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# Greater Cincinnati Redevelopment Authority

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**Financial Report  
with Supplemental Information  
December 31, 2017**





# Dave Yost • Auditor of State

Board of Directors  
Greater Cincinnati Redevelopment Authority  
3 East Fourth Street, Suite 300  
Cincinnati, Ohio 45202

We have reviewed the *Independent Auditor's Report* of the Greater Cincinnati Redevelopment Authority, Hamilton County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 26, 2018

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## **Independent Auditor's Report**

To the Board of Directors  
Greater Cincinnati Redevelopment Authority

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of Greater Cincinnati Redevelopment Authority (the "Authority") as of and for the years ended December 31, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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 Greater Cincinnati Redevelopment Authority as of December 31, 2017 and 2016 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.

To the Board of Directors  
Greater Cincinnati Redevelopment Authority

***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 19, 2018 on our consideration of Greater Cincinnati Redevelopment 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 Greater Cincinnati Redevelopment Authority's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

June 19, 2018



## **Greater Cincinnati Redevelopment Authority**

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# **Management's Discussion and Analysis**

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Our discussion and analysis of Greater Cincinnati Redevelopment Authority's (the "Authority") financial performance provides an overview of the financial activities for the fiscal years ended December 31, 2017, 2016, and 2015. Please read it in conjunction with the Authority's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2017:

- Operating revenue of \$6.6 million in 2017 was \$0.3 million or 4% higher than the prior year, as the Authority continues to increase operating revenues through its growth in charges for services.
- Capital grants in 2017 totaled \$4.9 million and includes grants of \$2.3 million from JobsOhio, \$2.0 million from Hamilton County, and \$0.6 million from the City of Cincinnati.
- Capital assets not being depreciated increased \$4.0 million in 2017 due to the continuation of construction-in-progress at the RBM Development. The mixed-use site includes a 239-room, six story hotel and conference center, which will sit atop the parking garage being redeveloped and renovated.
- Long-term liabilities increased \$5.1 million or 6% in 2017 as a result of issuing revenue bonds of \$3.5 million for the Patient Capital Fund (three new investors in 2017) and \$2.0 million for the Cincinnati Neighborhood Commercial Real Estate Loan Fund, which will focus on rebuilding commercial districts in targeted Cincinnati neighborhoods.
- The Authority's net position decreased to \$12.8 million by the end of 2017, primarily due to an asset write down. In 2017, the Amberley Site joined MidPointe Crossing and TechSolve II as redeveloped properties being listed for sale to the private sector. A cost-to-market adjustment of \$8.0 million was recognized, representing the subsidy invested to make these properties marketable.

### **Using this Annual Report**

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

## Greater Cincinnati Redevelopment Authority

# Management's Discussion and Analysis

### 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 |                      |                      |                       | Percent<br>Change |
|--|--------------------------|----------------------|----------------------|-----------------------|-------------------|
|  | 2015                     | 2016                 | 2017                 | Change                |                   |
| <b>Assets</b>                          |                          |                      |                      |                       |                   |
| Other assets                           | \$ 44,634,089            | \$ 50,414,626        | \$ 46,741,233        | \$ (3,673,393)        | -7%               |
| Capital assets being depreciated - Net | 48,601,048               | 47,010,358           | 44,616,643           | (2,393,715)           | -5%               |
| Capital assets not being depreciated   | <u>450,000</u>           | <u>7,139,859</u>     | <u>11,122,212</u>    | <u>3,982,353</u>      | 56%               |
| Total assets                           | 93,685,137               | 104,564,843          | 102,480,088          | (2,084,755)           | -2%               |
| <b>Deferred Outflows of Resources</b>  |                          |                      |                      |                       |                   |
|  | <u>228,537</u>           | <u>580,378</u>       | <u>963,226</u>       | <u>382,848</u>        | 66%               |
| Total assets and deferred outflows     | 93,913,674               | 105,145,221          | 103,443,314          | (1,701,907)           | -2%               |
| <b>Liabilities</b>                     |                          |                      |                      |                       |                   |
| Current liabilities                    | 828,984                  | 3,780,733            | 1,622,983            | (2,157,750)           | -57%              |
| Long-term liabilities:                 |                          |                      |                      |                       |                   |
| Due within one year                    | 2,706,988                | 3,184,348            | 3,496,184            | 311,836               | 10%               |
| Due in more than one year              | <u>76,320,550</u>        | <u>80,644,706</u>    | <u>85,450,418</u>    | <u>4,805,712</u>      | 6%                |
| Total liabilities                      | <u>79,856,522</u>        | <u>87,609,787</u>    | <u>90,569,585</u>    | <u>2,959,798</u>      | 3%                |
| <b>Deferred Inflows of Resources</b>   | 15,209                   | 43,623               | 115,895              | 72,272                | 166%              |
| <b>Net Position</b>                    |                          |                      |                      |                       |                   |
| Net investment in capital assets       | 6,165,386                | 6,318,938            | 3,606,442            | (2,712,496)           | -43%              |
| Restricted                             | 7,316,530                | 10,092,061           | 8,646,265            | (1,445,796)           | -14%              |
| Unrestricted                           | <u>560,027</u>           | <u>1,080,812</u>     | <u>505,127</u>       | <u>(575,685)</u>      | -53%              |
| Total net position                     | <u>\$ 14,041,943</u>     | <u>\$ 17,491,811</u> | <u>\$ 12,757,834</u> | <u>\$ (4,733,977)</u> | -27%              |

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

## Greater Cincinnati Redevelopment Authority

# Management's Discussion and Analysis

|  | Business-type Activities |                     |                       |                       | Percent<br>Change |
|--|--------------------------|---------------------|-----------------------|-----------------------|-------------------|
|  | 2015                     | 2016                | 2017                  | Change                |                   |
| <b>Operating Revenue</b>                         |                          |                     |                       |                       |                   |
| Public funding                                   | \$ 1,400,000             | \$ 1,400,000        | \$ 1,400,000          | \$ -                  | 0%                |
| Charges for services                             | <u>3,102,741</u>         | <u>4,957,526</u>    | <u>5,221,555</u>      | <u>264,029</u>        | 5%                |
| Total operating revenue                          | 4,502,741                | 6,357,526           | 6,621,555             | 264,029               | 4%                |
| <b>Operating Expenses</b>                        |                          |                     |                       |                       |                   |
| Salaries and benefits                            | 2,049,404                | 2,370,636           | 3,467,434             | 1,096,798             | 46%               |
| Professional services                            | 744,126                  | 970,451             | 735,495               | (234,956)             | -24%              |
| Occupancy  | 113,033                  | 158,757             | 168,262               | 9,505                 | 6%                |
| Travel and business development                  | 56,309                   | 77,995              | 99,479                | 21,484                | 28%               |
| Equipment and supplies                           | 25,666                   | 47,055              | 42,952                | (4,103)               | -9%               |
| Other operating expenses                         | 202,565                  | 155,520             | 202,466               | 46,946                | 30%               |
| Taxes  | -                        | 162,360             | 188,431               | 26,071                | 16%               |
| Depreciation                                     | <u>2,292,820</u>         | <u>2,421,301</u>    | <u>2,441,842</u>      | <u>20,541</u>         | 1%                |
| Total operating expenses                         | <u>5,483,923</u>         | <u>6,364,075</u>    | <u>7,346,361</u>      | <u>982,286</u>        | 15%               |
| <b>Operating Loss</b>                            | (981,182)                | (6,549)             | (724,806)             | (718,257)             | N/A               |
| Restricted bond revenues                         | 5,955,804                | 4,314,603           | 3,529,284             | (785,319)             | -18%              |
| Interest expense                                 | (3,116,380)              | (3,246,599)         | (3,339,353)           | (92,754)              | 3%                |
| Gain/(Loss) on sale of property                  | (31,910)                 | (134,974)           | 53,641                | 188,615               | -140%             |
| Impairment on asset                              | -                        | -                   | (8,038,144)           | (8,038,144)           | N/A               |
| Investment income                                | 11,623                   | 28,076              | 95,455                | 67,379                | 240%              |
| Bond administrative expense                      | (1,413,952)              | (2,563,768)         | (1,226,656)           | 1,337,112             | -52%              |
| Gain on extinguishment of debt                   | -                        | 3,365,000           | -                     | (3,365,000)           | -100%             |
| Capital grants and contributions                 | <u>1,346,174</u>         | <u>1,694,079</u>    | <u>4,916,602</u>      | <u>3,222,523</u>      | 190%              |
| <b>Increase in Net Position</b>                  | <u>1,770,177</u>         | <u>3,449,868</u>    | <u>(4,733,977)</u>    | <u>(8,183,845)</u>    | -237%             |
| Adjustment for change in<br>accounting principle | <u>(740,240)</u>         | <u>-</u>            | <u>-</u>              | <u>-</u>              | N/A               |
| <b>Change in Net Position</b>                    | <u>\$ 1,029,937</u>      | <u>\$ 3,449,868</u> | <u>\$ (4,733,977)</u> | <u>\$ (8,183,845)</u> | -237%             |

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

The net position of all business-type activities decreased by \$4.7 million, or 27 percent, in 2017. In comparison, net position in 2016 increased by \$3.4 million, or 25 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 by \$0.6 million, or 53 percent in 2017. In comparison, in 2016 unrestricted net position increased by \$0.5 million, or 93 percent. The current level of unrestricted net position stands at \$0.5 million, or about 10 percent of annual operating expenditures.

## **Greater Cincinnati Redevelopment Authority**

# **Management's Discussion and Analysis**

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Restricted net position decreased by \$1.4 million, or 14 percent, in 2017, specifically in trust restricted equity. The decrease resulted from the Amberley Site write down financed by the Authority'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 trust restricted equity led by Communities First (the Authority's mortgage down payment assistance program). In contrast, restricted net position increased by nearly \$2.8 million or 38 percent in 2016. The prior year increase included a \$1.0 million increase in trust restricted equity from Fountain Square South Garage and Communities First. Additionally, grant restricted equity increased \$1.8 million from the expenditure of capital grant contributions toward the redevelopment of grant restricted properties in assets held for resale.

Net investment in capital assets decreased \$2.7 million, or 43 percent, in 2017 primarily due to depreciation of \$2.4 million. In contrast, in 2016 net investment in capital assets increased \$153,552, or 2 percent, due to the refinance of Kenwood Collection offset by 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 Authority'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 Authority finance tools, mortgage down payment assistance, management of other organizations, commercial real estate leases, and oversight of redevelopment projects. Service revenue increased \$0.3 million or 5 percent in 2017 compared to the prior year. The increase was primarily due to a \$0.3 million increase in management fee revenue. In comparison, service revenue increased \$1.8 million in 2016 due to a \$1.1 million increase in public finance revenue and a \$0.6 million increase in garage parking revenue (the garage had its first full year of operations in 2016).

### **Operating Expenses**

Operating expenses increased \$1.0 million or 15 percent in 2017 compared to the prior year, primarily due to a \$1.1 million increase in salaries and benefits resulting from additional staffing in 2017.

In 2016, operating expenses increased \$0.9 million over the prior year, primarily from increases in salaries and benefits, professional services and taxes. Salaries and benefits increased \$0.3 million in 2016 from the addition of staff. Professional services increased \$0.2 million due to a full year of garage operator fees and staffing services. Taxes of \$0.2 million in 2016 relate to garage property taxes.

For years 2017, 2016 and 2015, the Authority 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 Authority revenue bonds, other nonoperating contributions to Authority projects, and certain post-closing bond reserves established for future debt service.

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. In comparison, restricted bond revenues decreased \$1.6 million or 28 percent in 2016 due to a \$0.8 million decline in Kenwood Collection and \$0.7 million decline in Cincinnati Mall bond revenues.

Bond administrative expenses decreased \$1.3 million or 52 percent in 2017 due to less issuance costs from fewer new financings in 2017 (see Note 5). In 2016, bond administrative expenses increased \$1.1 million or 81% due to debt issuance cost.

## Greater Cincinnati Redevelopment Authority

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# Management's Discussion and Analysis

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In 2017, the Authority completed its redevelopment of the Amberley Site at 2100 Section Road and had the property listed for sale by a commercial real estate broker. The Amberley Site joins MidPointe Crossing and TechSolvell, which have been listed by a commercial real estate broker 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. This write down represents the subsidy invested to make the properties marketable.

The Authority recognized a \$3.4 million gain on the extinguishment of debt in 2016 from the refunding of the 2008B Kenwood Development parking bonds. The new owner of the mixed-use development above the garage, known as Kenwood Collection, is also the sole bondholder of the Kenwood bonds. The owner exchanged \$6.1 million series 2008B bonds for \$2.7 million of series 2016B bonds.

Capital grants and contributions increased \$3.2 million or 190 percent in 2017 due to a \$1.9 million and \$1.8 million increase in capital grants provided by Hamilton County and the State of Ohio, respectively. Both increases related primarily to the 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. In 2016, capital grants and contributions increased \$0.3 million due to a \$0.5 million capital grant provided by the State of Ohio for Swift Park at MidPointe Crossing. Capital contributions are to be used to support real estate activities in targeted areas, including but not limited to property acquisition, environmental remediation, site preparation, design, and infrastructure.

### **Capital Asset and Debt Administration**

At the end of 2017, the Authority had \$55.7 million invested in a broad range of capital assets, including public parking garages and lots, public infrastructure, and utilities. During the year, the Authority recognized \$4.0 million of construction-in-progress on the parking garage at the RBM Development. This activity was offset by additional depreciation on capital assets in the amount of \$2.4 million.

In 2016, the Authority recognized \$6.7 million for the acquisition of land and construction-in-progress at the RBM Development, the campus headquarters of Medpace, a research-based drug and medical device company. Additionally in 2016, the Authority recognized \$0.8 million of improvements made to the Kenwood Collection parking garage by the new owner. This activity was offset by additional depreciation on capital assets in the amount of \$2.4 million.

In support of economic development and other authorized projects within the City of Cincinnati and Hamilton County, the Authority considers and, with board approval, issues bonds. In 2017, the Authority issued \$161.8 million of bonds, which was the highest amount of bonds issued in a single year for the Authority. In comparison, the Authority issued \$101.3 million of bonds in 2016 and \$16.5 million of bonds in 2015. The following table summarizes the Authority's issuance of bonds and conduit financings in the years 2017, 2016 and 2015.

## Greater Cincinnati Redevelopment Authority

# Management's Discussion and Analysis

| <u>Issue Date</u> | <u>Project Name</u>  | <u>Bond Amount</u>    |
|-------------------|--|-----------------------|
| 01-11/2017        | Cincinnati Neighborhood Commercial Real Estate Loan Fund<br>(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   | <u>\$ 161,757,546</u> |
| 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   | <u>\$ 101,365,000</u> |
| 01/2015           | Fountain Square South Garage   | \$ 8,800,000          |
| 04/2015           | Southwest Ohio Regional Bond Fund  | 2,500,000             |
| 12/2015           | AHA Colonial Village *   | 5,170,000             |
|                   | Total 2015   | <u>\$ 16,470,000</u>  |

\* *Conduit revenue bond obligations*

### **Economic Factors and Next Year's Budgets and Rates**

The Authority will continue to rely on operating support provided from its public partners - the City of Cincinnati and Hamilton County. The City and County are expected to make operating grants of \$700,000 each in 2018, which is unchanged from this year.

The Authority 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 Authority'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 Authority capital grant funds of \$3 million for real estate development in Bond Hill and Roselawn, and \$2 million for Queensgate. These funds are planned for capital expenditure in 2018 and will include developer fee revenue to the Authority.

## **Greater Cincinnati Redevelopment Authority**

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# Management's Discussion and Analysis

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### **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.

# Greater Cincinnati Redevelopment Authority

## Proprietary Funds Statement of Net Position

December 31, 2017 and 2016

|   | 2017                 | 2016                 |
|---|----------------------|----------------------|
| <b>Assets</b>   |                      |                      |
| Current assets:   |                      |                      |
| Cash and cash equivalents (Note 3)  | \$ 6,791,223         | \$ 8,073,355         |
| Receivables - Net of allowance  | 1,042,215            | 1,121,352            |
| Prepaid expenses and other assets   | 379,375              | 196,974              |
| Total current assets  | 8,212,813            | 9,391,681            |
| Noncurrent assets:  |                      |                      |
| Restricted cash and investments   | 21,593,260           | 21,714,438           |
| Notes receivable  | 1,025,586            | -                    |
| Capital assets - Net (Note 4)   |                      |                      |
| Assets not subject to depreciation  | 11,122,212           | 7,139,859            |
| Assets subject to depreciation  | 44,616,643           | 47,010,358           |
| Assets held for resale (Note 12)  | 15,909,574           | 19,308,507           |
| Total noncurrent assets   | 94,267,275           | 95,173,162           |
| Total assets  | 102,480,088          | 104,564,843          |
| <b>Deferred Outflows of Resources</b>                                     |                      |                      |
| Pension (Note 9)  | 963,226              | 572,707              |
| Interest rate swap agreement (Note 6)                                     | -                    | 7,671                |
| Total deferred outflows of resources                                      | 963,226              | 580,378              |
| <b>Liabilities</b>  |                      |                      |
| Current liabilities:  |                      |                      |
| Accounts payable  | 891,488              | 1,524,911            |
| Accrued liabilities and other   | 172,510              | 193,622              |
| Unearned grant revenue  | 558,985              | 2,062,200            |
| Total current liabilities   | 1,622,983            | 3,780,733            |
| Noncurrent liabilities:   |                      |                      |
| Accrued interest payable from restricted assets                           | 1,321,931            | 1,165,798            |
| Accrued expenses payable from restricted assets                           | 827,401              | 720,142              |
| Net pension obligation (Note 9)   | 1,912,511            | 1,203,569            |
| Current portion of long-term debt payable from restricted assets (Note 6) | 1,346,852            | 1,298,408            |
| Long-term payable from restricted assets (Note 6)                         | 11,636,056           | 16,804,476           |
| Long-term debt payable from future restricted bond revenue (Note 6)       | 71,901,851           | 62,636,661           |
| Total noncurrent liabilities  | 88,946,602           | 83,829,054           |
| Total liabilities   | 90,569,585           | 87,609,787           |
| <b>Deferred Inflows of Resources</b>                                      |                      |                      |
| Pension   | 19,453               | 43,623               |
| Interest rate swap agreement  | 96,442               | -                    |
| Total deferred inflows of resources                                       | 115,895              | 43,623               |
| <b>Net Position</b>   |                      |                      |
| Net investment in capital assets  | 3,606,442            | 6,318,938            |
| Restricted:   |                      |                      |
| Grants  | 6,495,281            | 6,588,119            |
| Trust assets  | 2,150,984            | 3,503,942            |
| Unrestricted  | 505,127              | 1,080,812            |
| Total net position  | <b>\$ 12,757,834</b> | <b>\$ 17,491,811</b> |

See notes to financial statements.



# Greater Cincinnati Redevelopment Authority

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

Years Ended December 31, 2017 and 2016

|  | 2017          | 2016          |
|--|---------------|---------------|
| <b>Operating Revenue</b>                                       |               |               |
| Public funding (Note 7)  | \$ 1,400,000  | \$ 1,400,000  |
| Charges for services   | 5,221,555     | 4,957,526     |
| Total operating revenue  | 6,621,555     | 6,357,526     |
| <b>Operating Expenses</b>                                      |               |               |
| Salaries and benefits  | 3,467,434     | 2,370,636     |
| Professional services  | 735,495       | 970,451       |
| Occupancy  | 168,262       | 158,757       |
| Travel and business development                                | 99,479        | 77,995        |
| Equipment and supplies   | 42,952        | 47,055        |
| Other operating expenses                                       | 202,466       | 155,520       |
| Taxes  | 188,431       | 162,360       |
| Depreciation   | 2,441,842     | 2,421,301     |
| Total operating expenses                                       | 7,346,361     | 6,364,075     |
| <b>Operating Loss</b>  | (724,806)     | (6,549)       |
| <b>Nonoperating Revenue (Expense)</b>                          |               |               |
| Restricted bond revenue  | 3,529,284     | 4,314,602     |
| Investment income  | 95,455        | 28,076        |
| Interest expense   | (3,339,353)   | (3,246,599)   |
| Gain on extinguishment of debt                                 | -             | 3,365,000     |
| Gain (loss) on sale of property                                | 53,641        | (134,973)     |
| Impairment on assets   | (8,038,144)   | -             |
| Bond administrative expense                                    | (1,226,656)   | (2,563,768)   |
| Total nonoperating (expense) revenue                           | (8,925,773)   | 1,762,338     |
| <b>(Loss) Income - Before capital grants and contributions</b> | (9,650,579)   | 1,755,789     |
| <b>Capital Grants and Contributions</b>                        | 4,916,602     | 1,694,079     |
| <b>(Decrease) Increase in Net Position</b>                     | (4,733,977)   | 3,449,868     |
| <b>Net Position - Beginning of year</b>                        | 17,491,811    | 14,041,943    |
| <b>Net Position - End of year</b>                              | \$ 12,757,834 | \$ 17,491,811 |

# Greater Cincinnati Redevelopment Authority

## Propriety Funds Statement of Cash Flows

Years Ended December 31, 2017 and 2016

|  | <u>2017</u>                 | <u>2016</u>                 |
|--|-----------------------------|-----------------------------|
| <b>Cash Flows from Operating Activities</b>  |                             |                             |
| Receipts from public funding sources   | \$ 1,400,000                | \$ 1,400,000                |
| Receipts from charges for services   | 5,113,020                   | 5,020,965                   |
| Payments to suppliers  | (1,681,182)                 | (1,295,048)                 |
| Payments to employees  | <u>(3,155,910)</u>          | <u>(2,436,696)</u>          |
| Net cash and cash equivalents provided by operating activities                               | 1,675,928                   | 2,689,221                   |
| <b>Cash Flows from Noncapital Financing Activities</b>                                       |                             |                             |
| Receipts from grants and subsidies   | 3,585,201                   | 2,592,587                   |
| Proceeds from the issuance of debt   | 5,500,000                   | 9,825,000                   |
| Principal paid on debt   | (375,664)                   | (242,648)                   |
| Interest paid  | (445,680)                   | (410,103)                   |
| Bond administrative expenses paid  | -                           | (73,700)                    |
| Proceeds from the sale of assets held for sale   | 279,000                     | 592,421                     |
| Purchase and development of assets held for sale   | <u>(5,352,022)</u>          | <u>(12,186,643)</u>         |
| Net cash and cash equivalents provided by noncapital financing activities                    | 3,190,835                   | 96,914                      |
| <b>Cash Flows from Capital and Related Financing Activities</b>                              |                             |                             |
| Proceeds from the issuance of capital debt   | 3,247,356                   | 33,730,000                  |
| Restricted bond revenue  | 3,529,284                   | 4,314,603                   |
| Purchase and construction of capital assets  | (3,491,272)                 | (7,520,471)                 |
| Principal paid on capital debt   | (4,183,948)                 | (16,622,312)                |
| Interest paid  | (2,777,894)                 | (2,338,416)                 |
| Bond administrative expenses paid  | <u>(1,658,322)</u>          | <u>(1,964,935)</u>          |
| Net cash and cash equivalents (used in) provided by capital and related financing activities | (5,334,796)                 | 9,598,469                   |
| <b>Cash Flows from Investing Activities</b>  |                             |                             |
| Interest received on investments   | 99,723                      | 28,076                      |
| Loans provided   | <u>(1,035,000)</u>          | <u>-</u>                    |
| Net cash and cash equivalents (used in) provided by investing activities                     | <u>(935,277)</u>            | <u>28,076</u>               |
| <b>Net (Decrease) Increase in Cash and Cash Equivalents</b>                                  | (1,403,310)                 | 12,412,680                  |
| <b>Cash and Cash Equivalents - Beginning of year</b>   | <u>29,787,793</u>           | <u>17,375,113</u>           |
| <b>Cash and Cash Equivalents - End of year</b>   | <u><b>\$ 28,384,483</b></u> | <u><b>\$ 29,787,793</b></u> |
| <b>Classification of Cash and Cash Equivalents</b>   |                             |                             |
| Cash and investments   | \$ 6,791,223                | \$ 8,073,355                |
| Restricted cash  | <u>21,593,260</u>           | <u>21,714,438</u>           |
| Total cash and cash equivalents  | <u><b>\$ 28,384,483</b></u> | <u><b>\$ 29,787,793</b></u> |

**Greater Cincinnati Redevelopment Authority**

**Propriety Funds  
Statement of Cash Flows (Continued)**

**Years Ended December 31, 2017 and 2016**

|  | <u>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| <b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>  |                     |                     |
| Operating loss   | \$ (724,806)        | \$ (6,549)          |
| Adjustments to reconcile operating loss to net cash from operating activities: |                     |                     |
| Depreciation   | 2,441,842           | 2,421,301           |
| Changes in assets and liabilities:   |                     |                     |
| Accounts receivable  | 139,057             | (126,603)           |
| Prepaid and other assets   | (446,136)           | (420,655)           |
| Accounts payable   | (332,396)           | 330,487             |
| Accrued and other liabilities  | 598,367             | 491,240             |
|  | <u>\$ 1,675,928</u> | <u>\$ 2,689,221</u> |
| Net cash and cash equivalents provided by operating activities                 |                     |                     |

December 31, 2017 and 2016

### Note 1 - Nature of Business

Greater Cincinnati Redevelopment Authority (the "Authority") 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 Authority 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 Authority:

#### **Reporting Entity**

The Authority is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority was formed under Ohio Revised Code Section 4582.22 by the City of Cincinnati, Ohio (the "City") and Hamilton County, Ohio (the "County") on December 7, 2000. In August 2008, the City and County amended the original agreement by expanding the Authority'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 Authority to use all powers available to Ohio port authorities.

The Authority 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 Authority.

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

#### **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 Authority has several conduit revenue bond issues outstanding and provides such assistance upon request.

December 31, 2017 and 2016

### Note 2 - Significant Accounting Policies (Continued)

The Authority issues conduit debt on behalf of third parties. The Authority classifies debt as conduit debt when all of the following characteristics exist: the proceeds from the debt issuance benefits a third party, the debt obligation is payable solely from pledged receipts and is not an obligation of the Authority, 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 Authority. The bonds would be secured by the assignment of that revenue and would be non-recourse to the general revenue and assets of the Authority. The Authority has issued such bonds in the past and expects to continue to do so.

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

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

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

In April 2015, the Authority became an eligible issuer of economic development revenue bonds for the Southwest Ohio Regional Bond Fund, created from the expansion of the Dayton-region Port Authority Bond Fund. The expanded bond fund serves growing companies in the Dayton and Cincinnati regions. The Authority 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 Authority has owned and improved property as part of its Brownfield development and economic redevelopment financing activities.

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

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

December 31, 2017 and 2016

### Note 2 - Significant Accounting Policies (Continued)

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

#### **Management Agreements**

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

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

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

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

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

#### **Assets, Liabilities, and Net Position**

##### ***Bank Deposits and Investments***

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

##### ***Restricted Assets***

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

**Note 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 Authority capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Capitalized interest for 2017 and 2016 was \$307,083 and \$120,274, respectively.

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

|                                      | Depreciable Life -<br>Years |
|--------------------------------------|-----------------------------|
|                                      | <hr/>                       |
| Land improvements                    | 30 to 45                    |
| Buildings and leasehold improvements | 3 to 45                     |
| Office equipment and furnishings     | 3 to 7                      |

***Notes Receivable***

In December 2017, the Authority 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 Authority's policy to permit employees to accumulate earned but unused paid-time-off benefits (PTO). Employees begin earning PTO on their first day of service and are permitted to carry over a maximum of seven days from one service year to the next. Accumulated paid-time-off balances are accrued when incurred in the financial statements.

***Long-term Debt***

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

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. The Authority reports deferred outflows related to pensions (Note 9) and an interest rate swap agreement (Note 6).

December 31, 2017 and 2016

### Note 2 - Significant Accounting Policies (Continued)

In addition to liabilities, the statement of financial 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 Authority reports deferred inflows related to pensions (Note 9) and an interest rate swap agreement (Note 6).

#### ***Net Position Flow Assumption***

The Authority 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 Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

#### ***Net Position***

Net position of the Authority 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.



December 31, 2017 and 2016

**Note 2 - Significant Accounting Policies (Continued)**

***Upcoming Accounting Pronouncements***

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

In June 2017, the Governmental Accounting Standards Board issued GASB 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 Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2021.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including June 19, 2018, which is the date the financial statements were available to be issued.

**Note 3 - Deposits and Investments**

***Deposits***

Monies in the funds of the Authority, except as otherwise described below with respect to investments controlled by the terms of a bond resolution or trust agreement or indenture, and to the extent in excess of current needs, may be invested in accordance with the Ohio Uniform Depository Act, Revised Code Sections 135.01-135.21 (UDA). At December 31, 2017 and 2016, the aggregate amount of monies in the general operating funds of the Authority was \$6,844,522 and \$8,100,271, respectively, all of which constituted "active deposits," with two qualified banking institutions deposited in accordance with UDA. At December 31, 2017 and 2016, approximately \$750,000 of the Authority's deposits were covered by FDIC insurance. The remaining bank balances at December 31, 2017 and 2016 of approximately \$6,094,500 and \$7,350,000, respectively, were collateralized with securities by the pledging institution's trust department or agent, but not in the Authority's name. At no time during the two-year period ended December 31, 2017 did the Authority have any amounts for investment in the unrestricted general operating funds of the Authority not constituting active deposits.

***Custodial Credit Risk of Bank Deposits***

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

**December 31, 2017 and 2016**

**Note 3 - Deposits and Investments (Continued)**

***Investments***

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

***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The U.S. Treasury securities with a market value of \$219,716 and \$219,923 have 39 and 33 days remaining until maturity for the years ended December 31, 2017 and 2016, respectively.

***Credit Risk***

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority 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.

December 31, 2017 and 2016

**Note 4 - Capital Assets**

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

|   | Balance<br>January 1,<br>2017 | Additions    | Disposals | Balance<br>December 31,<br>2017 |
|---|-------------------------------|--------------|-----------|---------------------------------|
| <b>Business-type Activities</b>         |                               |              |           |                                 |
| Capital assets not being depreciated:   |                               |              |           |                                 |
| Land easements - Red Bank               | \$ 450,000                    | \$ -         | \$ -      | \$ 450,000                      |
| Land - RBM                              | 5,785,192                     | -            | -         | 5,785,192                       |
| Construction in progress - RBM          | 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                   |

December 31, 2017 and 2016

**Note 4 - Capital Assets (Continued)**

**Business-type Activities (Continued)**

|   | Balance<br>January 1,<br>2016 | Additions    | Disposals | Balance<br>December 31,<br>2016 |
|---|-------------------------------|--------------|-----------|---------------------------------|
| <b>Business-type Activities</b>         |                               |              |           |                                 |
| Capital assets not being depreciated:   |                               |              |           |                                 |
| Land easements - Red Bank               | \$ 450,000                    | \$ -         | \$ -      | \$ 450,000                      |
| Land - RBM                              | -                             | 5,785,192    | -         | 5,785,192                       |
| Construction in progress - RBM          | -                             | 904,667      | -         | 904,667                         |
| Subtotal                                | 450,000                       | 6,689,859    | -         | 7,139,859                       |
| 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          | 33,594,598                    | 777,316      | -         | 34,371,914                      |
| Office equipment                        | 82,856                        | -            | -         | 82,856                          |
| Furniture and fixtures                  | 53,976                        | -            | -         | 53,976                          |
| Leasehold improvements - Garage         | 1,318,205                     | 53,295       | -         | 1,371,500                       |
| Leasehold improvements - Office         | 21,038                        | -            | (21,038)  | -                               |
| Subtotal                                | 62,357,509                    | 830,611      | (21,038)  | 63,167,082                      |
| Accumulated depreciation:               |                               |              |           |                                 |
| Land improvements - Cincinnati Mall     | 1,644,278                     | 152,040      | -         | 1,796,318                       |
| Land improvements - Springdale Pictoria | 335,743                       | 36,459       | -         | 372,202                         |
| Land improvements - Red Bank            | 869,441                       | 114,200      | -         | 983,641                         |
| Buildings - Cincinnati Mall             | 3,571,064                     | 342,832      | -         | 3,913,896                       |
| Buildings - Springdale Pictoria         | 3,505,036                     | 383,687      | -         | 3,888,723                       |
| Buildings - Kenwood Collection          | 3,713,481                     | 1,316,698    | -         | 5,030,179                       |
| Office equipment                        | 57,481                        | 13,361       | -         | 70,842                          |
| Furniture and fixtures                  | 9,605                         | 7,714        | -         | 17,319                          |
| Leasehold improvements - Garage         | 29,294                        | 54,310       | -         | 83,604                          |
| Leasehold improvements - Office         | 21,038                        | -            | (21,038)  | -                               |
| Subtotal                                | 13,756,461                    | 2,421,301    | (21,038)  | 16,156,724                      |
| Net capital assets being depreciated    | 48,601,048                    | (1,590,690)  | -         | 47,010,358                      |
| Net capital assets                      | \$ 49,051,048                 | \$ 5,099,169 | \$ -      | \$ 54,150,217                   |

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

**Construction in Progress**

Redevelopment and renovation of the public parking garage at the RBM Development began in August 2016 and continued through year end.

**Construction Commitments**

The Authority commitments as of December 31, 2017 and 2016 are \$861,000 and \$393,450, respectively.

December 31, 2017 and 2016

### Note 5 - Fair Value Measurements

The Authority 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 Authority'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 Authority has the following recurring fair value measurements as of December 31, 2017 and 2016:

- U.S. Treasury securities of \$219,716 and \$219,923, respectively, are valued using quoted market prices (Level 1 inputs).
- Money market funds of \$16,390,845 and \$17,119,324, respectively, are valued using quoted market prices (Level 1 inputs).
- The interest rate swap at \$96,442 and \$(7,671), 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 Authority's interest rate swap was determined primarily based on Level 2 inputs. The Authority 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 Authority 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, 2017 and 2016.

### Note 6 - Long-term Debt

The bonds are special limited obligations of the Authority 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 Authority. The bondholders have no recourse to any other revenue or assets of the Authority, except for the Patient Capital Fund and Amberley Site Redevelopment bondholders.

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

December 31, 2017 and 2016

**Note 6 - Long-term Debt (Continued)**

A detailed description of each bond issue as of December 31, 2017 follows:

| Description   | Amount               |
|---|----------------------|
| <b>Business-type Activities</b>   |                      |
| 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                | \$ 14,745,000        |
| 2006 Springdale Pictoria Public Parking/Infrastructure Special Obligation Development Revenue Bonds, bearing interest at 1.35 percent, maturing in 2031   | 6,860,000            |
| 2015 Fountain Square South Garage Parking Facility Revenue Bonds, bearing interest at 4.48 percent, maturing in 2045  | 8,307,800            |
| 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   | 2,205,000            |
| 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 | 2,000,000            |
| 2017 Fairfax Village Red Bank Infrastructure Project - Special Obligation TIF Refunding Revenue Bonds, bearing interest at 3.98 percent, maturing in 2037   | <u>3,247,356</u>     |
| Total   | <u>\$ 84,420,156</u> |

**Changes in Long-term Debt**

The following is a summary of long-term debt transactions (net of unamortized bond premiums in the amount of \$464,603 and \$507,133 of the Authority for the years ended December 31, 2017 and 2016, respectively):

|  | 2017              |               |                 |                |                     |
|--|-------------------|---------------|-----------------|----------------|---------------------|
|  | Beginning Balance | Additions     | Reductions      | Ending Balance | Due Within One Year |
| <b>Business-type Activities -</b><br>Revenue bonds | \$ 80,232,412     | \$ 8,747,356  | \$ (4,559,612)  | \$ 84,420,156  | \$ 1,346,852        |
|  | 2016              |               |                 |                |                     |
|  | Beginning Balance | Additions     | Reductions      | Ending Balance | Due Within One Year |
| <b>Business-type Activities -</b><br>Revenue bonds | \$ 56,907,372     | \$ 43,555,000 | \$ (20,229,960) | \$ 80,232,412  | \$ 1,298,408        |

**Note 6 - Long-term Debt (Continued)**

***Debt Service Requirements to Maturity***

The annual total principal and interest requirements to service all debt outstanding at December 31, 2017 are as follows:

| Years Ending<br>December 31 | Business-type Activities |                      |                       |
|-----------------------------|--------------------------|----------------------|-----------------------|
|                             | Principal                | Interest             | Total                 |
| 2018                        | \$ 1,346,852             | \$ 3,348,682         | \$ 4,695,534          |
| 2019                        | 1,869,100                | 3,357,557            | 5,226,657             |
| 2020                        | 2,110,616                | 3,281,240            | 5,391,856             |
| 2021                        | 13,069,540               | 4,155,038            | 17,224,578            |
| 2022                        | 2,279,431                | 3,278,715            | 5,558,146             |
| 2023-2027                   | 16,765,329               | 14,246,536           | 31,011,865            |
| 2028-2032                   | 14,612,812               | 10,636,110           | 25,248,922            |
| 2033-2037                   | 12,288,220               | 6,616,003            | 18,904,223            |
| 2038-2042                   | 8,290,000                | 3,393,649            | 11,683,649            |
| 2043-2047                   | 9,288,256                | 1,116,767            | 10,405,023            |
| 2048-2052                   | -                        | -                    | -                     |
| 2053-2055                   | 2,500,000                | -                    | 2,500,000             |
| <b>Total</b>                | <b>\$ 84,420,156</b>     | <b>\$ 53,430,297</b> | <b>\$ 137,850,453</b> |

***Cincinnati Mall Public Infrastructure (formerly known as Cincinnati Mills)***

In February 2004, the Authority issued \$18 million principal amount of Special Obligation Development Revenue Bonds for the purpose of financing, in cooperation with the cities of Forest Park, 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 Authority 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 2017 and 2016 were paid upon the due date.

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

| Years Ending<br>December 31 | Principal            | Interest            | Total                |
|-----------------------------|----------------------|---------------------|----------------------|
| 2018                        | \$ 490,000           | \$ 924,035          | \$ 1,414,035         |
| 2019                        | 525,000              | 892,063             | 1,417,063            |
| 2020                        | 560,000              | 857,885             | 1,417,885            |
| 2021                        | 595,000              | 821,503             | 1,416,503            |
| 2022                        | 635,000              | 782,758             | 1,417,758            |
| 2023-2027                   | 3,885,000            | 3,229,773           | 7,114,773            |
| 2028-2032                   | 5,360,000            | 1,764,160           | 7,124,160            |
| 2033-2034                   | 2,695,000            | 175,838             | 2,870,838            |
| <b>Total</b>                | <b>\$ 14,745,000</b> | <b>\$ 9,448,015</b> | <b>\$ 24,193,015</b> |

**Note 6 - Long-term Debt (Continued)**

***Springdale Pictoria Public Parking/Infrastructure***

In October 2006, the Authority 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 Authority with the proceeds of the bonds include a 1,132-space public parking garage serving the general public and located at a mixed-use commercial development (including office, restaurant, cinema, and distribution facilities).

Interest is payable semiannually at variable interest rates currently reset annually and with conversion options permitting the interest rate to be reset weekly or fixed to maturity. Until the interest rate on the bonds is fixed to maturity, bondholders have certain rights to tender bonds for purchase, as provided by the trust indenture. At issuance and as of December 31, 2017, 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, 2018, but extended one additional year annually thereafter if not terminated by the bank at least 270 days before February 15, 2018 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 2017.

On February 1, 2017, the interest rate was reset to 1.35 percent from 0.85 percent per year. Assuming a constant interest rate of 1.35 percent per year from February 1, 2016 to the maturity of the bonds, debt service as of December 31, 2017 is estimated as follows:

| Years Ending<br>December 31 | Principal           | Interest          | Total               |
|-----------------------------|---------------------|-------------------|---------------------|
| 2018                        | \$ 380,000          | \$ 90,045         | \$ 470,045          |
| 2019                        | 395,000             | 84,814            | 479,814             |
| 2020                        | 410,000             | 79,380            | 489,380             |
| 2021                        | 425,000             | 73,744            | 498,744             |
| 2022                        | 445,000             | 67,871            | 512,871             |
| 2023-2027                   | 2,475,000           | 243,236           | 2,718,236           |
| 2028-2031                   | 2,330,000           | 64,395            | 2,394,395           |
| <b>Total</b>                | <b>\$ 6,860,000</b> | <b>\$ 703,485</b> | <b>\$ 7,563,485</b> |

***Fountain Square South Garage Parking Facility***

In January 2015, the Authority issued \$8,800,000 principal amount Parking Facility Revenue Bonds (Series 2014) for the purpose of acquiring a leasehold interest in, improving, furnishing, or equipping the Authority's facilities, which includes Fountain Square South Garage (an underground parking garage located in downtown Cincinnati, Ohio), or financing other authority 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 Authority has agreed to operate, maintain, and rehabilitate the garage and use garage revenue to pay annual debt service on the bonds and other certain payments.



**Note 6 - Long-term Debt (Continued)**

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, 2017 and 2016, the interest rate was 4.4770 and 3.7039 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 outflows of resources, with an offset to accrued expenses payable from restricted assets.

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, 2017:

| Years Ending<br>December 31 | Principal    | Interest     | Total         |
|-----------------------------|--------------|--------------|---------------|
| 2018                        | \$ 208,000   | \$ 424,041   | \$ 632,041    |
| 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       |
| 2023-2027                   | 2,356,769    | 1,408,975    | 3,765,744     |
| 2028-2032                   | -            | 1,280,141    | 1,280,141     |
| 2033-2037                   | -            | 1,279,441    | 1,279,441     |
| 2038-2042                   | -            | 1,279,441    | 1,279,441     |
| 2043-2045                   | 4,953,256    | 533,918      | 5,487,174     |
| Total                       | \$ 8,307,800 | \$ 7,790,739 | \$ 16,098,539 |

**Southwest Ohio Regional Bond Fund (Reserve)**

In April 2015, the Authority issued \$2,500,000 principal amount State Loan Revenue Bonds (Series 2015) to establish its bond fund program. The Southwest Ohio Regional Bond Fund was created from the expansion of the Dayton-region Port Authority Bond Fund. The Authority’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 \$16,557 and \$4,291 for the years 2017 and 2016. All investment earnings for the year 2016 were forwarded to the State of Ohio by the trustee during the year received. Investment earnings for the year 2017 were forwarded to the State of Ohio in early 2018 and were included in accrued expenses payable from restricted assets at December 31, 2017.

Assuming an interest rate of 0.0 percent per year to the maturity of the bonds, debt service as of December 31, 2017 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 Authority 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 Authority worked with the new owner of the retail development and the Series B bonds to restructure aspects of the transaction.

**Note 6 - Long-term Debt (Continued)**

The bonds being refunded were issued in January 2008. The Authority 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 Authority 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 Authority 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<br>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      |
|        | <u>\$ 18,665,000</u> |                      |               |           |

\*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.

Assuming interest rates as shown in the table above through maturity of the bonds, debt service is estimated as follows as of December 31, 2017:

| Years Ending<br>December 31 | Principal            | Interest             | Total                |
|-----------------------------|----------------------|----------------------|----------------------|
| 2018                        | \$ -                 | \$ 984,363           | \$ 984,363           |
| 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            |
| 2023-2027                   | 2,980,000            | 5,087,783            | 8,067,783            |
| 2028-2032                   | 4,070,000            | 4,005,390            | 8,075,390            |
| 2033-2037                   | 5,665,000            | 2,409,795            | 8,074,795            |
| 2038-2039                   | 4,270,000            | 333,358              | 4,603,358            |
| Total                       | <u>\$ 18,665,000</u> | <u>\$ 17,705,490</u> | <u>\$ 36,370,490</u> |

**Note 6 - Long-term Debt (Continued)**

***Patient Capital Fund***

In June 2016, the Authority issued \$7,325,000 principal amount Economic Development Mortgage Revenue Bond Anticipation Notes to establish its Patient Capital Fund. In 2017, the Authority 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 Authority 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 Authority 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 Authority 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 Authority'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 Authority 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 Authority, 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, 2017:

| Years Ending<br>December 31 | Principal            | Interest         | Total                |
|-----------------------------|----------------------|------------------|----------------------|
| 2018                        | \$ -                 | \$ -             | \$ -                 |
| 2019                        | -                    | -                | -                    |
| 2020                        | -                    | -                | -                    |
| 2021                        | 10,825,000           | 75,518           | 10,900,518           |
| Total                       | <u>\$ 10,825,000</u> | <u>\$ 75,518</u> | <u>\$ 10,900,518</u> |

***Amberley Site Redevelopment Project (Southwest Ohio Regional Bond Fund)***

In June 2016, the Authority 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.

**Note 6 - Long-term Debt (Continued)**

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 Authority is required to submit monthly payments to the trustee, which are funded by the Authority's unrestricted cash. The Authority's nontax revenue is pledged to support the principal and interest payment if other funds held in trust are not available. 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, 2017:

| Years Ending<br>December 31 | Principal           | Interest          | Total               |
|-----------------------------|---------------------|-------------------|---------------------|
| 2018                        | \$ 225,000          | \$ 75,250         | \$ 300,250          |
| 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             |
| 2023-2026                   | 1,000,000           | 71,399            | 1,071,399           |
| Total                       | <u>\$ 2,205,000</u> | <u>\$ 365,575</u> | <u>\$ 2,570,575</u> |

***RBM Development Phase 2A Project***

In July 2016, the Authority 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<br>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 |
|        | <u>\$ 15,065,000</u> |                      |               |           |            |

**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, 2017:

| Years Ending<br>December 31 | Principal            | Interest             | Total                |
|-----------------------------|----------------------|----------------------|----------------------|
| 2018                        | \$ -                 | \$ 759,400           | \$ 759,400           |
| 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              |
| 2023-2027                   | 1,330,000            | 3,569,819            | 4,899,819            |
| 2028-2032                   | 1,955,000            | 3,207,363            | 5,162,363            |
| 2033-2037                   | 2,855,000            | 2,633,625            | 5,488,625            |
| 2038-2042                   | 4,020,000            | 1,780,850            | 5,800,850            |
| 2043-2046                   | 4,335,000            | 582,849              | 4,917,849            |
| <b>Total</b>                | <b>\$ 15,065,000</b> | <b>\$ 15,548,406</b> | <b>\$ 30,613,406</b> |

***Cincinnati Neighborhood Commercial Real Estate Loan Fund***

In 2017, the Authority issued two tranches of Economic and Community Development Revenue Bonds totaling \$2,000,000 to establish its Commercial Real Estate Loan Fund (the "Loan Fund") that will focus on rebuilding commercial districts in targeted Cincinnati neighborhoods. The Kresge Foundation, a private, national foundation based in Detroit, Michigan, is providing initial capital to seed the Loan Fund up to \$5,000,000. The remaining two tranches will include an additional \$2,000,000 in the year 2018 and a final tranche of \$1,000,000 in the year 2019. The Authority will administer the Loan Fund and develop the program.

The Loan Fund is part of a program aligned with the Authority'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 Authority 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 Authority, 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, 2017:

| Years Ending<br>December 31 | Principal           | Interest          | Total               |
|-----------------------------|---------------------|-------------------|---------------------|
| 2018                        | \$ -                | \$ -              | \$ -                |
| 2019                        | -                   | 37,260            | 37,260              |
| 2020                        | -                   | 40,000            | 40,000              |
| 2021                        | -                   | 40,000            | 40,000              |
| 2022                        | -                   | 40,000            | 40,000              |
| 2023-2026                   | 2,000,000           | 160,000           | 2,160,000           |
| Total                       | <u>\$ 2,000,000</u> | <u>\$ 317,260</u> | <u>\$ 2,317,260</u> |

**Fairfax Red Bank Public Infrastructure**

In November 2017, the Authority 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 Authority 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 Authority Infrastructure). The portion of the refunding revenue bonds issued to refinance Red Bank Non Authority 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 Authority (Red Bank Conduit Bonds). The remaining improvements refinanced are owned by the Authority (Red Bank Authority Infrastructure) and, to the extent issued to refinance Red Bank Authority 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 Authority.

**Note 6 - Long-term Debt (Continued)**

The debt service requirements for the Authority's portion of the Red Bank Infrastructure Bonds as of December 31, 2017 are as follows:

| Years Ending<br>December 31 | Principal           | Interest            | Total               |
|-----------------------------|---------------------|---------------------|---------------------|
| 2018                        | \$ 43,852           | \$ 91,548           | \$ 135,400          |
| 2019                        | 115,400             | 126,351             | 241,751             |
| 2020                        | 120,016             | 121,712             | 241,728             |
| 2121                        | 126,940             | 116,890             | 243,830             |
| 2022                        | 131,556             | 111,792             | 243,348             |
| 2023-2027                   | 738,560             | 475,551             | 1,214,111           |
| 2028-2032                   | 897,812             | 314,661             | 1,212,473           |
| 2033-2037                   | 1,073,220           | 117,304             | 1,190,524           |
| Total                       | <u>\$ 3,247,356</u> | <u>\$ 1,475,809</u> | <u>\$ 4,723,165</u> |

**Note 7 - Public Funding**

For the years ended December 31, 2017 and 2016, public funding for the Authority came from the following sources:

|                          | 2017                | 2016                |
|--------------------------|---------------------|---------------------|
| Hamilton County, Ohio    | \$ 700,000          | \$ 700,000          |
| City of Cincinnati, Ohio | 700,000             | 700,000             |
| Total                    | <u>\$ 1,400,000</u> | <u>\$ 1,400,000</u> |

**Note 8 - Leases**

**Operating Leases**

As of December 31, 2017, noncancelable operating leases for office space and equipment expire in various years through 2025. In October 2014, new office space was identified, and a sublease agreement was signed for a 10-year and 10-month term. Minimum annual lease payments began in April 2016 and range from approximately \$100,000 to \$115,000.

Future minimum lease payments are as follows:

| Years Ending<br>December 31 | Amount            |
|-----------------------------|-------------------|
| 2018                        | \$ 128,862        |
| 2019                        | 129,818           |
| 2020                        | 127,623           |
| 2021                        | 118,785           |
| 2022                        | 110,100           |
| Thereafter                  | 292,087           |
| Total                       | <u>\$ 907,275</u> |

On January 8, 2015, the City of Cincinnati, Ohio leased a city-owned parking garage (Fountain Square Garage) to the Authority for \$100 for a 30-year term. The purpose of the lease is to modernize and improve the garage and provide funds to the Authority for economic development within the city limits. In accordance with the agreement, the Authority 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.

December 31, 2017 and 2016

**Note 9 - Cost-sharing Defined Benefit Pension Plan**

***Net Pension Liability***

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

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services and (2) state statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also include costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the state legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

***Plan Description***

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

In 2000, legislation required OPERS to establish one or more defined contribution plans to be offered to members in addition to the existing traditional pension plan. OPERS began offering three retirement plans to its members on January 1, 2003. The plans include the traditional pension plan, the member-directed plan, and the combined plan. The authority employee members are all members in the OPERS' traditional plan or the member-directed plan. There are no authority employee members in the combined plan.

***Benefits Provided***

All benefits of OPERS, and any benefit increases, are established by the legislature pursuant to R.C. Chapter 145. The board, pursuant to R.C. Chapter 145, has elected to maintain funds to provide healthcare coverage to eligible traditional pension plan and combined plan retirees and survivors of members. Healthcare coverage does not vest and is not 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 2016 CAFR.



December 31, 2017 and 2016

**Note 9 - Cost-sharing Defined Benefit Pension Plan (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 2016 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 2016 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 2017 and 2016 was 14.0 percent. The 2017 and 2016 employee contribution rate for state and local members was 10.0 percent of earnable salary.

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

**Payable to the Pension Plan**

At December 31, 2017 and 2016, the Authority reported a payable of \$47,744 and \$54,083, respectively, for the outstanding amount of contributions to the plan required for the years ended December 31, 2017 and 2016.

**Net Pension Liability, Deferrals, and Pension Expense**

At December 31, 2017 and 2016, the Authority reported a liability of \$1,912,511 and \$1,203,569, respectively, for its proportionate share of the net pension liability for OPERS. The net pension liability was measured as of December 31, 2016 and 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. The Authority's proportionate share of the OPERS net pension liability is 0.008425 and 0.006952 percent for 2016 and 2015, respectively.

For the year ended December 31, 2017 and 2016, the Authority recognized pension expense of \$466,966 and \$193,204, respectively.

**December 31, 2017 and 2016**

**Note 9 - Cost-sharing Defined Benefit Pension Plan (Continued)**

At December 31, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | 2017                           |                               | 2016                           |                               |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
|  | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience  | \$ 9,477                       | \$ 9,432                      | \$ 4,362                       | \$ 23,524                     |
| Changes in assumptions   | 304,199                        | -                             | -                              | -                             |
| Net difference between projected and actual earnings on pension plan investments                                       | 230,562                        | -                             | 356,022                        | -                             |
| Changes in proportionate share and differences between employer contributions and proportionate share of contributions | 125,164                        | 10,021                        | -                              | 20,099                        |
| Employer contributions to the plan subsequent to the measurement date  | 293,824                        | -                             | 212,323                        | -                             |
| <b>Total</b>   | <b>\$ 963,226</b>              | <b>\$ 19,453</b>              | <b>\$ 572,707</b>              | <b>\$ 43,623</b>              |

Contributions of \$293,824 reported as deferred outflows of resources as of December 31, 2017 related to pension resulting from authority contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. 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            |
|--------------------------|-------------------|
| 2018                     | \$ 274,378        |
| 2019                     | 288,656           |
| 2020                     | 90,613            |
| 2021                     | (7,397)           |
| 2022                     | 992               |
| Thereafter               | 2,707             |
| <b>Total</b>             | <b>\$ 649,949</b> |

**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, 2016 and 2015   |
| Experience study                                     | Five-year period ended December 31, 2015 for 2016<br>Five-year period ended December 31, 2010 for 2015             |
| Actuarial cost method                                | Individual entry age   |
| Investment rate of return                            | 7.50% - Net of pension plan investment expense for 2016<br>8.00% - Net of pension plan investment expense for 2015 |
| Wage inflation                                       | 3.25% for 2016<br>3.75% for 2015   |
| Projected salary increases (includes wage inflation) | 3.25-10.75% for 2016<br>4.25-10.05% for 2015   |
| Cost of living adjustments                           | 3.00% SIMPLE   |

**Note 9 - Cost-sharing Defined Benefit Pension Plan (Continued)**

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

**Projected Cash Flows**

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

**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 2016 and 2015 and the long-term expected real rates of return.

| Asset Class            | Target Allocation | Long-term<br>Expected Real<br>Rate of Return |
|------------------------|-------------------|--|
| Fixed income           | 23.00 %           | 2.75 %                                       |
| Domestic equities      | 20.70             | 6.34   |
| Real estate            | 10.00             | 4.75   |
| Private equity         | 10.00             | 8.97   |
| International equities | 18.30             | 7.95   |
| Other investments      | 18.00             | 4.92   |
| Total                  | 100.00 %          | 5.66 %                                       |

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

**Note 9 - Cost-sharing Defined Benefit Pension Plan (Continued)**

During 2016, OPERS managed investments in four investment portfolios: the defined benefit portfolio, the 401(h) healthcare trust portfolio, the 115 healthcare trust portfolio, and the defined contribution portfolio. The 401(h) healthcare trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 healthcare trust portfolio. The defined benefit portfolio includes the investment assets of the Traditional pension plan, the defined benefit component of the combined plan, the annuitized accounts of the member-directed plan. The defined benefit portfolio historically included the assets of the member-directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed June 30, 2016, and the net position transferred to the 115 healthcare trust portfolio. 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 8.3 and 0.4 percent for 2016 and 2015, respectively.

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

The following presents the net pension liability of the Authority, calculated using the discount rate of 7.5 percent, as well as what the Authority'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<br>Decrease (6.5%) | Current Discount<br>Rate (7.5%) | 1 Percent<br>Increase (8.5%) |
|-----------------------|------------------------------|---------------------------------|------------------------------|
| Net pension liability | \$ 2,924,394                 | \$ 1,912,511                    | \$ 1,070,236                 |

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](http://www.opers.org). Additional information supporting the preparation of the schedules of collective pension amounts and employer allocations (including the disclosure of the net pension liability/(asset), required supplemental information on the net pension liability (asset), and the unmodified audit opinion on the combined financial statements) is located in the OPERS 2016 CAFR. This CAFR is available at [www.opers.org](http://www.opers.org) or by contacting OPERS at: OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-7377.

**Other Postemployment Benefits**

OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare trust, which funds multiple healthcare 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. 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided to the OPERS board of trustees in Chapter 145 of the Ohio Revised Code.

December 31, 2017 and 2016

### Note 9 - Cost-sharing Defined Benefit Pension Plan (Continued)

The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement healthcare benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017 and 2016, 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 1 and 2 percent in years 2017 and 2016, 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 for member-directed plan participants was 4.0 percent for years 2017 and 2016.

The portion of the employer contributions that was made to fund other postemployment benefits (OPEB) for 2017, 2016, and 2015 was approximately \$24,384, \$38,348, and \$32,400, respectively. There are no postemployment benefits provided by the Authority other than those provided through OPERS.

### Note 10 - Risk Management

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

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

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

### Note 11 - Conduit Revenue Bond Obligations

The Authority has outstanding aggregate conduit revenue bond obligations of approximately \$602,801,000 and \$464,198,000 at December 31, 2017 and 2016, 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 Authority. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the Authority's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source. In 2017, the Authority issued conduit debt for Keystone Hotel, Rumpke, The Collegiate, Fairfax Village Red Bank Public Infrastructure, Court & Walnut Parking Facility, and Washington Park Garage. 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 and Downtown/OTR West Redevelopment.

**December 31, 2017 and 2016**

**Note 12 - Assets Held for Resale**

The Authority's assets held for resale consist of 105 acres as of December 31, 2017, compared to 108 acres at the prior year end. In May 2017, the Authority sold 3 acres in Roselawn to a developer to build Roselawn Senior Apartments, an independent senior housing project with first-floor community space. The four-story community will include 50 energy-efficient one and two-bedroom apartments for seniors age 55 and older.

All properties owned by the Authority are located in Hamilton County, Ohio. A summary of real estate held for redevelopment follows:

|                                      | <u>2017</u>          | <u>2016</u>          |
|--------------------------------------|----------------------|----------------------|
| MidPointe Crossing (Bond Hill)       | \$ 2,716,379         | \$ 3,635,154         |
| TechSolve II (Roselawn)              | 961,432              | 1,434,172            |
| Bond Hill Neighborhood               | 2,382,068            | 1,876,772            |
| 2100 Section Road (Amberley Village) | 7,107,200            | 9,694,436            |
| 2250 Seymour Ave (Bond Hill)         | 1,602,157            | 1,405,581            |
| Other                                | <u>1,140,338</u>     | <u>1,262,392</u>     |
| Total                                | <u>\$ 15,909,574</u> | <u>\$ 19,308,507</u> |

Assets held for resale are recorded at the lower of cost or market value. Management estimates net realizable value based upon the list prices used by commercial real estate brokers less selling costs. In 2017, the Authority 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. No cost-to-market adjustment was required in 2016.

The Authority 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 Business District is being funded by the Authority'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 project costs through year end were primarily funded by the City of Cincinnati, Ohio.

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

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## Required Supplemental Information

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## Greater Cincinnati Redevelopment Authority

### Required Supplemental Information Schedule of Authority Contributions

|  | <b>Last Ten Fiscal Years<br/>Years Ended December 31</b> |              |             |             |             |             |             |             |             |             |
|--|--|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | 2017   | 2016         | 2015        | 2014        | 2013        | 2012        | 2011        | 2010        | 2009        | 2008        |
| Contractually required contribution                                  | \$ 292,731   | \$ 230,802   | \$ 103,833  | \$ 105,605  | \$ 99,498   | \$ 49,846   | \$ 22,609   | \$ 11,849   | \$ 9,063    | \$ 6,638    |
| Contributions in relation to the contractually required contribution | 292,731  | 230,802      | 103,833     | 105,605     | 99,498      | 49,846      | 22,609      | 11,849      | 9,063       | 6,638       |
| <b>Contribution Deficiency</b>                                       | <b>\$ -</b>  | <b>\$ -</b>  | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> |
| <b>Authority's Covered Employee Payroll</b>                          | \$ 2,439,421   | \$ 1,923,350 | \$ 865,273  | \$ 880,038  | \$ 765,372  | \$ 498,963  | \$ 226,090  | \$ 135,414  | \$ 113,284  | \$ 94,829   |
| <b>Contributions as a Percentage of Covered Employee Payroll</b>     | 12.00 %  | 12.00 %      | 12.00 %     | 12.00 %     | 13.00 %     | 9.99 %      | 10.00 %     | 8.75 %      | 8.00 %      | 7.00 %      |

Note: Year 2017 and 2016 include all OPERS plan: pension, combined, and member directed. Years 2015 and prior reflect pension and combined plans only.



## Greater Cincinnati Redevelopment Authority

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

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|   | Last Three Plan Years<br>For the Plan Years Ended December 31 |                   |                   |
|---|---|-------------------|-------------------|
|   | 2017  | 2016              | 2015              |
| Authority's proportion of the net pension liability   | 0.00843 %   | 0.00695 %         | 0.00718 %         |
| Authority's proportionate share of the net pension liability  | \$ 1,912,511  | \$ 1,203,569      | \$ 865,748        |
| <b>Authority's covered employee payroll</b>   | <b>\$ 1,923,350</b>   | <b>\$ 865,273</b> | <b>\$ 880,038</b> |
| <b>Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll</b> | <b>99.44 %</b>  | <b>139.10 %</b>   | <b>98.38 %</b>    |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>                                       | <b>77.30 %</b>  | <b>81.20 %</b>    | <b>86.50 %</b>    |

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  
Greater Cincinnati Redevelopment 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 Greater Cincinnati Redevelopment Authority (the "Authority"), which comprise the basic statement of net position as of December 31, 2017 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 19, 2018.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

To Management and the Board of Directors  
Greater Cincinnati Redevelopment 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

June 19, 2018

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# Dave Yost • Auditor of State

**GREATER CINCINNATI REDEVELOPMENT AUTHORITY**

**HAMILTON COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST, 9 2018**