)

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

Long-term Debt

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

Note 2 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. The Port reports deferred outflows related to pensions and OPEB (other post-employment benefits) (Note 9).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Port reports deferred inflows related to pensions and OPEB (Note 9) and an interest rate swap agreement (Note 6).

Pension and Other Postemployment Benefit Costs

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System Pension Plan (OPERS) and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value. OPERS reports investments at fair value (see Note 9).

For the year ended December 31, 2018, The Port has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. For purposes of measuring the net other postemployment benefit (OPEB) liability in, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of OPERS and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. OPERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the year ended December 31, 2017, The Port adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*. OPERS provides post retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit, and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available under OPERS. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45 (see Note 9).

Net Position Flow Assumption

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

Note 2 - Significant Accounting Policies (Continued)

Net Position

Net position of The Port is classified in three components:

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

Proprietary Funds Operating Classification

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

Use of Estimates

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

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Port is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for The Port's financial statements for the year ending December 31, 2021.

Note 2 - Significant Accounting Policies (Continued)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and will result in increased interest expense during periods of construction. The provisions of this statement are effective for The Port's financial statements for the December 31, 2021 fiscal year.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations,* which clarifies accounting for conduit debt. The standard clarifies and broadens the definition of what qualifies as a conduit debt obligation, eliminates the option for issuers to recognize conduit debt obligations, and enhances note disclosures. The requirements of the standard will be applied retrospectively. The Port is still determining what impact the new standard will have. The provisions of this statement are effective for The Port's financial statements for the December 31, 2021 fiscal year.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including June 11, 2019, which is the date the financial statements were available to be issued.

Note 3 - Deposits and Investments

Deposits

Monies in the funds of The Port, except as otherwise described below with respect to investments controlled by the terms of a bond resolution or trust agreement or indenture, and to the extent in excess of current needs, may be invested in accordance with the Ohio Uniform Depository Act, Revised Code Sections 135.01-135.21 (UDA). At December 31, 2018 and 2017, the aggregate amount of monies in the general operating funds of The Port was $6,091,631 and $6,844,522, respectively, all of which constituted "active deposits," with three qualified banking institutions deposited in accordance with UDA. At December 31, 2018 and 2017, approximately $797,400 and $750,000, respectively, of The Port's deposits were covered by FDIC insurance. The remaining bank balances at December 31, 2018 and 2017 of approximately $5,294,200 and $6,094,500, respectively, were collateralized with securities by the pledging institution's trust department or agent, but not in The Port's name. At no time during the two-year period ended December 31, 2018 did The Port have any amounts for investment in the unrestricted general operating funds of The Port 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's deposits may not be returned to it. Operating (nontrusteed) investments of The Port are insured, registered in the name of the government, and/or collateralized with securities by the pledging institution's trust department or agent; therefore, there is no custodial credit risk exposure.

Investments

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

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Port held U.S. Treasury securities with a market value of $11,328,960 and $219,716 having a maximum of 283 and 39 days remaining until maturity for the years ended December 31, 2018 and 2017, respectively.

Credit Risk

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

Note 4 - Capital Assets

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

	Balance January 1, 2018	Additions	Disposals	Balance December 31, 2018
Business-type Activities				
Capital assets not being depreciated:				
Land easements - Red Bank	$ 450,000	$ -	$ -	$ 450,000
Land - RBM 2A	5,785,192	-	-	5,785,192
Land - Fifth & Plum Parking Lot	-	11,920,221	-	11,920,221
Construction in progress - RBM 2A	4,887,020	1,454,604	(6,341,624)	-
Construction in progress - RBM 2B	-	7,754,751	-	7,754,751
Subtotal	11,122,212	21,129,576	(6,341,624)	25,910,164
Capital assets being depreciated:				
Land improvements - Cincinnati Mall	4,519,426	-	-	4,519,426
Land improvements - Springdale Pictoria	882,619	-	-	882,619
Land improvements - Red Bank	2,539,587	-	-	2,539,587
Buildings - Cincinnati Mall	10,084,875	-	-	10,084,875
Buildings - Springdale Pictoria	9,260,329	-	-	9,260,329
Buildings - Kenwood Collection	34,371,914	-	-	34,371,914
Buildings - RBM 2A	-	6,341,624	-	6,341,624
Office equipment	30,988	-	(7,447)	23,541
Furniture and fixtures	75,806	9,712	-	85,518
Leasehold improvements - Garage	1,382,450	9,992	-	1,392,442
Leasehold improvements - Office	15,347	-	-	15,347
Subtotal	63,163,341	6,361,328	(7,447)	69,517,222
Accumulated depreciation:				
Land improvements - Cincinnati Mall	1,948,358	152,040	-	2,100,398
Land improvements - Springdale Pictoria	408,661	36,459	-	445,120
Land improvements - Red Bank	1,096,221	75,306	-	1,171,527
Buildings - Cincinnati Mall	4,256,728	342,832	-	4,599,560
Buildings - Springdale Pictoria	4,272,410	383,687	-	4,656,097
Buildings - Kenwood Collection	6,363,894	1,333,715	-	7,697,609
Buildings - RBM 2A	-	156,470	-	156,470
Office equipment	23,573	3,363	(7,447)	19,489
Furniture and fixtures	26,478	11,952	-	38,430
Leasehold improvements - Garage	149,571	65,359	-	214,930
Leasehold improvements - Office	804	1,918	-	2,722
Subtotal	18,546,698	2,563,101	(7,447)	21,102,352
Net capital assets being depreciated	44,616,643	3,798,227	-	48,414,870
Net capital assets	$ 55,738,855	$ 24,927,803	$ (6,341,624)	$ 74,325,034

Note 4 - Capital Assets (Continued)

Business-type Activities (Continued)

	Balance January 1, 2017	Additions	Disposals	Balance December 31, 2017
Business-type Activities				
Capital assets not being depreciated:				
Land easements - Red Bank	$ 450,000	$ -	$ -	$ 450,000
Land - RBM 2A	5,785,192	-	-	5,785,192
Construction in progress - RBM 2A	904,667	3,982,353	-	4,887,020
Subtotal	7,139,859	3,982,353	-	11,122,212
Capital assets being depreciated:				
Land improvements - Cincinnati Mall	4,519,426	-	-	4,519,426
Land improvements - Springdale Pictoria	882,619	-	-	882,619
Land improvements - Red Bank	2,539,587	-	-	2,539,587
Buildings - Cincinnati Mall	10,084,875	-	-	10,084,875
Buildings - Springdale Pictoria	9,260,329	-	-	9,260,329
Buildings - Kenwood Collection	34,371,914	-	-	34,371,914
Office equipment	82,856	-	(51,868)	30,988
Furniture and fixtures	53,976	21,830	-	75,806
Leasehold improvements - Garage	1,371,500	10,950	-	1,382,450
Leasehold improvements - Office	-	15,347	-	15,347
Subtotal	63,167,082	48,127	(51,868)	63,163,341
Accumulated depreciation:				
Land improvements - Cincinnati Mall	1,796,318	152,040	-	1,948,358
Land improvements - Springdale Pictoria	372,202	36,459	-	408,661
Land improvements - Red Bank	983,641	112,580	-	1,096,221
Buildings - Cincinnati Mall	3,913,896	342,832	-	4,256,728
Buildings - Springdale Pictoria	3,888,723	383,687	-	4,272,410
Buildings - Kenwood Collection	5,030,179	1,333,715	-	6,363,894
Office equipment	70,842	4,599	(51,868)	23,573
Furniture and fixtures	17,319	9,159	-	26,478
Leasehold improvements - Garage	83,604	65,967	-	149,571
Leasehold improvements - Office	-	804	-	804
Subtotal	16,156,724	2,441,842	(51,868)	18,546,698
Net capital assets being depreciated	47,010,358	(2,393,715)	-	44,616,643
Net capital assets	$ 54,150,217	$ 1,588,638	$ -	$ 55,738,855

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

Construction in Progress

Redevelopment and renovation of the public parking garage at the RBM 2A development began in August 2016 and was completed and open to the public in April 2018. In July 2018, construction on a parking garage and related public infrastructure at the RBM 2B development began and continued through year end.

Construction Commitments

The Port commitments as of December 31, 2018 and 2017 are $585,723 and $861,000, respectively.

Note 5 - Fair Value Measurements

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

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

The Port has the following recurring fair value measurements as of December 31, 2018 and 2017:

- U.S. Treasury securities of $11,328,960 and $219,716, respectively, are valued using quoted market prices (Level 1 inputs).
- Money market funds of $28,105,555 and $16,390,845, respectively, are valued using quoted market prices (Level 1 inputs).
- The interest rate swap at $151,475 and $96,442, respectively, is valued using a matrix pricing model (Level 2 inputs).

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

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

The Port held no investments using Level 3 inputs for fair value measurement, nor investments measured at the net asset value per share as of December 31, 2018 and 2017.

Note 6 - Long-term Debt

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

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

Note 6 - Long-term Debt (Continued)

A detailed description of each bond issue as of December 31, 2018 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	$ 14,255,000
2006 Springdale Pictoria Public Parking/Infrastructure Special Obligation Development Revenue Bonds, bearing interest at 1.80 percent, maturing in 2031	6,480,000
2015 Fountain Square South Garage Parking Facility Revenue Bonds, bearing interest at 5.46 percent, maturing in 2045	8,099,800
2015 Southwest Ohio Regional Bond Fund - State Loan Revenue Bonds, bearing interest at 0.00 percent, maturing in 2055	2,500,000
2016 Kenwood Collection Redevelopment - Public Parking Project Special Obligation TIF Revenue Refunding Bonds, bearing interest at 3.75, 4.50, 5.00, 6.00, 6.60, and 6.25 percent, maturing in 2039	18,665,000
2016 Patient Capital Fund - Economic Development Mortgage Revenue Bond Anticipation Notes, bearing interest at 0.15 percent, maturing in 2021	10,825,000
2016 Amberley Site Redevelopment Project, Taxable Development Revenue Bonds (Southwest Ohio Regional Bond Fund), bearing interest at 3.50 percent, maturing in 2026	1,980,000
2016 RBM Development Phase 2A Special Obligation Development TIF Revenue Bonds, bearing interest at 4.00, 4.375, 4.75, 5.00, and 6.00 percent, maturing in 2033 and 2046	15,065,000
2017 Cincinnati Neighborhood Commercial Real Estate Loan Fund - Economic and Community Development Revenue Bonds, bearing interest at 0.00 percent through January 25, 2019 and 2.00 percent thereafter, maturing in 2026	2,500,000
2017 Fairfax Village Red Bank Infrastructure Project - Special Obligation TIF Refunding Revenue Bonds, bearing interest at 3.98 percent, maturing in 2037	3,203,504
2018 Fifth & Plum Project - Development Revenue Bonds, bearing interest at 4.95 percent through June 1, 2028 and 6.75% thereafter, maturing in 2043	12,590,000
2018 RBM Development Phase 2B Special Obligation Development TIF Revenue Bonds, bearing interest at 6.00 percent, maturing in 2050	22,805,000
2018 Greater Cincinnati Neighborhoods Housing Revitalization Loan Fund - Housing and Community Development Revenue Bond, bearing interest at 0.00 percent through March 31, 2019 and 2.22 percent thereafter, maturing in 2025	1,000,000
Total	$ 119,968,304

Note 6 - Long-term Debt (Continued)

Changes in Long-term Debt

The following is a summary of long-term debt transactions (excluding unamortized bond premiums in the amount of $1,374,683 and $464,603 of The Port for the years ended December 31, 2018 and 2017, respectively):

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities -					
Revenue bonds	$ 84,420,156	$ 36,895,000	$ (1,346,852)	$119,968,304	$ 1,869,100

	2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities -					
Revenue bonds	$ 80,232,412	$ 8,747,356	$ (4,559,612)	$ 84,420,156	$ 1,346,852

Debt Service Requirements to Maturity

The annual total principal and interest requirements to service all debt outstanding at December 31, 2018 are as follows:

	Business-type Activities		
Years Ending December 31	Principal	Interest	Total
2019	$ 1,869,100	$ 5,397,754	$ 7,266,854
2020	2,110,616	5,331,418	7,442,034
2021	13,239,540	6,203,337	19,442,877
2022	2,459,431	5,314,857	7,774,288
2023	2,570,025	5,199,353	7,769,378
2024-2028	21,446,480	23,221,419	44,667,899
2029-2033	18,922,432	19,399,758	38,322,190
2034-2038	18,352,424	13,783,906	32,136,330
2039-2043	17,725,000	8,027,072	25,752,072
2044-2048	15,258,256	3,000,370	18,258,626
2049-2053	3,515,000	319,800	3,834,800
2054-2055	2,500,000	-	2,500,000
Total	$ 119,968,304	$ 95,199,044	$ 215,167,348

Cincinnati Mall Public Infrastructure (formerly known as Cincinnati Mills)

In February 2004, The Port issued $18 million principal amount of Special Obligation Development Revenue Bonds for the purpose of financing, in cooperation with the cities of Forest Park, Ohio and Fairfield, Ohio, 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 with the proceeds of the bonds include a public parking garage and other parking facilities, two storm water detention ponds, and public roadways supporting the mall.

Interest is payable semiannually at 6.30 and 6.40 percent for the 2024 and 2034 term bonds, respectively. Principal and interest payments for 2018 and 2017 were paid upon the due date.

Note 6 - Long-term Debt (Continued)

The debt service requirements for this bond issue are as follows as of December 31, 2018:

Years Ending December 31	Principal	Interest	Total
2019	$ 525,000	$ 892,063	$ 1,417,063
2020	560,000	857,885	1,417,885
2021	595,000	821,503	1,416,503
2022	635,000	782,758	1,417,758
2023	680,000	741,335	1,421,335
2024-2028	4,145,000	2,973,878	7,118,878
2029-2033	5,715,000	1,409,760	7,124,760
2034	1,400,000	44,798	1,444,798
Total	$ 14,255,000	$ 8,523,980	$ 22,778,980

Springdale Pictoria Public Parking/Infrastructure

In October 2006, The Port issued $10 million principal amount of Special Obligation Development Revenue Bonds for the purpose of financing, in cooperation with the City of Springdale, Ohio, 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 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, 2018, 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, 2020, but extended one additional year annually thereafter if not terminated by the bank at least 270 days before February 15, 2020 or any subsequent expiration date. Obligations under the reimbursement agreement providing for that letter of credit are payable only from the trust estate established under the trust indenture. On February 15, 2015, the letter of credit fee increased from 3.0 to 3.5 percent, where it remained throughout 2018.

On February 1, 2018, the interest rate was reset to 1.80 percent from 1.35 percent per year. Assuming a constant interest rate of 1.80 percent per year from February 1, 2018 to the maturity of the bonds, debt service as of December 31, 2018 is estimated as follows:

Years Ending December 31	Principal	Interest	Total
2019	$ 395,000	$ 113,085	$ 508,085
2020	410,000	105,840	515,840
2021	425,000	98,325	523,325
2022	445,000	90,495	535,495
2023	460,000	82,350	542,350
2024-2028	2,565,000	278,955	2,843,955
2029-2031	1,780,000	48,870	1,828,870
Total	$ 6,480,000	$ 817,920	$ 7,297,920

Note 6 - Long-term Debt (Continued)

Fountain Square South Garage Parking Facility

In January 2015, The Port 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's facilities, which includes Fountain Square South Garage (an underground parking garage located in downtown Cincinnati, Ohio), or financing other facilities approved by its board of directors.

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

The bonds consist of term bonds maturing on January 15, 2045. Bond interest is variable based upon the one-month USD-LIBOR, plus 3.00 percent and payable monthly. An interest rate swap converts the variable LIBOR debt to a fixed rate equal to 2.0925 percent through the swap maturity date of January 15, 2024. At December 31, 2018 and 2017, the interest rate was 5.4551 and 4.4770 percent, excluding the swap, respectively. Net of the swap, the interest rate was 5.0925 percent for both periods. The market value of the swap is reflected on the statement of net position in deferred inflows of resources, with an offset to receivables. See Note 14 for subsequent events related to this debt.

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, 2018:

Years Ending December 31	Principal	Interest	Total
2019	$ 218,700	$ 413,050	$ 631,750
2020	230,600	402,588	633,188
2021	242,600	389,288	631,888
2022	97,875	379,856	477,731
2023	88,853	375,337	464,190
2024-2028	2,267,916	1,290,086	3,558,002
2029-2033	-	1,279,441	1,279,441
2034-2038	-	1,279,441	1,279,441
2039-2043	-	1,279,441	1,279,441
2044-2045	4,953,256	278,170	5,231,426
Total	$ 8,099,800	$ 7,366,698	$ 15,466,498

Southwest Ohio Regional Bond Fund (Reserve)

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

The state loan revenue bonds consist of term bonds maturing on April 29, 2055 in a lump sum. Interest (if any) is payable semiannually and is based upon the net investment earnings from the $2.5 million held by the trustee. The net investment earnings were $39,607 and $16,657 for the years 2018 and 2017. All investment earnings for years 2018 and 2017 were forwarded to the State of Ohio by the trustee in either the year received, or soon after yearend. Interest payable to the State of Ohio as of December 31, 2018 and 2017 was $4,205 and $12,264, respectively, and included in accrued expenses payable from restricted assets.

Note 6 - Long-term Debt (Continued)

Assuming an interest rate of 0.0 percent per year to the maturity of the bonds, debt service as of December 31, 2018 is estimated as a lump-sum principal payment of $2.5 million in the year 2055.

Kenwood Collection Redevelopment (Public Parking Project)

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

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

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

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

On February 1, 2011, the 2008 bonds were tendered to the trustee, in accordance with the trust indenture, at 100 percent of the principal amount plus accrued interest. The bonds were purchased from proceeds of draws on the letters of credit and were held as pledged bonds under the indenture until successfully remarketed in 2016.

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

The table below summarizes the 2016 Taxable Special Obligation TIF Revenue Refunding Bonds issued:

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

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

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

Note 6 - Long-term Debt (Continued)

Assuming interest rates as shown in the table above through maturity of the bonds, debt service is estimated as follows as of December 31, 2018:

Years Ending December 31	Principal	Interest	Total
2019	$ 375,000	$ 977,331	$ 1,352,331
2020	390,000	961,525	1,351,525
2021	410,000	1,835,232	2,245,232
2022	505,000	1,110,713	1,615,713
2023	530,000	1,083,365	1,613,365
2024-2028	3,165,000	4,905,978	8,070,978
2029-2033	4,340,000	3,731,318	8,071,318
2034-2038	6,060,000	2,019,848	8,079,848
2039	2,890,000	95,818	2,985,818
Total	$ 18,665,000	$ 16,721,128	$ 35,386,128

Patient Capital Fund

In June 2016, The Port issued $7,325,000 principal amount Economic Development Mortgage Revenue Bond Anticipation Notes to establish its Patient Capital Fund. In 2017, The Port issued an additional $3,500,000 principal amount bringing the total original issue to $10,825,000 as of December 31, 2017.

The proceeds raised from social impact investment will be used to fund the acquisition of underutilized urban industrial sites and to reposition them for advanced manufacturing. The maximum amount of Patient Capital Fund funds used cannot exceed the expected land sale proceeds. Thus, funding for these industrial projects will likely require a combination of various funding sources. The Port developed this program for community-minded private investors, providing them with a transformational way to invest for economic development and social impact.

During 2016, The Port utilized Patient Capital Fund funds in the amounts of $6,383,788 to acquire 56 acres at 2100 Section Rd. in Amberley Village (the former headquarters of Gibson Greetings Cards) and $841,320 to acquire 19 acres at 2250 Seymour Ave. in Bond Hill (the former Cincinnati Gardens arena). Both sites are being redeveloped to attract advanced manufacturing. In 2017, The Port utilized Patient Capital Fund funds in the amount of $497,559 for redevelopment of the Amberley Site.

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

Assuming a constant interest rate of 0.15 percent per year to the maturity of the notes, debt service is estimated as follows as of December 31, 2018:

Years Ending December 31	Principal	Interest	Total
2019	$ -	$ -	$ -
2020	-	-	-
2021	10,825,000	75,518	10,900,518
Total	$ 10,825,000	$ 75,518	$ 10,900,518

Note 6 - Long-term Debt (Continued)

Amberley Site Redevelopment Project (Southwest Ohio Regional Bond Fund)

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

The term bonds have an interest rate of 3.50 percent, with a maturity date of May 15, 2026. Interest and principal on the bonds are paid semiannually; however, The Port is required to submit monthly payments to the trustee, which are funded by The Port's unrestricted cash. The Port's nontax revenue is pledged to support the principal and interest payment if other funds held in trust are not available. See Note 14 for subsequent events related to this debt.

Assuming a constant interest rate of 3.50 percent per year to the maturity of the bonds, debt service is estimated as follows as of December 31, 2018:

Years Ending December 31	Principal	Interest	Total
2019	$ 230,000	$ 67,288	$ 297,288
2020	240,000	59,150	299,150
2021	250,000	50,663	300,663
2022	260,000	41,825	301,825
2023	270,000	32,638	302,638
2024-2026	730,000	38,761	768,761
Total	$ 1,980,000	$ 290,325	$ 2,270,325

RBM Development Phase 2A Project

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

The table below summarizes the Special Obligation Development TIF Revenue Bonds issued. Interest is payable semiannually:

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

Note 6 - Long-term Debt (Continued)

Assuming interest rates as shown in the table above through maturity of the bonds, debt service is estimated as follows as of December 31, 2018:

Years Ending December 31	Principal	Interest	Total
2019	$ 10,000	$ 759,400	$ 769,400
2020	160,000	759,000	919,000
2021	195,000	752,200	947,200
2022	205,000	743,900	948,900
2023	215,000	735,100	950,100
2024-2028	1,450,000	3,510,625	4,960,625
2029-2033	2,120,000	3,112,531	5,232,531
2034-2038	3,045,000	2,486,400	5,531,400
2039-2043	4,310,000	1,572,250	5,882,250
2044-2046	3,355,000	357,600	3,712,600
Total	$ 15,065,000	$ 14,789,006	$ 29,854,006

Cincinnati Neighborhood Commercial Real Estate Loan Fund

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

The Kresge Foundation, a private, national foundation based in Detroit, Michigan, is providing initial capital to seed the Loan Fund up to $5,000,000. A final tranche of $2,500,000 is expected in the year 2019. The Port administers the Loan Fund and develops the program.

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

During 2017, The Port provided loans from the Commercial Real Estate Loan Fund totaling $1,035,000 (see Note 2).

The bonds bear interest at 0.00 percent per year through January 25, 2019 and 2.00 percent thereafter through the bond maturity date of December 31, 2026. Interest payments are quarterly in arrears, starting with the initial interest payment date of March 31, 2019. The bonds constitute special obligations of The Port, and the bond payments due are payable solely from pledged revenue, including the Loan Fund and any other recourse assets.

Note 6 - Long-term Debt (Continued)

Assuming interest rates of 0.00 percent through January 25, 2019 and 2.00 percent thereafter, debt service is estimated as follows as of December 31, 2018:

Years Ending December 31	Principal	Interest	Total
2019	$ -	$ 46,575	$ 46,575
2020	-	50,000	50,000
2021	-	50,000	50,000
2022	-	50,000	50,000
2023	-	50,000	50,000
2024-2026	2,500,000	150,000	2,650,000
Total	$ 2,500,000	$ 396,575	$ 2,896,575

Fairfax Red Bank Public Infrastructure

In November 2017, The Port issued Special Obligation TIF Refunding Revenue Bonds in the principal amount of $7,035,000 in order to provide funds to refund the 2007 Fairfax Red Bank Bonds, fund required reserves, and pay related issuance and transaction costs.

The bonds being refunded were issued in May 2007. The Port issued $7,675,000 principal amount of Series 2007 Special Obligation Development Revenue Bonds for the purpose of financing costs of the acquisition, construction, installation, equipping, improvement, and development of public infrastructure improvements, in cooperation with the Village of Fairfax, Ohio.

The refinanced improvements 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 on the Series 2017 bonds is payable semiannually at 3.98 percent through the bond maturity date of February 1, 2037.

Because of the nature and location of certain of the improvements financed, those improvements are owned by the Village of Fairfax, Ohio or other political subdivisions pursuant to cooperative agreements, dedication, or other arrangements (Red Bank Non-Port Infrastructure). The portion of the refunding revenue bonds issued to refinance Red Bank Non-Port Infrastructure ($3,787,644 principal amount, or 53.84 percent) and related revenue, expenses, assets, and liabilities is treated as a separate issue of conduit revenue bonds issued by The Port (Red Bank Conduit Bonds). The remaining improvements refinanced are owned by The Port (Red Bank Port Infrastructure) and, to the extent issued to refinance Red Bank Port Infrastructure ($3,247,356 principal amount, or 46.16 percent), those bonds (Red Bank Infrastructure Bonds), and related revenue, expenses, assets, and liabilities, are treated as a separate issue of infrastructure development refunding revenue bonds issued to refinance assets of The Port.

Note 6 - Long-term Debt (Continued)

The debt service requirements for The Port's portion of the Red Bank Infrastructure Bonds as of December 31, 2018 are as follows:

Years Ending December 31	Principal	Interest	Total
2019	$ 115,400	$ 126,351	$ 241,751
2020	120,016	121,712	241,728
2021	126,940	116,890	243,830
2022	131,556	111,792	243,348
2023	136,172	106,510	242,682
2024-2028	768,564	445,835	1,214,399
2029-2033	932,432	278,607	1,211,039
2034-2037	872,424	76,563	948,987
Total	$ 3,203,504	$ 1,384,260	$ 4,587,764

Fifth and Plum Project

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

The term bonds have an initial interest rate of 4.95 percent. On June 2, 2028 the interest rate resets through maturity at a rate equal to the 10-year U.S. Treasury Securities rate on this date plus 2.12 percent, with a minimum calculated rate of 5.03 percent and a maximum calculated rate of 6.75 percent. The bonds have a maturity date of June 1, 2043 with semiannual payments of interest and principal on the bonds (principal payments commence June 1, 2024).

Assuming a constant interest rate of 4.95 percent per year through June 1, 2028 and 6.75 percent (the maximum rate on the reset date) thereafter to the maturity of the bonds, debt service is estimated as follows as of December 31, 2018:

Years Ending December 31	Principal	Interest	Total
2019	$ -	$ 623,205	$ 623,205
2020	-	623,205	623,205
2021	-	623,205	623,205
2022	-	623,205	623,205
2023	-	623,205	623,205
2024-2028	1,455,000	3,066,581	4,521,581
2029-2033	1,825,000	3,520,631	5,345,631
2034-2038	3,660,000	2,647,856	6,307,856
2039-2043	5,650,000	1,020,263	6,670,263
Total	$ 12,590,000	$ 13,371,356	$ 25,961,356

RBM Development Phase 2B Project

In July 2018, The Port issued $22,805,000 principal amount of Special Obligation Development TIF Revenue Bonds (Series 2018) for the purpose of financing the costs of acquiring, constructing and equipping an approximately 905-space structured parking facility and related public improvements, located on the 31-acre campus headquarters of Medpace. This project expands the campus development started in 2016 (see RBM Development Phase 2A Project – Series 2016).

Note 6 - Long-term Debt (Continued)

In addition to proceeds received from the issuance of the RBM Development Phase 2B bonds, The Port received a $4,893,328 developer contribution to fund the project.

The bonds bear interest at 6.00 percent annually through the bond maturity date of December 1, 2050. Interest payments are semiannual.

Assuming an interest rate of 6.00 percent through maturity of the bonds, debt service is estimated as follows as of December 31, 2018:

Years Ending December 31	Principal	Interest	Total
2019	$ -	$ 1,368,300	$ 1,368,300
2020	-	1,368,300	1,368,300
2021	170,000	1,368,300	1,538,300
2022	180,000	1,358,100	1,538,100
2023	190,000	1,347,300	1,537,300
2024-2028	1,400,000	6,527,400	7,927,400
2029-2033	2,210,000	6,018,600	8,228,600
2034-2038	3,315,000	5,229,000	8,544,000
2039-2043	4,875,000	4,059,300	8,934,300
2044-2048	6,950,000	2,364,600	9,314,600
2049-2050	3,515,000	319,800	3,834,800
Total	$ 22,805,000	$ 31,329,000	$ 54,134,000

Greater Cincinnati Neighborhoods Housing Revitalization Loan Fund

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

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

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

During 2018, The Port provided five project loans from the Program Fund totaling $973,549 (see Note 2). Two non-profit organizations managed by The Port are eligible borrowers, namely the Hamilton County Land Reutilization Corporation and Homesteading & Urban Redevelopment Corporation.

The bonds bear interest at 0.00 percent per year through March 31, 2019 and 2.2213 percent thereafter through the bond maturity date of April 1, 2025. Interest payments are quarterly in arrears, commencing on July 1, 2019. The bonds constitute special obligations of The Port, and the bond payments due are payable solely from pledged revenue, including the Program Fund and any other recourse assets.

Note 6 - Long-term Debt (Continued)

Assuming interest rates of 0.00 percent through March 31, 2019 and 2.2213 percent thereafter, debt service is estimated as follows as of December 31, 2018:

Years Ending December 31	Principal	Interest	Total
2019	$ -	$ 11,106	$ 11,106
2020	-	22,213	22,213
2021	-	22,213	22,213
2022	-	22,213	22,213
2023	-	22,213	22,213
2024-2025	1,000,000	33,320	1,033,320
Total	$ 1,000,000	$ 133,278	$ 1,133,278

Note 7 - Public Funding

For the years ended December 31, 2018 and 2017, public funding for The Port came from the following sources:

	2018	2017
Hamilton County, Ohio	$ 700,000	$ 700,000
City of Cincinnati, Ohio	700,000	700,000
Total	$ 1,400,000	$ 1,400,000

Note 8 - Leases

Operating Leases

As of December 31, 2018, noncancelable operating leases for office space and equipment expire in various years through 2025. In October 2014, The Port signed a 10-year and 10-month term sublease agreement for office space. Minimum annual lease payments began in April 2016 and range from approximately $100,000 to $115,000.

Future minimum lease payments are as follows:

Years Ending December 31	Amount
2019	$ 131,018
2020	128,223
2021	118,785
2022	110,100
2023	111,752
Thereafter	180,336
Total	$ 780,214

On January 8, 2015, the City of Cincinnati, Ohio leased a city-owned parking garage (Fountain Square Garage) to The Port for $100 for a 30-year term. The purpose of the lease is to modernize and improve the garage and provide funds to The Port for economic development within the city limits. In accordance with the agreement, The Port issued bonds to make improvements to the garage (see Note 6). The improvements are capitalized as leasehold improvements (see Note 4) and are amortized over the life of the lease.

Note 9 - Net Pension and OPEB Liabilities

Net Pension and OPEB Liabilities

The net pension and OPEB (other postemployment benefits) liabilities reported on the statement of net position represents liabilities to employees for pensions and OPEB. Pensions/OPEB are a component of exchange transactions (between an employer and its employees) of salaries and benefits for employee services. Pensions/OPEB 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/OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB Statement No. 68 assumes the pension 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.

GASB Statement No. 75 assumes the OPEB liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description

The Port's employees participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension and OPEB 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 9 - Net Pension and OPEB Liabilities (Continued)

OPERS administers three separate pension plans: the *traditional pension plan*, a cost-sharing, multiple-employer defined benefit pension plan; the *member-directed plan*, a defined contribution plan; and the *combined plan*, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. The Port employees are members in either the traditional pension plan or the memberdirected plan. The Port has no employee members in the combined plan. OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare trust, which funds multiple health care plans including medical coverage, prescription drug coverage, and deposits to a health reimbursement arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants in the form of a Retiree Medical Account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment healthcare coverage, age and service retirees under the traditional pension and combined plans must have 20 or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an other postemployment benefit (OPEB), as described in GASB Statement No. 75. 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 health care coverage is provided to the OPERS board in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. When funding is approved by OPERS' board of trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2018 and 2017, local employer units contributed at a rate of 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund postretirement healthcare benefits.

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 0 and 1 percent in years 2018 and 2017, respectively, 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 into the RMA for member-directed plan participants was 4.0 percent for years 2018 and 2017.

The portion of the employer contributions that was made to fund other postemployment benefits (OPEB) for 2018 and 2017 was approximately $0 and $16,830, respectively. There are no postemployment benefits provided by The Port other than those provided through OPERS.

Benefits Provided

All benefits of OPERS, and any benefit increases, are established by the legislature pursuant to Ohio Revised Code Chapter 145. The board, pursuant to Ohio Revised Code Chapter 145, has elected to maintain funds to provide healthcare coverage to eligible traditional pension plan and combined plan retirees and survivors of members. Healthcare coverage does not vest and is not required under R.C. Chapter 145. As a result, coverage may be reduced or eliminated at the discretion of the board. Additional information on OPERS healthcare coverage can be found in the OPERS 2017 CAFR.

Note 9 - Net Pension and OPEB Liabilities (Continued)

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 2017 CAFR for additional details.

In the traditional pension plan, state and local members are calculated on the basis of age, final average salary (FAS), and service credit. State and local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for state and local members is eligible for retirement at age 57 with 25 years of service or at age 62 with five years of service. For Groups A and B, the annual benefit is based on 2.2 percent of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5 percent for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2 percent for the first 35 years and a factor of 2.5 percent for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career. Refer to the age-and-service tables located in the OPERS 2017 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 2018 and 2017 was 14.0 percent. The 2018 and 2017 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 and OPEB Plans

At December 31, 2018 and 2017, The Port reported a payable of $55,029 and $47,744, respectively, to OPERS for the outstanding amount of contributions to the plan required for the years ended December 31, 2018 and 2017.

Net Pension Liability, Deferrals, and Pension Expense

At December 31, 2018 and 2017, The Port reported a liability of $1,993,142 and $1,912,511, respectively, for its proportionate share of the net pension liability for OPERS. The net pension liability was measured as of December 31, 2017 and 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port's proportion of the net pension liability was based on The Port's share of contributions to the pension plan relative to the contributions of all participating entities. The Port's proportionate share of the OPERS net pension liability is 0.012736 and 0.008425 percent for 2017 and 2016, respectively.

For the year ended December 31, 2018 and 2017, The Port recognized pension expense of $709,825 and $466,966, respectively.

Note 9 - Net Pension and OPEB Liabilities (Continued)

At December 31, 2018 and 2017, The Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 11,409	$ 39,373	$ 9,477	$ 9,432
Changes in assumptions	239,341	-	304,199	-
Net difference between projected and actual earnings on pension plan investments	-	430,293	230,562	-
Changes in proportionate share and differences between employer contributions and proportionate share of contributions	517,610	1,417	125,164	10,021
Employer contributions to the plan subsequent to the measurement date	352,797	-	293,824	-
Total	$ 1,121,157	$ 471,083	$ 963,226	$ 19,453

Contributions of $352,797 reported as deferred outflows of resources as of December 31, 2018 are related to pension resulting from The Port's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Years Ending December 31	Amount
2019	$ 469,682
2020	185,418
2021	(187,906)
2022	(175,251)
2023	1,422
Thereafter	3,912
Total	$ 297,277

Net OPEB Liability, Deferrals, and OPEB Expense

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Port's proportion of the net OPEB liability was based on The Port's share of contributions to the retirement plan relative to the contributions of all participating entities. The Port's proportionate share of the OPERS net OPEB liability is 0.01722 percent for 2017. At December 31, 2018, The Port reported a liability of $1,870,194 for its proportionate share of the net OPEB liability for OPERS.

For the year ended December 31, 2018, The Port recognized OPEB expense of $179,479.

Note 9 - Net Pension and OPEB Liabilities (Continued)

At December 31, 2018, The Port reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,457	$ -
Changes in assumptions	136,170	-
Net difference between projected and actual earnings on OPEB plan investments	-	139,317
Total	$ 137,627	$ 139,317

The Port had no OPEB contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending December 31	Amount
2019	$ 30,971
2020	30,971
2021	(28,802)
2022	(34,830)
2023	-
Thereafter	-
Total	$ (1,690)

Actuarial Assumptions

The total pension liability in the actuarial valuations was determined using the following actuarial assumptions applied to all periods included in the measurement:

	Ohio Public Employees Retirement System (OPERS)
Valuation date	December 31, 2017 and 2016
Experience study	Five-year period ended December 31, 2015
Actuarial cost method	Individual entry age
Investment rate of return	7.50% - Net of pension plan investment expense
Wage inflation	3.25%
Projected salary increases	3.25-10.75% (includes wage inflation at 3.25%) Traditional Plan 3.25-8.25% (includes wage inflation at 3.25%) Combined/Member-Directed Plans
Cost of living adjustments	3.00% Simple through 2018, then 2.15% simple thereafter

The total OPEB liability in the actuarial valuations was determined using the following actuarial assumptions applied to all periods included in the measurement:

	Ohio Public Employees Retirement System (OPERS)
Valuation date	December 31, 2016 rolled forward to the measurement date December 31, 2017
Experience study	Five year period ended December 31, 2015
Actuarial cost method	Individual entry age
Single discount rate	3.85% current measurement date, 4.23% prior measurement date
Investment rate of return	6.50%-Net of OPEB plan investment expense
Municipal bond rate	3.31%

Note 9 - Net Pension and OPEB Liabilities (Continued)

	Ohio Public Employees Retirement System (OPERS)
Wage inflation	3.25%
Projected salary increases	3.25-10.75% (includes wage inflation at 3.25%)
Health care cost trend rate	7.50% initial, 3.25% ultimate in 2028

Mortality rates were based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP 2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the pension discount rate assumed that contributions from plan members and those of the contributing employers are made at statutorily required rates.

A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine the single OPEB discount rate assumed that employer contributions will be made at rates equal to statutorily required rates.

Projected Cash Flows

Based on the pension plan 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.

Based on the OPEB plan assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Note 9 - Net Pension and OPEB Liabilities (Continued)

Investment Rate of Return

The allocation of investment assets within the defined benefit portfolio is approved by the board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plan. The following table displays the board-approved asset allocation policy for years 2017 and 2016 and the long-term expected real rates of return.

	2017		2016	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Fixed income	23.00 %	2.20 %	23.00 %	2.75 %
Domestic equities	19.00	6.37	20.70	6.34
Real estate	10.00	5.26	10.00	4.75
Private equity	10.00	8.97	10.00	8.97
International equities	20.00	7.88	18.30	7.95
Other investments	18.00	5.26	18.00	4.92
Total	100.00 %	5.66 %	100.00 %	5.66 %

The allocation of investment assets within the health care 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 continuing to offer a sustainable health care program for current and future retirees. The system's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The following table displays the board-approved asset allocation policy for years 2017 and the long-term expected real rates of return.

	2017	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed income	34.00 %	1.88 %
Domestic equities	21.00	6.37
REITs	6.00	5.91
International equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

The long-term expected rate of return on both defined benefit and health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the defined benefit portfolio, the health care portfolio 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, and the annuitized accounts of the member-directed plan. Within the defined benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expense, for the defined benefit portfolio is 16.82 and 8.30 percent for 2017 and 2016, respectively.

Note 9 - Net Pension and OPEB Liabilities (Continued)

The health care portfolio includes the assets for health care expenses for the traditional pension plan, combined plan and member-directed plan eligible members. Within the health care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the health care portfolio is 15.2 percent for 2017.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of The Port, calculated using the discount rate of 7.5 percent, as well as what The Port's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1 Percent Decrease (6.5%)	Current Discount Rate (7.5%)	1 Percent Increase (8.5%)
Net pension liability - 2018	$ 3,545,107	$ 1,993,142	$ 698,904
Net pension liability - 2017	2,924,394	1,912,511	1,070,236

Sensitivity of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rates

The following presents the net OPEB liability of The Port, calculated using the single discount rate of 3.85 percent, as well as what The Port's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.85 percent) or 1 percentage point higher (4.85 percent) than the current rate:

	1 Percent Decrease (2.85%)	Single Discount Rate (3.85%)	1 Percent Increase (4.85%)
Net OPEB liability - 2018	$ 2,484,633	$ 1,870,194	$ 1,373,118

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rate, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1 percent point lower or 1 percentage point higher than the current rate.

	1 Percent Decrease	Current Health Care Cost Trend Rate Assumption	1 Percent Increase
Net OPEB liability - 2018	$ 1,789,377	$ 1,870,194	$ 1,953,675

Additional Financial and Actuarial Information

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/OPEB amounts and employer allocations (including the disclosure of the net pension/OPEB liability/(asset), required supplemental information on the net pension/OPEB liability (asset), and the unmodified audit opinion on the combined financial statements) is located in the OPERS 2017 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.

Note 10 - Risk Management

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

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

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

Note 11 - Conduit Revenue Bond Obligations

The Port has outstanding aggregate conduit revenue bond obligations of approximately $742,201,000 and $602,801,000 at December 31, 2018 and 2017, 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. 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'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 2018, The Port issued conduit debt for Mercer Commons Garage, Poste (formerly Firehouse Row), RBM Development Phase 2B, Woodlawn Meadows, Madison and Whetsel, Springdale Commerce Park, Fourth and Race Parking Garage, Provident Bank Building, Eighth and Main Apartments, and FC Cincinnati MLS Stadium. Additional conduit debt outstanding includes the following: the Cincinnati Zoo, Queen City Square, Fountain Square, 12th and Vine Parking, Oakley Station, UC Health Drake Center, Fifth and Race Development, Saint Ursula Villa, AHA Colonial Village, RBM Development Phase 2A, Downtown/OTR West Redevelopment, Keystone Hotel, Rumpke, The Collegiate, Fairfax Village Red Bank Public Infrastructure, Court and Walnut Development, and Washington Park Garage.

Note 12 - Assets Held for Resale

The Port's assets held for resale consist of 112 acres as of December 31, 2018, compared to 105 acres at the prior year end. All properties owned by The Port are located in Hamilton County, Ohio. A summary of real estate held for redevelopment follows:

	2018	2017
2100 Section Road (Amberley Village)	$ 7,107,200	$ 7,107,200
MidPointe Crossing and Swift Park (Bond Hill)	2,953,685	2,953,685
TechSolve II (Roselawn)	961,432	961,432
Bond Hill and Roselawn Business Districts	3,669,704	2,382,068
2250 Seymour Ave (Bond Hill)	2,179,582	1,602,157
Hudepohl & Queensgate	994,103	903,032
Evanston Business District	367,770	-
Total	$ 18,233,476	$ 15,909,574

Note 12 - Assets Held for Resale (Continued)

Assets held for resale are recorded at the lower of cost or market value. Management estimates net realizable value based upon the list prices used by commercial real estate brokers less selling costs. In 2018, The Port recognized a cost-to-market adjustment in the amount of $1,280,659 to write down costs on 2250 Seymour Avenue (the former Cincinnati Gardens) in Bond Hill. In 2017, The Port recognized a cost-to-market adjustment in the amount of $8,038,144 to write down costs on 2100 Section Road, MidPointe Crossing and TechSolve II.

The Port funds its acquisition and redevelopment of real estate primarily from local and state redevelopment awards and the issuance of bonds and bond anticipation notes (see Note 6).

- The acquisition and redevelopment of MidPointe Crossing and TechSolve II was funded by the City of Cincinnati, Ohio in the amount of $6.2 million and $4.3 million, respectively.
- The Bond Hill and Roselawn Business Districts are being funded by a $3 million grant from the City of Cincinnati and The Port's real estate development fund, which was created by the issuance of Fountain Square South Garage parking revenue bonds in January 2015.
- The acquisitions of 2100 Section Road and 2250 Seymour Avenue were funded by the issuance of revenue bonds and mortgage revenue bond anticipation notes (Patient Capital Fund). Redevelopment at 2100 Section Road began in late 2016 and continued through 2017. Project costs on 2100 Section Road were primarily funded by capital contributions from Hamilton County and JobsOhio. Redevelopment at 2250 Seymour Avenue began in late 2017 and continued through 2018. Project costs were primarily funded by the City of Cincinnati and JobsOhio.

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

Note 13 - Change in Accounting Principle and Restatement of Net Position

For the year ended December 31, 2018, The Port implemented the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. GASB Statement No. 75 established standards for measuring and recognizing other postemployment benefits (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure.

The impact of this change on net position as reported on December 31, 2017 is as follows:

Net Position, December 31, 2017, as previously stated	$ 12,757,834
Net OPEB Liability	(1,739,491)
Deferred Outflow - Payments subsequent to the measurement date	47,086
Net Position, December 31, 2017, as restated	$ 11,065,429

Note 14 - Subsequent Events

In March 2019, The Port refinanced and consolidated debt for Fountain Square South Garage and Amberley Site bonds. The new debt consists of $4.0 million of bonds from the Southwest Ohio Regional Bond Fund at a fixed interest rate of 5.00 percent and $7.3 million of bonds from the Columbus-Franklin County Finance Authority at a fixed interest rate of 4.65 percent, both with a maturity date in the year 2043. This refinancing eliminated the interest rate swap on the 2015 Fountain Square South Garage bonds and removed The Port's nontax revenue pledge assigned under the Amberley Site bonds.

Note 14 - Subsequent Events (Continued)

In April 2019, The Port acquired two parking garages for $25.5 million located at 605 Plum and 609 Elm, directly north of the Duke Energy Convention Center in Cincinnati's central business district. The source of funds for the acquisition includes: $4.5 million of bonds from the Southwest Ohio Regional Bond Fund at a fixed interest rate of 4.65 percent, $15.2 million of bonds from the State of Ohio (ODOT) with fixed interest rates ranging between 2.00 and 5.00 percent, and a $7.4 million loan from the Ohio Development Services Agency with an initial interest rate of 0.00 percent later increasing to 3.00 percent. All debt related to this acquisition matures in the year 2043.

Required Supplemental Information

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

Last Ten Fiscal Years

Years Ended December 31

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 265,822	$ 218,792	$ 130,688	$ 103,833	$ 105,605	$ 99,498	$ 49,896	$ 22,609	$ 11,849	$ 9,063
Contributions in relation to the contractually required contribution	265,822	218,792	130,688	103,833	105,605	99,498	49,896	22,609	11,849	9,063
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
The Port's Covered Payroll	$ 1,898,732	$ 1,683,015	$ 1,089,067	$ 865,273	$ 880,038	$ 765,372	$ 498,963	$ 226,090	$ 135,414	$ 113,284
Contributions as a Percentage of Covered Payroll	14.00 %	13.00 %	12.00 %	12.00 %	12.00 %	13.00 %	10.00 %	10.00 %	8.75 %	8.00 %

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

Last Two Fiscal Years

Years Ended December 31

	2018	2017
Contractually required contribution	$ -	$ 16,830
Contributions in relation to the contractually required contribution	-	16,830
Contribution Deficiency	**$ -**	**$ -**
Covered Employee Payroll	**$ 1,898,732**	**$ 1,683,015**
Contributions as a Percentage of Covered Employee Payroll	**- %**	**1.00 %**

Note: OPEB data prior to 2017 is not available.

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

Last Five Plan Years

For the Plan Years Ended December 31

	2018	2017	2016	2015	2014
The Port's proportion of the net pension liability	0.01274 %	0.00843 %	0.00695 %	0.00718 %	0.00718 %
The Port's proportionate share of the net pension liability	$ 1,993,142	$ 1,912,511	$ 1,203,569	$ 865,747	$ 846,193
The Port's Covered Payroll	$ 1,683,015	$ 1,089,067	$ 865,273	$ 880,038	$ 765,372
The Port's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.43 %	175.61 %	139.10 %	98.38 %	110.56 %
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.66 %	77.30 %	81.20 %	86.50 %	86.40 %

Note: Pension data prior to 2014 is not available.

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

Last Plan Year

For the Plan Year Ended December 31

	2018
The Port's proportion of the net OPEB liability	0.01722 %
The Port's proportionate share of the net OPEB liability (asset)	$ 1,870,194
The Port's Covered Employee Payroll	$ 1,683,015
The Port's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll	111.12 %
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	54.14 %

Note: OPEB data prior to 2018 is not available.

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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 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"), which comprise the basic statement of net position as of December 31, 2018 and the related basic statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and related notes to the financial statements and have issued our report thereon dated June 11, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Port's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.*

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

Purpose of this Report

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

Plante & Moran, PLLC

June 11, 2019