

**PORT OF GREATER CINCINNATI  
DEVELOPMENT AUTHORITY**

**Financial Statements  
and  
Supplemental Report**

**December 31, 2001**

**with**

**Report of Independent Auditors**





**Auditor of State  
Betty Montgomery**

Board of Directors  
Port of Greater Cincinnati Development Authority  
1014 Vine Street, Suite 1440  
Cincinnati, Ohio 45202

We have reviewed the Independent Auditor's Report of the Port of Greater Cincinnati Development Authority, Hamilton County, prepared by Berge & Company LTD, for the audit period December 7, 2000 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

March 19, 2003

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**Port of Greater Cincinnati Development Authority**

**Financial Statements and Supplemental Report**

December 31, 2001

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## Report of Independent Auditors

The Board of Directors  
Port of Greater Cincinnati Development Authority  
Cincinnati, Ohio

We have audited the accompanying financial statements of the Port of Greater Cincinnati Development Authority as of December 31, 2001 and the period from inception (December 7, 2000) to December 31, 2001, as listed in the table of contents. These financial statements are the responsibility of the Port of Greater Cincinnati Development Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Greater Cincinnati Development Authority, as of December 31, 2001, and the results of its operation and the cash flows of its proprietary fund for the period from inception (December 7, 2000) to December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 5, 2002 on our consideration of the Port of Greater Cincinnati Development Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



November 5, 2002

# Port of Greater Cincinnati Development Authority

## Balance Sheet

December 31, 2001

### ASSETS

Cash	\$ 274,447
Accounts receivable	202,882
Prepaid expenses	5,735
Property and equipment, net	<u>406,695</u>
Total assets	<u>\$ 889,759</u>

### LIABILITIES AND FUND EQUITY

#### Liabilities

Accounts payable	\$ 15,699
Accrued expenses	79,652
Refundable deposit	<u>10,000</u>
Total liabilities	105,351

#### Fund equity

Contributed capital	380,480
Retained earnings	<u>403,928</u>
Total fund equity	<u>784,408</u>
Total liabilities and fund equity	<u>\$ 889,759</u>

The notes to the financial statement are an integral part of this statement.



**Port of Greater Cincinnati Development Authority**  
**Statement of Revenues, Expenses and Changes in Retained Earnings**  
For the period from inception (December 7, 2000) to December 31, 2001

<b>Operating revenues</b>	
Public funding	<u>\$ 1,000,000</u>
Total operating revenues	<u>1,000,000</u>
<b>Operating expenses</b>	
Salaries and benefits	207,047
Professional fees	333,354
Occupancy	24,148
Travel	13,539
Equipment and supplies	3,704
Other operating expenses	<u>19,191</u>
Total operating expenses	<u>600,983</u>
Operating income	399,017
<b>Interest income</b>	<u>4,911</u>
<b>Net income</b>	403,928
<b>Retained earnings at beginning of period</b>	<u>-</u>
<b>Retained earnings at end of period</b>	<u>\$ 403,928</u>

The notes to the financial statement are an integral part of this statement.

# Port of Greater Cincinnati Development Authority

## Statement of Cash Flows

For the period from inception (December 7, 2000) to December 31, 2001

<b>Cash flows from operating activities</b>	
Cash received from funding sources	\$ 808,561
Cash payments for goods and services	(343,501)
Cash payments to employees	<u>(197,316)</u>
Net cash provided by operating activities	267,744
<b>Cash flows from capital and related financing activities</b>	
Acquisition of property and equipment	(33,989)
Proceeds from sale of property and equipment	<u>10,000</u>
Net cash (used in) capital and financing activities	(23,989)
<b>Cash flows from investing activities</b>	
Receipts of interest income	<u>4,911</u>
Net increase in cash	248,666
<b>Cash at beginning of period</b>	<u>25,781</u>
<b>Cash at end of period</b>	<u>\$ 274,447</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 399,017
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	2,181
Changes in assets and liabilities	
Increase in accounts receivable	(191,439)
Increase in prepaid expenses	(5,735)
Decrease in accounts payable	(15,932)
Increase in accrued expenses	<u>79,652</u>
Net cash provided by operating activities	<u>\$ 267,744</u>

The notes to the financial statement are an integral part of this statement.

# Port of Greater Cincinnati Development Authority

## Notes to Financial Statements

### 1. Summary of significant accounting policies

#### Description of the entity

The Port of Greater Cincinnati Development Authority (the Port Authority) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Effective December 7, 2000, the Port Authority's predecessor (Port Authority for Brownfields Redevelopment in Cincinnati and Hamilton County) was dissolved by the City of Cincinnati, Ohio (the City) and Hamilton County, Ohio (the County). As authorized by Ohio Revised Code section 4582.22, the City and the County created a new port authority known as the Port of Greater Cincinnati Development Authority. All the assets and liabilities of the predecessor Port Authority were transferred to and assumed by the newly formed Port Authority.

The Port Authority has limited authority to redevelop the Cincinnati Central Riverfront in accordance with the Central Riverfront Urban Design Master Plan and to identify, restore, and redevelop properties in Hamilton County affected or perceived to be affected by environmental contamination.

The Port Authority management believes this financial statement presents all activities for which the Port Authority is financially accountable.

#### Basis of accounting

The financial statements of the Port Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port Authority also applies Financial Accounting Standards (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

Enterprise accounting is used to account for operations that are financial and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

# Port of Greater Cincinnati Development Authority

## Notes to Financial Statement

### 1. Summary of significant accounting policies (continued)

#### Basis of accounting (continued)

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

The Port Authority maintains budgetary control by not permitting total expenditures and amounts charged to individual expense categories to exceed their respective appropriations without amendment of appropriations by the Board of Directors. All unencumbered appropriations lapse at year-end.

### 2. Deposits

The Port Authority deposits are categorized to give an indication of the level of risk assumed by the Port Authority at year-end. The categories are described as follows:

- Category 1 – Insured or collateralized with securities held by the Port Authority or by its agent in the Port Authority's name.
- Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Port Authority's name.
- Category 3- Uncollateralized

At December 31, 2001, the carrying amount of the Port Authority deposits was \$274,447 and the bank balance was \$278,013. Of the bank balance, \$276,644 was covered by federal deposit insurance and is classified as Category 1 under GASB 3. As authorized by Ohio state statute, the pledging banks have established investment and securities pools to collateralize all public deposits; however these remaining amounts are defined by GASB Statement No. 3 as Category 3, uninsured and uncollateralized, because the securities held as collateral by the financial institutions were not held in the Port Authority's name.

# Port of Greater Cincinnati Development Authority

## Notes to Financial Statement

### 3. Accounts receivable

Accounts receivable consists of the following at December 31, 2001:

City of Cincinnati	\$ 180,000
Mill Creek Restoration Project	<u>22,882</u>
	\$ <u>202,882</u>

### 4. Property and equipment

Property and equipment is comprised of the following at December 31, 2001:

Land and buildings held for development	\$ 374,887
Office equipment	23,801
Leasehold improvements	<u>10,188</u>
	408,876
Less accumulated depreciation	<u>(2,181)</u>
	\$ <u>406,695</u>

Depreciation has been provided using the straight line method and estimating a three year life for leasehold improvements and three to ten year lives for office equipment.

### 5. Refundable deposit

During 2001, the Port Authority entered into a development agreement for a parcel of property owned by the Port Authority. Subject to satisfaction of all the preconditions stated in the development agreement, the Port Authority will perform certain site preparation work. Upon completion of the site preparation work, the Port Authority, at its discretion, will lease or sell the property to the developer. The developer will then complete construction of the project.

The developer has made a "good-faith" deposit which is refundable only in the event the preconditions of the development agreement are not met.

Subsequent to December 31, 2001, the Port Authority received approval of a grant from the State of Ohio Clean Ohio Revitalization Fund totaling \$1,500,000. This grant is to be used for the site preparation work at the property that is subject to the development agreement mentioned above. The estimated costs to complete the site preparation work is \$2,525,499. The Port Authority has received \$2,531,425 in commitments to fund this site work.

# Port of Greater Cincinnati Development Authority

## Notes to Financial Statement

### 6. Public funding

For the period ended December 31, 2001, public funding for the Port Authority came from the following sources:

Hamilton County, Ohio	\$ 500,000
City of Cincinnati, Ohio	<u>500,000</u>
	<u>\$ 1,000,000</u>

The Port Authority is dependent upon these continued sources of funding for continued operations. The City and the County have each agreed to provide \$350,000 in 2002 and \$200,000 in 2003.

### 7. Operating leases

The Port Authority maintains various operating leases for office space and equipment. Rental expense for the period ended December 31, 2001 was approximately \$19,400. The lease for office space provides for thirteen semi-annual renewal options commencing April 30, 2003.

The following is a schedule, by year, of the estimated minimum future lease obligations required as of December 31, 2001:

2002	\$ 31,400
2003	14,200
2004	<u>3,000</u>
	<u>\$ 48,600</u>

### 8. Pension plan

In 2001, the Port Authority did not sponsor a pension plan. Subsequent to December 31, 2001, the Port Authority began participating in the Public Employees Retirement System of Ohio (PERS).

# Port of Greater Cincinnati Development Authority

## Notes to Financial Statement

### 9. Risk management

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

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

### 10. Kenwood Office Project

In September 1985, the Port Authority, through its predecessor organization issued \$8 million of Daily Adjustable Economic Development Revenue Bonds, Series 1985 (the Bonds) for the purpose of making a loan to assist Kenwood Office Associates in providing financing of the costs of acquiring, constructing and installing real and personal property constituting commercial office facilities to be owned by Kenwood Office Associates. A letter of credit has been issued to benefit the Trustee to secure the repayment of the Bonds and up to 62 days interest on the Bonds. The repayment of the loan is secured by a pledge of the revenues and receipts of the project. The Bonds are secured by a mortgage on, and a security interest in, the project granted by Kenwood Office Associates to the Trustee and the issuer of the letter of credit.

The Bonds are a special, limited obligation of the Port Authority, and the principal and interest and any premium on these Bonds is payable solely from, the pledged receipts and are not otherwise an obligation of the Port Authority. The Bonds are not secured by any other obligation of the Port Authority or any pledge of any moneys raised by taxation and does not constitute a debt or pledge of the faith and credit of the Port Authority of the State of Ohio or any political subdivision or agency of instrumentality thereof.

The Bonds are payable as follows only from the funds pledged to secure the Bonds:

2002	\$ 300,000
2003	300,000
2004	300,000
2005	300,000
2006	300,000
Thereafter	<u>5,800,000</u>
	<u>\$ 7,300,000</u>

# Port of Greater Cincinnati Development Authority

## Notes to Financial Statement

### 12. New Accounting Standards

The GASB has issued Statement No. 34, *Basis Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements are effective for the Port Authority’s year ending December 31, 2003. The Authority has not completed an analysis of the impact of these statements on its reported financial condition and results of operations.



## **Supplemental Report**

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

The Board of Directors  
Port of Greater Cincinnati Development Authority  
Cincinnati, Ohio

We have audited the general purpose financial statements of the Port of Greater Cincinnati Development Authority (the Port Authority) as of December 31, 2001 and for the period from inception (December 7, 2000) to December 31, 2001 and have issued our report thereon dated November 5, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Port Authority's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Directors and management, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.



November 5, 2002



**Auditor of State  
Betty Montgomery**

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**PORT OF GREATER CINCINNATI DEVELOPMENT AUTHORITY**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 1, 2003**