Cleveland-Cuyahoga County Port Authority

Basic Financial Statements
December 31, 2009 and 2008

Mary Taylor, CPA
Auditor of State

Board of Directors
Cleveland-Cuyahoga County Port Authority
One Cleveland Center
1375 East Ninth Street, Suite 2300
Cleveland, Ohio 44114

We have reviewed the *Independent Auditors' Report* of the Cleveland-Cuyahoga County Port Authority, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2009 through December 31, 2009. 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 Cleveland-Cuyahoga County Port Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 7, 2010

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Cleveland-Cuyahoga County Port Authority

For the Year Ended December 31, 2009

Table of Contents **Page**

Ciuni &
Panichi
CPAs and Business Advisors

Independent Auditors' Report

To the Board of Directors of
Cleveland-Cuyahoga County Port Authority

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Cleveland-Cuyahoga County Port Authority (the "Authority") as of December 31, 2009 and 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 audit to obtain reasonable assurance about whether the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Authority, as of December 31, 2009 and 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2009, the Authority implemented GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, GASB Statement No. 55, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in AICPA Statements on Auditing Standards.*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2010, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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To the Board of Directors of
Cleveland-Cuyahoga County Port Authority

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 22 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, who 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 supplementary 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The accompanying supplemental schedules on pages 59 through 61 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These supplemental schedules are the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Ciuni & Panichi, Inc.

Cleveland, Ohio
May 25, 2010

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2009

General

As management of the Cleveland-Cuyahoga County Port Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2009. Please read this information in conjunction with the Authority's basic financial statements and footnotes that begin on page 29.

The Authority is an independent political subdivision of the State of Ohio. It has three main business lines: 1) a maritime operation which manages the international docks on the east side of the Cuyahoga River, and a bulk cargo facility on the west side of the river; 2) the development finance operation which manages financing programs involving the issuance of revenue bonds and notes (assets and liabilities associated with the Authority's financing programs are shown in the Statement of Fiduciary Net Assets) and; 3) acts as the administrator and manager of North Coast Harbor.

Overview

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are the Statement of Net Assets, the Statement of Revenue, Expenses and Changes in Net Assets, the Statement of Cash Flows, the Statement of Fiduciary Net Assets, and the accompanying notes to the financial statements. These statements report information about the Authority as a whole and about its activities. The Authority is a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner similar to private-sector business. The statements are presented using economic resources management focus and the accrual basis of accounting.

The Statement of Net Assets presents the Authority's financial position and reports the resources owned by the Authority (assets), obligations owed by the Authority (liabilities), and Authority net assets (the difference between assets and liabilities). The Statement of Revenues, Expenses and Changes in Net Assets present a summary of how the Authority's net assets changed during the year. Revenue is reported when earned and expenses are reported when incurred. The Statement of Cash Flows provides information about the Authority's cash receipts and disbursements during the year. It summarizes net changes in cash resulting from operating, investing and financing activities. The Statement of Fiduciary Net Assets provides information on the assets and liabilities associated with the Authority's issued debt where third parties are the primary obligor for the repayment of the debt. The Authority has no obligation to repay the debt beyond the specific third party revenue sources pledged under the debt agreements. The notes to the financial statements provide additional information that is essential for a full understanding of the financial statements.

Port Activities refers herein to the Authority's core operations, maritime and development finance, including the cost of the administration of the Authority's Operating Groups (Maritime, Development Finance and Budget and Administration, including the fees generated by such groups). The annual operating and capital budgets are based on these activities. A fourth category, entitled "Business Investment", was added in late 2007 as a result of the Authority's long-term strategic plan.

North Coast Harbor (NCH) refers herein to activities involving the maintenance and repair of the NCH common areas, funding for which is paid entirely by the NCH Common Area Maintenance ("CAM") Agreement participants: the Rock and Roll Hall of Fame and Museum, the Great Lakes Science Center, and the Cleveland Browns. Assets, including cash and accounts receivable, are shown as restricted assets on the Authority's Statement of Net Assets. NCH assets are offset by corresponding liabilities on the Authority's Statement of Net Assets. Income and expenses from NCH activities are netted on the Statement of Revenues, Expenses and Changes in Net Assets for fiscal years 2008 and 2009, as they do not reflect the operating results of the Authority.

Statement of Fiduciary Net Assets refers herein to the activities undertaken by the Authority's development finance function and shows the corresponding assets and liabilities associated with all of the financed projects for which bonds and notes issued by the Authority are still outstanding. The Authority is involved in these projects in order to assist private industry in the creation and retention of jobs, primarily within northeastern Ohio.

While financing can be provided under a variety of different structures, the Authority has two main programs for which it issues revenue bonds and notes:

The Authority's Common Bond Fund Program ("Bond Fund") transactions involve construction or other projects financed through the Authority's Fixed Rate Financing Program. A detailed description of the Bond Fund program can be found in the notes to the basic financial statements. Two projects financed through the Authority's Bond Fund program, Essroc (1997A) and Port Capital Improvements (1999A), relate to the Authority's maritime activities and are reflected on the Authority's Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets.

Stand Alone projects involve the financing of similar projects outside of the Bond Fund, whereby the related revenue bonds and notes are not secured by the system of reserves established under the Bond Fund program. Instead, the bonds and notes are secured by the property financed and are payable solely from the payments received by the trustee from the borrowers or other sources designated in the related agreements.

The Authority has no obligations for repayment of the bonds and notes beyond the specific third party revenue sources pledged under the debt agreements; therefore, the debt and any corresponding assets are not recorded on the Authority's Statement of Net Assets, but are shown on the Authority's Statement of Fiduciary Net Assets.

It is important to note the following regarding the Authority's development finance projects:

1. For all Bond Fund financing transactions, the lender may look only to the borrower's lease or loan payments for debt service unless a default arises, in which case the reserve system established by the Authority and borrowers in the Bond Fund will make the debt service payments to the extent sufficient funds are available. The Bond Fund Program was established in 1997 with a $2,000,000 contribution from the Authority's operating funds and was matched with a $2,000,000 grant from the State of Ohio. This $4,000,000 in restricted funds, plus approximately $100,000 in associated interest earnings, is reflected on the Authority's Statement of Net Assets and the earnings on these funds are also recognized as income from investments on the Authority's Statement of Revenues, Expenses, and Changes in Net Assets. Any utilization of this reserve fund would result in a charge to the Authority's earnings.

2. For all Stand Alone debt transactions, the lender may look only to the borrower's lease payments and certain other specified revenue sources, along with borrower cash reserves, to provide funds for debt service payments. The Authority has no obligation to repay this debt, with the exception of the Authority's Cleveland Bulk Terminal facility, which was financed through a non-Bond Fund bond issuance in 1997, 2001, and 2007 where the Authority is obligated to repay the debt.

Condensed Statement of Net Assets Information

The tables below provide a summary of the Authority's financial position and operations for 2009, 2008 and 2007, respectively. Certain reclassifications have been made to restate the 2008 and 2007 financial statements in order to conform to the 2009 presentation.

Comparison of 2009 vs. 2008 Results:

			Change	
	2009	2008	Amount	%
Assets:				
Current assets	$ 15,598,663	$ 12,505,305	$ 3,093,358	24.7%
Capital assets – net	39,591,904	40,592,789	(1,000,885)	(2.5%)
Restricted and other assets	8,478,524	11,353,675	(2,875,151)	(25.3%)
Total assets	63,669,091	64,451,769	(782,678)	(1.2%)
Liabilities and net assets:				
Liabilities:				
Current liabilities	6,717,657	4,541,478	2,176,179	47.9%
Current liabilities payable from restricted assets	772,784	674,773	98,011	14.5%
Other liabilities – including amounts relating to restricted assets	12,252,135	14,940,289	(2,688,154)	(18.0%)
Total liabilities	19,742,576	20,156,540	(413,964)	(2.1%)
Net assets:				
Invested in capital assets net of related debt	27,992,675	28,468,899	(476,224)	(1.7%)
Restricted for debt service	6,734,806	7,331,262	(596,456)	(8.1%)
Unrestricted	9,199,034	8,495,068	703,966	8.3%
Total net assets	$ 43,926,515	$ 44,295,229	$ (368,714)	(0.8%)

***Current Assets**:* Current assets increased from December 31, 2008 to December 31, 2009 by approximately $3.1 million. The largest increase in this classification came from a $2.25 million note receivable from Chancellor University, which matures on August 21, 2010, having been previously classified in Restricted and other assets, as well as an additional $161,000 receivable that is due in March of 2010. Other increases in current assets related to a $169,000 increase in accounts receivable from customers who had not paid balances due as of December 31, 2009 and a $557,000 increase in the Authority's unrestricted cash and investment balances. Even though the Authority shows a decrease in Net Assets for 2009, cash flow from noncapital financing activities and investing activities helped contribute to an overall positive cash flow balance for 2009.

***Capital Assets**:* The Authority's investment in capital assets as of December 31, 2009 and 2008 amounted to approximately $39.6 million and $40.6 million, respectively (net of accumulated depreciation). Capital assets before accumulated depreciation increased by approximately $295,000 from December 31, 2008 to December 31, 2009. The major component of the fixed asset activity was related to wind damage to Warehouse A that required a portion of the roof to be replaced, which was paid for from insurance proceeds. The $102,000 reductions in net capital assets were also a direct result of the wind damage, as the carrying value of the replaced portion of the roof was written-off. Accumulated depreciation increased approximately $1.2 million during the same period, resulting in the decrease in the net capital assets. A summary of the activity in the Authority's capital assets during the year ended December 31, 2009, is as follows:

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
Land and land improvements	$ 18,419,075	$ -	$ -	$ 18,419,075
Buildings, infrastructures, and leasehold improvements	34,396,256	294,570	(101,673)	34,589,153
Equipment	827,897	-	-	827,897
	53,643,228	294,570	(101,673)	53,836,125
Less accumulated depreciation	(13,050,439)	(1,234,451)	40,669	(14,244,221)
Capital assets – net	$ 40,592,789	$ (939,881)	$ (61,004)	$ 39,591,904

***Restricted and Other Assets**:* Restricted and other assets decreased by $2.9 million December 31, 2008 to December 31, 2009. Nearly all of the decrease is attributable to receivables relating to the sale of Myers University to Chancellor University. A $2.25 million note was reclassified to Current Assets, as well as another $504,000 in previous receivables that have either been collected or reclassified.

***Current Liabilities**:* Current liabilities increased in 2009 by approximately $2.2 million, mainly due to the Authority's $2.25 million promissory note to a local financial institution coming due on September 10, 2010. Other current liabilities remained relatively consistent with previous periods. Although accrued wages and benefits only increased by $34,000, there were numerous changes in this account. As of December 31, 2009, the Authority accrued approximately $180,000 in wage and benefits related to the resignation of the Port's President and Chief Executive Officer. As part of a Settlement Agreement reached between the CEO and the Board of Directors, the Authority agreed to two (2) $150,000 payments to the former CEO, along with continued health coverage until March of 2011. This increase in accrued wages and benefits was offset by the fact the Authority had no accrued wages as of December 31, 2009, due to the timing of the year-end payroll. This resulted in a $68,000 decrease in accrued wages attributable to normal payroll. Other decreases were in the Authority's vacation accrual, which was reduced by $83,000, as there were numerous personnel changes at the end of 2009. In December 2009, the Authority eliminated 4 positions within the organization, which reduced the year-end vacation accrual. Additionally, the Authority had 2 retirements of long-time employees in 2009, which also contributed to the decrease in the vacation accrual.

***Current Liabilities Payable from Restricted Assets**:* Current liabilities payable from restricted assets in 2009 increased by $98,000 from 2008. This line item is solely related to the Authority's management of North Coast Harbor, which increased their amounts due to the City of Cleveland and other CAM participants by $98,000 to a total of $699,000; of which there was an offsetting restricted cash of $668,000 and receivables of $31,000.

Other Liabilities – including amounts relating to restricted assets: This line item decreased by $2.7 million or 18% compared to 2008. The reason for the decrease is due to the previously mentioned note payable becoming due in September of 2010 and now is classified as a current liability. Other decreases came from a $542,000 reduction in the Authority's long-term debt obligations and the amortization of deferred operating lease income from the CBT property of $126,000. These decreases were offset by an increase in accrued rent of $230,000 as of December 31, 2009. This amount represents the accrual recorded by the Authority to account for the rent holiday received in negotiating a new office lease at One Cleveland Center.

The activity in the Authority's debt obligations outstanding during the year ended December 31, 2009 and 2008, respectively, is summarized below (unamortized premiums and discounts have been combined into the appropriate increase/decrease columns):

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
Cleveland Bulk Terminal	$ 5,260,000	$ -	$ (140,000)	$ 5,120,000
Port Improvements 1999A	3,421,399	1,383	(250,000)	3,172,782
Essroc 1997A	3,091,321	5,194	(90,000)	3,006,515
State of Ohio 166 Loan	351,170	-	(51,238)	299,932
Note payable	2,250,000	-	-	2,250,000
Total	$ 14,373,890	$ 6,577	$ (531,238)	$ 13,849,229

Additional information on the Authority's long-term debt can be found in the notes to the Authority's financial statements.

***Net Assets**:* Net Assets serves as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by $43.9 million at the close of the most recent fiscal year.

The largest portion of the Authority's net assets (approximately 64%) represents its investment in capital assets (e.g., land, land improvements, buildings, infrastructures, leasehold improvements, and equipment), net of accumulated depreciation, less any related outstanding debt used to acquire those assets.

Of the $6.7 million in net assets restricted for debt service, the majority represents cash and investments that are reserved for debt service payments on the Authority's own debt issues, as well as the $4.1 million in restricted funds that are designated to support Common Bond Fund issuances. The remainder of the net assets on the Authority's Statement of Net Assets are unrestricted.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2009

Comparison of 2008 vs. 2007 Results:

	2008	2007	Change Amount	Change %
Assets:				
Current assets	$ 12,505,305	$ 15,129,988	$ (2,624,683)	(17.3%)
Capital assets – net	40,592,789	41,687,657	(1,094,868)	(2.6%)
Restricted and other assets	11,353,675	7,365,898	3,987,777	54.1%
Total assets	64,451,769	64,183,543	268,226	0.4%
Liabilities and net assets:				
Liabilities:				
Current liabilities	4,541,478	4,371,104	170,374	3.9%
Current liabilities payable from restricted assets	674,773	1,583,113	(908,340)	(57.4%)
Other liabilities – including amounts relating to restricted assets	14,940,289	13,345,560	1,594,729	11.9%
Total liabilities	20,156,540	19,299,777	856,763	4.4%
Net assets:				
Invested in capital assets net of related debt	28,468,899	29,086,331	(617,432)	(2.1%)
Restricted for debt service	7,331,262	4,554,318	2,776,944	61.0%
Unrestricted	8,495,068	11,243,117	(2,748,049)	(24.4)%
Total net assets	$ 44,295,229	$ 44,883,766	$ (588,537)	(1.3%)

Current Assets*:* Current assets decreased from December 31, 2007 to December 31, 2008 by approximately $2.6 million. The largest decrease in this classification came from a $2.4 million decrease in the Authority's unrestricted cash and investment balances attributable to the Authority's decision to assist in the redemption of the 2004 E bonds (Myers University) in order to avoid a draw on the reserve system of the Common Bond Fund Program.

Capital Assets*:* The Authority's investment in capital assets as of December 31, 2008 and 2007 amounted to approximately $40.6 million and $41.7 million, respectively (net of accumulated depreciation). Capital assets before accumulated depreciation increased by approximately $142,000 from December 31, 2007 to December 31, 2008. The major components of the increase in capital assets before accumulated depreciation were $17,500 in improvements to Warehouse A. Additionally, the Authority invested $111,000 in leasehold improvements to Warehouses 24 and 26, such as dock timbers, light fixtures, replacing doors and a new furnace. Finally, the Authority invested approximately $13,400 in operational equipment, comprised of new movable guard houses and enhancements to the information technology infrastructure for administrative operations. Accumulated depreciation increased approximately $1.2 million during the same period, resulting in the decrease in the net capital assets. A summary of the activity in the Authority's capital assets during the year ended December 31, 2008, is as follows:

	Restated Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
Land and land improvements	$ 18,419,075	$ -	$ -	$ 18,419,075
Buildings, infrastructures, and leasehold improvements	34,267,817	128,439	-	34,396,256
Equipment	814,489	13,408	-	827,897
	53,501,381	141,847	-	53,643,228
Less accumulated depreciation	(11,813,724)	(1,236,715)	-	(13,050,439)
Capital assets – net	$ 41,687,657	$ (1,094,868)	$ -	$ 40,592,789

***Restricted and Other Assets**:* Restricted and other assets increased by $4.0 million December 31, 2007 to December 31, 2008. This is partially due to a $1.6 million increase in restricted cash and investments as a result of the Authority securing a $2.25 million loan with $2.5 million in investments. This increase was offset by a decline in the Authority's Auxiliary cash reserve of $1.3 million which was utilized to redeem the bonds outstanding associated with the Myers University project. The Authority also received $225,000 in December of 2008 related to the sale of Myers University. These funds will be restricted by the Authority until all legal proceedings relating to the sale of Myers University are completed. The additional increases in restricted assets related to the remaining terms of the sale of Myers, where the Authority is due to receive approximately $2.5 million over a 2-year period.

***Current Liabilities**:* Current liabilities increased in 2008 by approximately $170,400, mainly due to a $35,000 increase in accounts payable and $70,000 increase in accrued wages and benefits, due to the timing of the year-end payroll and additional hires made throughout 2008.

***Current Liabilities Payable from Restricted Assets**:* Current liabilities payable from restricted assets in 2008 decreased by $908,340 from 2007. The most material change in this account relates to a loan loss reserve booked by the Authority in 2007 related to the financing of the Myers University project, financed through the Authority's Common Bond Fund Program (See Note 17). The Authority reserved $1,102,500 as the expected loss on this financing at December 31, 2007. This decrease was offset by an increase in restricted accounts payable related to the Authority's management of North Coast Harbor, which increased their amounts due to the City of Cleveland and other CAM participants by $191,000 to a total of $600,000; of which there was an offsetting restricted cash of $585,000 and receivables of $15,000.

Other Liabilities – including amounts relating to restricted assets: The majority of activity in this category relates to the Authority's long-term debt obligations, which are outlined below. In 2008, the Authority issued a $2,250,000 promissory note, which matures on September 10, 2010. The proceeds from the loan were used to pay off a portion of Myers outstanding 2004E bonds in the Authority's Common Bond Fund Program. Interest on the outstanding principal amount of the note is calculated on the 3-month LIBOR rate, plus an applicable margin (0.60% per annum). Interest is due quarterly, and the principal balance is due on the maturity date.

The activity in the Authority's debt obligations outstanding during the year ended December 31, 2008 and 2007, respectively, is summarized below (unamortized premiums and discounts have been combined into the appropriate increase/decrease columns):

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
Cleveland Bulk Terminal	$ 5,380,000	$ -	$ (120,000)	$ 5,260,000
Port Improvements 1999A	3,654,921	1,478	(235,000)	3,421,399
Essroc 1997A	3,166,002	5,319	(80,000)	3,091,321
State of Ohio 166 Loan	400,403	-	(49,233)	351,170
Note payable	-	2,250,000	-	2,250,000
Total	$ 12,601,326	$ 2,256,797	$ (484,233)	$ 14,373,890

Additional information on the Authority's long-term debt can be found in the notes to the Authority's financial statements.

Net Assets*:* Net Assets serves as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by $44.3 million at December 31, 2008.

The largest portion of the Authority's net assets (approximately 64%) represents its investment in capital assets (e.g., land, land improvements, buildings, infrastructures, leasehold improvements, and equipment), net of accumulated depreciation, less any related outstanding debt used to acquire those assets.

Of the $7.3 million in net assets restricted for debt service, the majority represents cash and investments that are reserved for debt service payments on the Authority's own debt issues, as well as the $4.1 million in restricted funds that are designated to support Common Bond Fund issuances. The remainder of the net assets on the Authority's Statement of Net Assets are unrestricted.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2009

Statement of Revenues, Expenses, and Changes in Net Assets Information

The Authority's operations decreased its net assets by $369,000 in 2009. Key elements of these changes are summarized below:

	2009	2008	Change Amount	Change %
Operating revenues:				
Wharfage, dockage, and storage	$ 471,015	$ 1,063,188	$ (592,173)	(55.7%)
Property lease and rentals	1,707,715	1,843,668	(135,953)	(7.4%)
Financing fee income	1,377,519	869,491	508,028	58.4%
Foreign trade zone fees	137,500	365,000	(227,500)	(62.3%)
Dredge disposal fees	162,419	172,844	(10,425)	(6.0%)
Parking revenues and other	282,691	321,401	(38,710)	(12.0%)
Total operating revenues	4,138,859	4,635,592	(496,733)	(10.7%)
Operating expenses:				
Salaries and benefits	3,321,180	2,626,760	694,420	26.4%
Professional services	1,578,848	1,619,520	(40,672)	(2.5%)
Facilities lease and maintenance	830,962	990,888	(159,926)	(16.1%)
Marketing and communications	259,075	501,441	(242,366)	(48.3%)
Depreciation expense	1,234,451	1,236,715	(2,264)	(0.2%)
Office expense	384,776	338,543	46,233	13.7%
Other expense	271,180	208,062	63,118	30.3%
Total operating expenses	7,880,472	7,521,929	358,543	4.8%
Operating loss	(3,741,613)	(2,886,337)	(855,276)	29.6%
Nonoperating revenues (expenses):				
Property tax receipts	3,286,413	3,266,951	19,462	0.6%
Nonoperating grant revenue – State	5,000,000	-	5,000,000	100.0%
Nonoperating grant revenue – other	227,700	-	227,700	100.0%
Income from investments	465,923	853,606	(387,683)	(45.4%)
Interest expense	(812,997)	(798,012)	(14,985)	1.9%
Non-operating grant disbursements – State	(5,000,000)	-	(5,000,000)	100.0%
Gain on insurance recovery	205,860	-	205,860	100.0%
Total nonoperating revenues – net	3,372,899	3,322,545	50,354	1.5%
Change in net assets before special item	(368,714)	436,208	(804,922)	(184.5%)
Special item – loan loss	-	(1,024,745)	1,024,745	(100.0%)
Change in net assets	(368,714)	(588,537)	219,823	(37.4%)
Net assets – beginning of year, restated	44,295,229	44,883,766	(588,537)	(1.3%)
Net assets – end of year	$ 43,926,515	$ 44,295,229	$ (368,714)	(0.8%)

Operating Revenues: Collectively, total operating revenues decreased by nearly $497,000, down from $4.6 million in 2008. For most of 2009, the Authority operated in an extremely challenging economic environment, as did most public and private sector enterprises. The Authority's maritime business is correlated with local steel consumption, which deteriorated greatly in 2009.

In February of 2009, Fitch Ratings downgraded the Authority's implied rating to 'BBB-' from 'BBB' and revised the Outlook to 'Negative' from 'Stable'. The downgrade to 'BBB-' cited the "financial strain the Authority faces beginning in 2009 due to lower forecasted revenues and higher expenses, primarily attributed to the current economic downturn and as a result of additions to personnel which have increased salary and benefit costs as well as other operating expenses."

A discussion of the components of operating revenues and the corresponding changes are as follows.

Wharfage, Dockage, and Storage: These revenues are generated from Authority cargo movements and they collectively decreased 56% from $1,063,000 in 2008 to approximately $471,000 in 2009. Overall tonnage handled by our primary break-bulk terminal operator decreased by 211,274 tons or 56% to 166,550. This decrease resulted in a $176,000 decrease in wharfage and dockage revenues attributable to our primary break-bulk operator. The large decrease was a result of the global recession, which affected demand for steel consumption in Northeast Ohio fairly dramatically. Additionally, throughput at the Cleveland Bulk Terminal facility, leased by Carmeuse Lime & Stone, Inc., decreased by 66% to a total of 780,657 of inbound tons of iron ore and limestone. This decreased wharfage revenues at the CBT facility by $405,000 from the previous year. The facility supplies iron ore to a local steel plant, which was idled for a large portion of the 2009 fiscal year, weakening demand. The remaining $11,000 decline was related to a drop in storage revenues, also related to the slowdown in demand for break-bulk goods.

Property Lease and Rentals: The $136,000 or 7.4% decrease in property lease and rentals is primarily due to the variable portion of the Operating Agreement with the Authority's sole terminal operator, Federal Marine Terminals ("FMT"), which took effect in April of 2008. The Agreement called for a Volume Sharing Fee, which is dependent on the annual tonnage handled at the facility, which declined 56% and resulted in a $158,000 decline in rental payments. This decline was offset slightly by an additional $31,000 in rentals received from submerged land leases from the Ohio Department of Natural Resources. The only other material change was the Authority taking an $11,000 charge for bad debt expense from one of its tenants. Smaller increases of about $2,000 were achieved in rental payment for those tenants under long-term lease, where increases were either scheduled or subject to a CPI increase.

Financing Fee Income: Development finance fees increased by $508,000 in 2009 to $1.4 million. Development finance fee income is essentially earned in three ways: (1) closing fees, which are one-time fees charged on Stand Alone and Bond Fund projects based on the amount financed at the time the bonds are issued; (2) bond service fees, which are ongoing annual fees charged on certain projects with principal outstanding; and (3) application and acceptance fees which are non-refundable monies received by the Authority prior to the issuance of bonds or notes. In 2009, the Authority assisted in financing 2 large transactions (Eaton Corporation Headquarters and Veterans Affairs Hospital), resulting in $625,000 in closing fees. Additionally, the Authority had received $75,000 in fees from projects which did not close in 2009 (Flats East Bank and Higbee TIF). In 2008, the Authority worked on more projects, but they were of a much smaller scale and resulted in fewer closing fees.

Approximately $678,000 in financing fee income related to existing projects and the administrative fees associated with them, which was a $37,000 decrease over 2008. The decrease related to the redemption of bonds issued for a project with $100,000 in annual administrative fees. Additionally, the continued reduction in principal of outstanding projects, which is offset by fee income generated from new transactions, reduces annual administrative fees.

Foreign Trade Zone Income: Foreign trade zone fees declined by $227,500 in 2009 to $137,500. This 62% decline was a direct result of changes to the State of Ohio tax code which eliminated a tax on inventory, which provided less of incentive for a company to participate in the FTZ program. The number of participants in the program declined to only 7 participants in 2009 versus 18 in 2008.

Dredge Disposal Fees: In 2008, the Authority Board of Directors authorized a resolution for the Authority to enter into dredge disposal agreements with organizations that may have a need to store privately dredged material in Dike Disposal Site 12 at the north side of Burke Lakefront Airport. The Authority accepted 23,203 cubic yards of dredged material from private facilities at a charge of $7 per cubic yard. This was a 6% decline from 2008.

Parking Revenues and Other: These parking revenues, which total $273,000 in 2009, relate only to revenues which can be utilized by the Authority and are not associated with the CAM Agreement with NCH. The current parking agreement is largely fixed, but does have a variable component that is affected by the number of special events held near the Ports' docks, as well as attendance at Cleveland Browns home games. The variable portion of the parking revenues decreased by $16,000 in 2009 when compared to 2008. Other income items include the Authority's administrative fee for NCH ($10,000), which is consistent with previous periods. There was no use of the Authority's heavy lift crane or other operating revenues in 2009, which accounted for a $23,000 decrease in this line item.

Operating Expenses: Operating expenses increased approximately $359,000 (4.8%) in 2009 compared to 2008. The most significant operating expense of the Authority are salary and benefit costs, which increased by 26.4% or $694,000. Of this increase, $541,000 related to higher salaries and severance costs compared to 2008. As the result of the Authority's strategic plan in 2007, numerous positions were added to the organizational structure throughout 2008, with the full-year effect taking place in 2009. Additionally, in November of 2009, the Board of Directors entered into a Separation Agreement with the President and CEO. The Agreement called for the Authority to pay the former executive a total of $300,000 in two installments, as well as continued health care coverage for the next 18 months. The total amount of expense recognized from this arrangement in 2009 was $295,277. Other categories that experienced significant increases (mainly as a result of increased personnel) were PERS contributions ($42,000), medicare, dental and hospitalization expenses ($97,000) and workers compensation and unemployment costs ($16,000).

In December of 2009, the Authority eliminated 4 positions within the organization, 3 full-time positions and 1 part-time position. The severance cost associated with the position eliminations was $25,000 and was recognized in 2009. Also in December, the Board of Directors appointed an interim President and CEO, who agreed to perform their duties for $1 and was not paid PERS or medical benefits.

The remaining operating expenses represent the cost of operating the Authority which includes facilities lease and maintenance (includes maintenance of the port facilities and lease payments to the City of Cleveland for Docks 24-30), professional services (legal, insurance, etc.), marketing and communications, office expense, other expense (which includes employee business expenses, seminars and education, and Authority dues and memberships) and depreciation.

The increase in these operating expenses during 2009 is detailed below:

- Professional services decreased by $41,000 or 2.5% over their 2008 levels. Legal expenses decreased by $177,000 from the previous year, mainly due to the 2008 transaction in which Myers University was sold to another entity and the bonds originally issued by the Authority were called. Other decreases were attributable to the Port Relocation Project, which is examining the feasibility and conceptual planning for relocating the existing downtown docks to a new location. The new port would be built utilizing dredged material in a Confined Disposal Facility (CDF) constructed by the U.S. Army Corps of Engineers. The project, which underwent $175,000 worth of further planning in 2009, was $248,000 less than in 2008. Other decreases came from a reduction in temporary labor ($35,000), strategic planning services ($16,000), audit expenses ($12,000), government relations ($43,000) and real estate and other services ($10,000). These decreases were offset by other initiatives which required additional outside assistance. In 2009, the Authority hired a Master Planner to assist in the redevelopment of the existing Port Authority Docks and also contracted with an outside firm to assess the potential market for alternative uses of these facilities. These expenditures totaled nearly $500,000 and were completed in 2009.

- Facilities lease and maintenance expense decreased by $160,000 over their 2008 levels. The large decrease was due to the Authority scaling back certain expenditures in order to offset a weakened economic environment affecting both the shipping and financing lines of business at the Port. The Authority did not undertake its annual maintenance paving program, saving $69,000. Additionally, investments in landscaping and other aesthetic improvements that took place in 2008 did not happen in 2009, saving $27,000. An additional $38,000 in savings came from lower utility bills, mainly a product of less usage and less cargo than in 2008. The remainder of the decrease, approximately $26,000, came from an overall reduction in the 2009 maintenance program.

- Marketing and communication expenses decreased by $242,000 or 48% in 2009, mainly due to the slowdown in the global economy, which caused the Authority to limit discretionary expenses, most notably marketing and communications expenses. In 2008, the Authority sponsored an event entitled "Port Fest" at a cost of $140,000; this expense did not occur in 2009. Other decreases came from $15,000 less expenses on professional communications services, $32,000 less in print and media advertising, $11,000 less in travel and business development expenses as well as a $44,000 decline in "community support" efforts, such as the Authority's $20,000 2008 contribution to the Steel Heritage Center at Steelyard Commons.

- Office expenses increased by $46,000 in 2009 as a result of the Board of Directors approving a new lease agreement at One Cleveland Center for an additional 4,320 of square feet of space compared with 2008. The additional space was subleased to a third party in 2010, but resulted in an additional $39,000 in rental expense for 2009. Other increases related to higher phone and data charges as a result of additional employees who were added in the 2nd half of 2008.

- Other expenses increased by $63,000 to $271,000 in 2009 as a result of a few factors. The main increase was a $47,000 loan commitment fee the Authority paid to the State of Ohio for a $4.7 million loan the

Authority was awarded. The remainder of the increase was attributable to board and committee meeting expenses, which increased in frequency in 2009 and were held in a fee-for-service conference center in the building in which the Authority's offices are located.

Nonoperating Revenues (Expenses): Net nonoperating revenues remained fairly consistent from 2008. The most significant changes were:

- ***Property tax receipts***: The largest portion of nonoperating revenues results from the Authority's .13 mil property tax levy. This amount remained relatively consistent with its 2008 levels as the millage relating to this levy did not change and property values and collection rates remained consistent.

- ***Nonoperating grant revenue – State***: In May of 2007, the Authority was awarded a $5,000,000 grant from the State of Ohio to assist in investments being made for the NASA Plum Brook Space Power Facility in Erie County, Ohio. In 2009, these funds were received by the Authority and disbursed to NASA to reimburse them for the costs incurred in developing the technical center.

- ***Nonoperating grant revenue – other***: In 2009, the Authority was awarded a $450,000 grant from the Cleveland Foundation for "transformative investment initiatives". The Authority received $275,000 in grant funds during 2009 and had expended $227,700 in funds related to these initiatives as of December 31, 2009, with $47,300 being recorded as deferred revenue. The majority of the $227,700 in expended funds was used to offset coasts associated for the planning of the existing Port lakefront land for residential and recreational use. The expenses associated with the grant are included in professional services.

- ***Income from investments****:* The $388,000 decrease in this line item is due to several, mainly macroeconomic issues. The global recession depressed interest rates to historic lows and the Authority earned very little interest on its cash balances. Additionally, investments owned by the Authority with call provisions were all exercised and reinvested at significantly lower interest rates.

- ***Interest expense****:* The $15,000 increase in interest expense results from a $36,000 increase in interest expense from the bonds securing the CBT facility, which are variable-rate demand bonds and experienced higher interest rates and swap fees as a result of the financial crisis. The increase was offset by the continued reduction of principal of the Authority's existing, fixed-rate, direct debt obligations.

- ***Nonoperating grant disbursements – State***: See note above regarding the $5,000,000 grant from the State of Ohio.

- ***Gain on insurance recovery***: In 2009, the one of the Authority's warehouses (Warehouse A) was damaged from high winds. Approximately 25% of the roof needed to be replaced and was covered under the Port Authority's property insurance coverage. After accounting for the receipt of the insurance proceeds and writing-off a portion of the roof that was replaced, a $206,000 gain was recognized.

- ***Special item****:* See Note 17 to the basic financial statements for information relating to the Special Item relating to the anticipated loss of financing from the Myers University project that occurred in 2008 and previous periods.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2009

The Authority's operations decreased its net assets by $589,000 in 2008. Key elements of these changes are summarized below:

	2008	2007	Change Amount	Change %
Operating revenues:				
Wharfage, dockage, and storage	$ 1,063,188	$ 1,129,824	$ (66,636)	(5.9)%
Property lease and rentals	1,843,668	1,973,482	(129,814)	(6.6)%
Financing fee income	869,491	1,366,725	(497,234)	(36.4)%
Foreign trade zone fees	365,000	395,000	(30,000)	(7.6)%
Dredge disposal fees	172,844	-	172,844	-
Parking revenues and other	321,401	288,312	33,089	11.5%
Total operating revenues	4,635,592	5,153,343	(517,751)	(10.0)%
Operating expenses:				
Salaries and benefits	2,626,760	2,551,828	74,932	2.9%
Professional services	1,619,520	1,351,225	268,295	19.9%
Facilities lease and maintenance	990,888	830,748	160,140	19.3%
Marketing and communications	501,441	210,329	291,112	138.4%
Depreciation expense	1,236,715	1,213,860	22,855	1.9%
Office expense	338,543	357,214	(18,671)	(5.2)%
Other expense	208,062	219,936	(11,874)	(5.4)%
Total operating expenses	7,521,929	6,735,140	786,789	11.7%
Operating loss	(2,886,337)	(1,581,797)	(1,304,540)	82.5%
Nonoperating revenues (expenses):				
Property tax receipts	3,266,951	3,316,311	(49,360)	(1.5)%
Income from investments	853,606	1,007,887	(154,281)	(15.3)%
Interest expense	(798,012)	(847,355)	49,343	(5.8)%
Other – net	-	(230,954)	230,954	(100.0)%
Total nonoperating revenues – net	3,322,545	3,245,889	76,656	2.4%
Change in net assets before special item	436,208	1,664,092	(1,227,884)	(73.8)%
Special item – loan loss	(1,024,745)	(1,102,500)	77,755	(7.1)%
Change in net assets	(588,537)	561,592	(1,150,129)	(204.8)%
Net assets – beginning of year, restated	44,883,766	44,322,174	561,592	1.3%
Net assets – end of year	$ 44,295,229	$ 44,883,766	$ (588,537)	(1.3)%

Operating Revenues: Collectively, total operating revenues decreased by nearly $518,000, down from $5.2 million in 2007. A discussion of the components of operating revenues and the corresponding changes are as follows.

Wharfage, Dockage, and Storage: These revenues are generated from Authority cargo movements and they collectively decreased 6% from $1,130,000 in 2007 to approximately $1,063,000 in 2008. Overall tonnage handled by our terminal operator increased by approximately 10,500 tons or 3% to 377,824. This increased wharfage revenues by 3% over 2007 levels to approximately $274,500. Even though tonnage increased for our terminal operator, a portion of the break-bulk cargo shipped into our docks was done via a new barge service. Barge operations are not charged dockage, as they are not in port for an extended period of time. This decreased dockage revenues by $39,000 or 21% from 2007 levels to $149,000. Additionally, the type of steel cargo that arrived in 2008 required less inside storage than the 2007 season, resulting in a 55% or $17,500 reduction in storage revenues. Finally, throughput at the Cleveland Bulk Terminal facility, leased by Carmeuse Lime & Stone, Inc., decreased by 2% to a total of 2,275,810 of inbound tons of iron ore and limestone. This decreased wharfage revenues at the CBT facility by $17,000 from the previous year.

Property Lease and Rentals: The $130,000 or 6.6% decrease in property lease and rentals is primarily due to the restructuring of the Operating Agreement with the Authority's sole terminal operator, Federal Marine Terminals ("FMT"), which took effect in April of 2007. The Authority received approximately $435,000 in base rental payments as well as $283,000 in terminal usage fees for a total of $718,000 in 2008. In 2007, the Authority received a total of $812,000 in payments from the terminal operator, a decrease of $94,000. The Operating Agreement was restructured in April of 2007 to provide a lower base rental and a per ton Volume Sharing Fee. The 2007 Property Lease and Rentals line item had 3 months of rental payments that were based on the 2006 Agreement, which had a higher base rental and no Volume Sharing Fee. Additionally, revenues from submerged land leases, which are administered by the Ohio Department of Natural Resources, decreased by $50,000, as a significant lease changed use in 2008 and no longer pays a similar lease rate to the one that existed in previous periods.

Decreases in the Operator Agreement rentals and the submerged land leases were offset by continued rentals of Authority owned property under existing lease or operating agreements, which increased by approximately $13,000 for 2008 over 2007. These agreements, which are not throughput dependent, have scheduled increases or are increased by some version of the Consumer Price Index.

Financing Fee Income: Development finance fees decreased from $1.4 million in 2007 to $869,000 in 2008. Development finance fee income is essentially earned in three ways: (1) closing fees, which are one-time fees charged on Stand Alone and Bond Fund projects based on the amount financed at the time the bonds are issued; (2) bond service fees, which are ongoing annual fees charged on certain projects with principal outstanding; and (3) application and acceptance fees which are non-refundable monies received by the Authority prior to the issuance of bonds or notes. In 2008, the Authority assisted in financing 4 separate, but smaller projects and began work on another, totaling $155,500 in new fees related to Development Finance. This was a $494,000 decline from 2007, as the Authority closed on a large transaction involving the Cleveland Clinic and received additional fees through a project financed via New Markets Tax Credits.

Additionally, the global credit crisis stalled some of the larger projects the Authority was working on in the third and fourth quarters of 2008. Approximately $730,000 in financing fee income related to existing projects and the administrative fees associated with them, which was a $3,500 decrease over 2007. The decrease related to the continued reduction in principal of outstanding projects, which is offset by fee income generated from new transactions.

Foreign Trade Zone Income: Foreign trade zone fees declined by $30,000 in 2008 to $365,000 as two participants left the program in 2008 and one new participant was added.

Dredge Disposal Fees: In 2008, the Authority Board of Directors authorized a resolution for the Authority to enter into dredge disposal agreements with organizations that may have a need to store privately dredged material in Dike Disposal Site 12 at the north side of Burke Lakefront Airport. The Authority accepted 24,692 cubic yards of dredged material from private facilities at a charge of $7 per cubic yard. There were no dredge disposal fees in 2007.

Parking Revenues and Other: These parking revenues, which total $289,000 in 2008, relate only to revenues which can be utilized by the Authority and are not associated with the CAM Agreement with NCH. These amounts remained consistent with their 2007 levels as a similar number of events were held at or near the Authority's facilities that are used for parking in 2008. Other income items include the Authority's administrative fee for NCH ($11,000), rental of the Authority's heavy lift crane ($9,000) and other miscellaneous items ($12,000).

Operating Expenses: Operating expenses increased approximately $787,000 (l1.7%) in 2008 compared to 2007. The most significant operating expense of the Authority are salary and benefit costs, which increased by 3% or $75,000. Although the Authority hired several new positions in 2008, the costs were offset by positions that were vacated in 2007. Additionally, a majority of the hiring took place in the 3rd and 4th quarters of 2008 and the full-year effect will not be seen until 2009. Smaller increases were seen across all personnel cost categories, such as salaries ($35,000), PERS contributions ($11,000) hospitalization ($23,000), and workers compensation costs ($4,000).

The remaining operating expenses represent the cost of operating the Authority which includes facilities lease and maintenance (includes maintenance of the port facilities and lease payments to the City of Cleveland for Docks 24-30), professional services (legal, insurance, etc.), marketing and communications, office expense, other expense (which includes employee business expenses, seminars and education, and Authority dues and memberships) and depreciation.

The increase in these operating expenses during 2008 is detailed below:

- Professional services increased by $268,000 or 20% over their 2007 levels. The largest increase was in legal expenses, which increased by $136,000 from 2007, mainly due to the legal expenses of the Authority's Common Bond Fund Program as Myers University was eventually sold to another entity. The bonds issued by the Bond Fund were tax-exempt and Myers was eventually sold to a for-profit entity, increasing the complexity of the transaction. Other increases were attributable to the Port Relocation Project, which is examining the feasibility and conceptual planning for relocating the existing downtown docks to a new location. The new port would be built utilizing dredged material in a Confined Disposal Facility (CDF) constructed by the U.S. Army Corps of Engineers. The project, which underwent further planning throughout 2008, increased professional services by $85,000. Additionally, the Authority explored the possible sale of a portion of land and retained an outside firm to assist in determining the potential value of the site, which resulted in an additional $75,000 in expenditures.

These increases were offset by reductions in other professional services, such as local community and government relations representation, which was not retained for 2008 and lower insurance and information technology costs.

- Facilities lease and maintenance expense increased by $160,000 over their 2007 levels. While the types of maintenance done to Authority facilities are relatively consistent from year to year, the Authority did spend $69,400 on maintenance paving to repair certain areas of the docks. Furthermore, the Authority spent approximately $27,000 on additional landscaping improvements in order to improve the appearance of the port surroundings in preparation of "Port Fest", an event sponsored by the Authority to raise awareness of the role of maritime in the community. Other increases related to higher security costs due to the implementation of the Transportation Worker Identification Card (TWIC) program ($45,000) and a $20,000 increase in utilities due to higher gas and water charges.

- Marketing and communication expenses increased by $291,000 or 138.4% in 2008. Marketing and communications expenditures are largely a discretionary item and were scaled back significantly in 2008. In 2008, the Authority sponsored "Port Fest", an inaugural event, which cost approximately $140,000 to arrange, including bringing in two "Tall Ships" from other locations and hiring an event management staff to produce the event. Other increases in marketing and communications were attributable to the Authority's $20,000 contribution to the Steel Heritage Center at Steelyard Commons and a $17,000 expenditure to redesign the Authority's website. The remaining increases were related to "normalizing" marketing and communications expenditures consistent with pre-2007 levels with monies spent on print publications, sponsorship of maritime related activities and engagement of outside professional to assist in outreach efforts.

- Office expenses decreased by $19,000 or 5% in 2008. The Authority overhauled the information technology systems in 2007 and incurred less expenditures in 2008 related to this area. Decreases in IT costs and equipment were offset by slightly higher rents, as the Authority was in the final year of its lease at One Cleveland Center in 2008.

- Other expenses decreased by $12,000 in 2008, primarily related to less employee related expenses, such as travel and staff development.

Nonoperating Revenues (Expenses): Net nonoperating revenues remained fairly consistent from 2007. The most significant changes were:

- ***Property tax receipts***: The largest portion of nonoperating revenues results from the Authority's .13 mil property tax levy. This amount remained relatively consistent with its 2007 levels as the millage relating to this levy did not change and property values and collection rates remained consistent with their 2007 levels.

- ***Income from investments****:* The $154,000 decrease in this line item is due to several, mainly macroeconomic issues. Interest rates declined significantly throughout 2008, reducing investment income on both the Authority's cash balances, which are pegged to LIBOR, and our investment portfolio. Numerous bonds in our investment portfolio were called during 2008 and were reinvested at rates much lower than their 2007 yields.

- ***Interest expense**:* The $49,000 decrease in interest expense results from a $75,000 decrease relating to existing debt obligations, as principal is continued to be paid-down. This scheduled decrease was offset by a $22,000 increase in interest expense arising from the $2.25 million loan from Charter One Bank relating to the Myers University transaction.

- ***Other – net***: The $230,000 decrease in other-net non operating revenues and expenses relate to an accounting reclassification of revenues and expenses related to North Coast Harbor. In 2006 and in previous periods, the Authority showed the income and expenses of North Coast Harbor, even though the Authority simply acts as the financial agent and is not a participant of the Common Area Maintenance Agreement which governs North Coast Harbor. In order to reflect changes to the CAM, in 2007, the Authority booked $233,000 in accrued expenses that are potentially due to the CAM participants. This resulted in other-net expense of $230,000, whereas in 2008, North Coast Harbor's assets equaled liabilities and no income was recognized.

- ***Special item**:* See Note 17 to the basic financial statements for information relating to the Special Item relating to the anticipated loss of financing from the Myers University project.

Net Assets

The following chart details the Authority's net assets at December 31, 2009:

	2009	2008	2007
Total	$ 43,926,515	$ 44,295,229	$ 44,883,766

Total net assets decreased by $368,714 (or 0.8%) in 2009. In 2009, the Authority experienced the lowest level of maritime revenues in recent memory, due to the global recession. Additionally, aggressive hiring that took place in 2007 and 2008, had its first full-year effect in 2009, which increased operating expenses. Finally, large projects such as Port Relocation and an effort to plan the redevelopment of the existing Port Authority docks added significant expenses to the Authority that had not existed in the past. As a result of the convergence with the above mentioned items, coupled with the Separation Agreement with the former President and CEO, the Authority experienced a decrease in net assets for 2009.

Factors Expected to Impact the Authority's Future Financial Position or Results of Operations

The global economic crisis had a significant impact on nearly all of the Authority's operations in 2009, and there is expected to be some hangover from the crisis felt in 2010. Tonnage levels for both bulk and break-bulk materials are expected to rebound from their 2009 levels by approximately 20%-30%, but would still be well below historical norms. Additionally, tenants in all industries are expecting concessions from their landlords as they try to survive the economic storm. The Authority fully expects to see reduced base rentals from existing tenants, but improved throughput figures in 2010, which should stabilize maritime related revenues.

While the Authority's Development Finance function had a surprisingly good year in 2009 as the result of two significant regional projects, there are many issues that require attention in 2010. The Authority's Common Bond Fund Program was downgraded to BBB- in 2009, which negatively affects the interest rate on the bonds and hurts the Program's competitiveness. Additionally, the overall bond market has struggled as a result of the financial crisis, and revenue bonds (the type predominantly issued by the Authority) have yet to make a full recovery. Finally, obtaining letters of credit and other enhancements to compliment our financings is expected to be extremely difficult, as banks are reluctant to resume lending and are charging much higher fees and being much more conservative. The Authority does not anticipate issuing bonds for numerous projects in 2010 and expects revenues to be well below their 2009 levels.

Other revenues, such as Foreign Trade Zone revenues and Investment Income are expected to continue their decline, albeit at a much slower rate than what was experienced in 2009. The Authority's property tax revenues continue to provide a stable source of income for the organization and helps reduce the volatility experienced in both the maritime and development finance industry. Tax receipts are expected to remain at similar levels, as the Authority's .13 mil levy is based on 1999 property values and is more immune from real estate price declines than if it was based on more current valuations.

In summary, 2010 is expected to be a year of recovery for the Port Authority. Major projects such as the Port Relocation project and the redevelopment of the existing docks have been put on hold by the Board of Directors. Additionally, a new President and CEO will arrive in the 2nd quarter of 2010 and will help guide the organization going forward.

Contacting the Authority's Finance Department

The financial statements are designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about these financial statements or need additional financial information, please contact Chief Financial Officer Brent Leslie.

Cleveland-Cuyahoga County Port Authority

Statement of Net Assets

December 31, 2009 and 2008

	2009	2008
Assets:		
Current assets:		
Cash and investments	$ 9,239,471	$ 8,682,232
Accounts receivable	445,482	277,104
Interest receivable	35,449	77,155
Prepaid expenses	166,824	168,814
Due from Chancellor University	2,411,437	-
Property taxes receivable	3,300,000	3,300,000
Total current assets	15,598,663	12,505,305
Non-current assets:		
Capital assets:		
Land and land improvements	18,419,075	18,419,075
Buildings, infrastructures, and leasehold improvements	34,589,153	34,396,256
Equipment	827,897	827,897
Total	53,836,125	53,643,228
Less: accumulated depreciation	(14,244,221)	(13,050,439)
Net book value of capital assets	39,591,904	40,592,789
Restricted and other assets:		
Restricted cash and investments	7,658,309	7,905,865
Due from Chancellor University	-	2,529,631
Operating lease receivable	383,199	428,941
Debt issuance costs	371,037	406,424
Other	65,979	82,814
Total restricted and other assets	8,478,524	11,353,675
Total assets	63,669,091	64,451,769

(continued)

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

Cleveland-Cuyahoga County Port Authority

Statement of Net Assets (continued)

December 31, 2009 and 2008

	2009	2008
Liabilities:		
Current liabilities:		
Accounts payable	$ 224,453	$ 251,482
Accrued wages and benefits	345,284	310,784
Deferred income	3,349,594	3,447,973
Current portion of bonds and notes to be repaid by the Authority:		
Cleveland Bulk Terminal Project	140,000	140,000
Port Capital Improvements (1999A Bonds)	265,000	250,000
Essroc (1997A Bonds)	90,000	90,000
State of Ohio 166 Loan	53,326	51,239
Note payable	2,250,000	-
Total current liabilities	6,717,657	4,541,478
Current liabilities payable from restricted assets:		
Accounts payable	698,725	599,929
Accrued interest payable	74,059	74,844
Total current liabilities payable from restricted assets	772,784	674,773
Other liabilities – including amounts relating to restricted assets:		
Accrued rent	230,298	-
Deferred income	970,934	1,097,638
Long-term bonds and notes, net of current portion:		
Cleveland Bulk Terminal Project	4,980,000	5,120,000
Port Capital Improvements (1999A Bonds)	2,907,782	3,171,399
Essroc (1997A Bonds)	2,916,515	3,001,321
State of Ohio 166 Loan	246,606	299,931
Note payable	-	2,250,000
Total other liabilities	12,252,135	14,940,289
Total liabilities	19,742,576	20,156,540
Net assets:		
Invested in capital assets, net of related debt	27,992,675	28,468,899
Restricted for debt service	6,734,806	7,331,262
Unrestricted	9,199,034	8,495,068
Total net assets	$ 43,926,515	$ 44,295,229

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

Cleveland-Cuyahoga County Port Authority

Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ended December 31, 2009 and 2008

	2009	2008
Operating revenues:		
Wharfage, dockage, and storage	$ 471,015	$ 1,063,188
Property lease and rentals	1,707,715	1,843,668
Financing fee income	1,377,519	869,491
Foreign trade zone fees	137,500	365,000
Dredge disposal fees	162,419	172,844
Parking revenues	272,860	289,151
Other	9,831	32,250
Total operating revenues	4,138,859	4,635,592
Operating expenses:		
Salaries and benefits	3,321,180	2,626,760
Professional services	1,578,848	1,619,520
Facilities lease and maintenance	830,962	990,888
Marketing and communications	259,075	501,441
Depreciation expense	1,234,451	1,236,715
Office expense	384,776	338,543
Other expense	271,180	208,062
Total operating expenses	7,880,472	7,521,929
Operating loss	(3,741,613)	(2,886,337)
Nonoperating revenues (expenses):		
Property tax receipts	3,286,413	3,266,951
Non-operating grant revenue – State	5,000,000	-
Non-operating grant revenue – other	227,700	-
Income from investments	465,923	853,606
Interest expense	(812,997)	(798,012)
Non-operating grant disbursements	(5,000,000)	-
Gain on insurance recovery	205,860	-
Total nonoperating revenues (expenses)	3,372,899	3,322,545
Change in net assets before special item	(368,714)	436,208
Special item – loan loss	-	(1,024,745)
Change in net assets	(368,714)	(588,537)
Net assets – beginning of year – as restated (see Note 2)	44,295,229	44,883,766
Net assets – end of year	$ 43,926,515	$ 44,295,229

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

Cleveland-Cuyahoga County Port Authority

Statement of Cash Flows

For the Year Ended December 31, 2009 and 2008

	2009	2008
Operating activities:		
Receipts from customers	$ 3,956,934	$ 4,986,781
Payments to suppliers for goods and services	(3,100,432)	(3,626,476)
Payments to employees	(2,572,422)	(1,996,609)
Payments of employee benefits	(783,571)	(623,886)
Net cash used in operating activities	(2,499,491)	(1,260,190)
Noncapital financing activities:		
Net proceeds from property tax collections	3,286,413	3,266,951
Net proceeds from the issuance of notes (*)	-	2,250,000
Use of Port Auxiliary Reserve to call 2004E Bonds (*)	-	(1,400,000)
Use of unrestricted Port funds to call 2004E Bonds (*)	-	(1,231,876)
Use of note proceeds to call 2004E Bonds (*)	-	(2,250,000)
Cash received from sale of Myers University at closing (*)	-	225,000
Cash received from sale of Myers University (*)	118,194	-
Grant money received	275,000	-
Net cash provided by noncapital financing activities	3,679,607	860,075
Capital and related financing activities:		
Proceeds received from insurance recovery	266,866	-
Principal paid on debt	(531,238)	(484,233)
Interest paid on debt	(771,818)	(751,753)
Acquisition and construction of capital assets	(294,570)	(141,847)
Net cash used in capital and related financing activities	(1,330,760)	(1,377,833)
Investing activities:		
Purchase of investment securities	(18,594,299)	(19,957,373)
Proceeds from sale and maturity of investment securities	19,483,330	20,341,334
Interest on investments	500,524	771,685
Net cash provided by investing activities	1,389,555	1,155,646
Net increase (decrease) in cash and cash equivalents	1,238,911	(622,302)
Cash and cash equivalents – beginning of year	6,355,613	6,977,915
Cash and cash equivalents – end of year	$ 7,594,524	$ 6,355,613

(continued)

* Relates to Myers University transactions, see Note 13 and 17.

Cleveland-Cuyahoga County Port Authority

Statement of Cash Flows (continued)

For the Year Ended December 31, 2009 and 2008

	2009	2008
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (3,741,613)	$ (2,886,337)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,234,451	1,236,715
Changes in assets and liabilities:		
Accounts receivable	(168,378)	131,010
Operating lease receivables	45,742	43,332
Prepaid expenses and other assets	18,825	31,232
Accounts payable	(27,029)	226,314
Deferred income and other	(225,083)	(111,421)
Accrued wages and benefits	34,500	68,965
Other liabilities	329,094	-
Net cash used in operating activities	$ 2,499,491	$ (1,260,190)
Reconciliation cash and investments reported on the Statement of Net Assets to cash and cash equivalents reported on the Statement of Cash Flows:		
Statement of Net Assets cash and investment amounts:		
Included in current assets	$ 9,239,471	$ 8,682,232
Included in restricted and other assets	7,658,309	7,905,865
Total	16,897,780	16,588,097
Investments included in the balances above that are not cash equivalents	(9,303,256)	(10,232,484)
Cash and cash equivalents reported in the Statement of Cash Flows	$ 7,594,524	$ 6,355,613
Supplemental schedule of non-cash investing, capital and related financing activities:		
Amortization of loss on defeasance and discounts on debt issues classified as interest expense	$ (6,577)	$ (6,797)
Amortization of bond issuance costs on debt issues classified as interest expense	$ (35,387)	$ (36,621)

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

Cleveland-Cuyahoga County Port Authority

Statement of Fiduciary Net Assets
Fiduciary Funds (in thousands)

December 31, 2009 and 2008

		2009		2008
Assets:				
Cash and cash equivalents	$	136,728	$	66,861
Notes and loans receivable		500,576		542,729
Financing lease receivable		20,825		27,189
Capital assets, net of accumulated depreciation		131,573		114,490
Total assets	$	789,702	$	751,269
Liabilities:				
Revenue bonds and notes payable	$	789,702	$	751,269

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

Note 1: Summary of Significant Accounting Policies

Reporting Entity – The Cleveland-Cuyahoga County Port Authority (the "Authority") is a body corporate and politic established pursuant to Chapter 4582 of the Ohio Revised Code to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio, including Ohio Revised Code Sections 4582.01 through 4582.20. As authorized by Ohio Revised Code section 4852.02, the City of Cleveland and Cuyahoga County, Ohio created the Authority in 1968.

The Authority's authorized purposes include the following: (1) activities that enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, government operations, culture, or research within the jurisdiction of the Authority, and (2) activities authorized by Section 13 and 16 of Article VIII of the Ohio Constitution. The Authority is given broad powers pursuant to Ohio Revised Code Sections 4582.01 through 4582.20 to undertake activities to carry out the authorized purposes as defined above.

The Board of Directors (the "Board") is the governing body of the Authority. The Board consists of nine members each of whom shall serve for a term of four years, of which six are appointed by the Mayor of the City of Cleveland, Ohio, with advice and consent of the Cleveland City Council and three are appointed by the Commissioners of Cuyahoga County, Ohio.

This conclusion regarding the financial reporting entity is based on the concept of financial accountability or the existence of an organization that raises and holds economic resources for the direct benefit of the Authority. The Authority is not financially accountable for any other organization nor is any other organization accountable for the Authority. This is evidenced by the fact that the Authority is a legally and fiscally separate and distinct organization under the provisions of the Ohio Revised Code. In addition, no other organization raises and holds economic resources for the direct benefit of the Authority. The Authority has no component units.

Basis of Accounting – The accompanying financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental entities as prescribed by the Governmental Accounting Standards Board ("GASB"). The statements were prepared using the economic resources measurement focus and the accrual basis of accounting. The Authority's enterprise fund financial statements as well as the fiduciary fund financial statement are prepared using the accrual basis of accounting.

Revenue is recorded on the accrual basis when the exchange takes place. Expenses are recognized at the time they are incurred. Revenues received in advance are deferred and recognized as earned over the period to which they relate. The Authority's activities are financed and operated as an enterprise fund such that the costs and expenses, including depreciation, of providing the services are recovered primarily through user charges and property taxes.

Note 1: Summary of Significant Accounting Policies (continued)

The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected not to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue applying all applicable pronouncements issued by the GASB.

Basis of Presentation – The Authority's basic financial statements consist of a statement of net assets, statement of revenue, expenses and changes in net assets, statement of cash flows, and statement of fiduciary net assets. The Authority uses a single enterprise fund and a fiduciary fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users.

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: Pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the entity under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the entity's own programs. The Authority's fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Authority's only fiduciary fund is used to account for conduit debt financing as an agent for other governments, not-for-profits or companies.

Measurement Focus – The measurement focus is on the determination of revenues, expenses, financial position, and cash flows as the identification of these items is necessary for appropriate capital maintenance, public policy, management control, and accountability.

Conduit Debt – As part of its efforts to promote economic development within northeastern Ohio, over the past several years, the Authority has issued debt obligations and loaned the proceeds to industrial, commercial, governmental and nonprofit organizations, primarily located within Cuyahoga County, Ohio. The obligations are secured by the property financed and are payable solely from the payments received by the trustee from the borrowers or other sources designated in the related agreements.

All financings classified as Conduit Debt are reflected in the Authority's Statement of Fiduciary Net Assets.

Cash Equivalents and Investments – For the purposes of the statement of net assets and cash flows, the Authority considers cash and cash equivalent to consist of all bank deposits, money market funds and other short-term, liquid investments which are readily convertible to cash and have a maturity of less than 30 days.

The Authority's investments (including cash equivalents) are recorded at fair value.

Note 1: Summary of Significant Accounting Policies (continued)

Capital Assets and Depreciation – The Authority capitalizes and records capital asset additions or improvements at historical cost. Expenditures for maintenance and repairs are charged to operating expenses as incurred. Adjustments of the assets and the related depreciation reserve accounts are made for retirements and disposals with the resulting gain or loss included in income. Depreciation begins when an asset is placed in service and is determined by allocating the cost of fixed assets over their estimated useful lives on the straight-line basis. Assets that are capitalized must be tangible in nature, have a useful life in excess of two years, and have a cost equal to or exceeding $3,000. The general ranges of estimated useful lives by type of capital asset are as follows:

Buildings and infrastructures	10–40 years
Land improvements	10–20 years
Leasehold improvements	10–20 years
Equipment	3–10 years

Debt Issuance Costs – The costs associated with the issuance of the revenue bonds, where the Authority is obligated for the outstanding debt, are deferred and recognized as interest cost over the period the related debt is outstanding using the interest method.

Interest Cost – Interest cost incurred by the Authority in connection with a construction project which requires a period of time before the project is ready for its intended use is capitalized as part of the cost of the project. All other interest costs are expensed as incurred.

Compensated Absences – It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is accrued and reported as a liability when earned by the Authority's employees. There is no liability for unpaid, accumulated sick leave since employees do not receive payment for unused sick time. Unused vacation leave may be carried forward a maximum of two years; however, amounts in excess of the allowed maximum must be forfeited at the end of each calendar year. The Authority allows accumulation of 960 hours of sick leave, which can only be used in the event of an illness.

Nonexchange Transactions – GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues (an amendment of GASB Statement No. 33*), establish accounting and financial reporting standards which address when to report the results of nonexchange transactions involving financial or capital resources. In a nonexchange transaction, an entity gives (or receives) value without directly receiving or giving value in return. Cash received or receivables recognized with respect to property taxes, grants and other nonexchange transactions that do not meet the revenue recognition criteria under GASB Statement Nos. 33 and 36 are recorded as deferred income.

The Authority records a receivable and deferred income for the estimated amount of property taxes that has been levied for the Authority during the year but will not be received and available for appropriation by the Authority until the succeeding year.

Note 1: Summary of Significant Accounting Policies (continued)

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws and regulations of their governments. The Authority reports restricted net assets for debt service, none of which is restricted by enabling legislation. The Authority applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available.

Wharfage, Dockage, and Storage – Wharfage, dockage and storage revenues are recognized as they are earned by the Authority, which generally represents the periods to which such charges relate.

Lease Accounting – The Authority classifies leases at the inception of each lease in accordance with Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, except for leases which are not recognized for accounting purposes under Interpretation No. 2 of the Governmental Accounting Standards Board, *Disclosure of Conduit Debt Obligations*, because they secure the repayment of conduit debt.

Operating Lease Income – For operating leases which have scheduled increases in the minimum rentals specified under the leases, the Authority recognizes rental income on a straight-line basis over the lease term unless the increases are deemed systematic and rational, in which case rental income is recognized as it accrues under the terms of the rental agreement. The difference between the rentals received and the rental income recorded is shown as an operating lease receivable or deferred income in the accompanying statement of net assets.

Financing Fee Income **–** Fees associated with conduit debt transactions are recognized in operating income as they are received. Such fees will only be paid while the related debt is outstanding; therefore, they are subject to the risk that the debt will be repaid in advance of its scheduled maturity.

Nonoperating revenues and expenses – Revenues and expenses not meeting the definition of operating revenues and expenses. Nonoperating revenues and expenses include revenues and expenses from capital and related financing activities, and investing activities.

Extraordinary and Special Items – Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Authority and that are either unusual in nature or infrequent in occurrence. The Authority recorded a special item during 2008; see Note 17 for further discussion.

Statements of Cash Flows – For purposes of the Statement of Cash Flows, cash and cash equivalents are defined as bank demand deposits, money market investments and amounts invested in overnight repurchase agreements, if any.

Note 1: Summary of Significant Accounting Policies (continued)

Restricted Assets and Related Liabilities – Bond indentures and other agreements require portions of debt proceeds as well as other resources of the Authority to be set aside for various purposes. These amounts are reported as restricted assets along with the unspent proceeds of the Authority's debt obligations. The liabilities that relate to the restricted assets are included in current liabilities payable from restricted assets and in other liabilities in the accompanying Statement of Net Assets.

Budgetary Accounting and Control – The Authority's annual budget, as provided by law, is prepared on the accrual basis of accounting. The budget includes amounts for current year revenues and expenses.

The Authority maintains budgetary control by not permitting total expenditures to exceed total appropriations without amendment of appropriations by the Board of Directors. The Board is given quarterly updates on the financial performance of the Authority throughout the fiscal year.

New Accounting Standards – During 2009, the Authority implemented GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments,* GASB Statement No. 55, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in AICPA Statements on Auditing Standards.*

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations and subsequent events from the AICPA literature. The implementation of this statement did not result in any change to the financial statements.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement provides guidance regarding the accounting and reporting of derivative instruments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The Authority is in the process of evaluating the impact this Statement will have on its financial statements or disclosures.

Note 1: Summary of Significant Accounting Policies (continued)

Comparative Data/Reclassifications – Prior year data presented in Management's Discussion and Analysis has been reclassified in order to be comparative and provide an understanding of the changes in financial position and operations. Certain reclassifications have been made to the 2008 financial statements in order to conform to the 2009 presentation.

Subsequent Events – In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through May 25, 2010, the date the financial statements were available to be issued.

Note 2: Restatement of Net Assets

Overstatement of capital assets had the following effect on net assets at December 31, 2007:

	Invested in Capital Assets, Net of Related Debt	Restricted for Debt Service	Unrestricted	Total Net Assets
December 31, 2007, as previously reported	$ 30,490,273	$ 4,554,318	$ 11,243,117	$ 46,287,708
Restatement of capital assets	(1,403,942)	-	-	(1,403,942)
December 31, 2007, restated	$ 29,086,331	$ 4,554,318	$ 11,243,117	$ 44,883,766

In 1998, the Authority acquired approximately 15 acres of land adjacent to the Cuyahoga River, commonly referred to as the Old River Property (See Note 10). The acquisition cost of the property was approximately $2 million. Approximately 5 acres were leased to a private enterprise and 10 acres remained vacant.

The Authority entered into a Memorandum of Understanding (MOU) with the City of Cleveland in 2003 to address numerous issues including the Authority's lease of the properties on the east side of the river from the City (See Note 14), and the 10 acre vacant parcel of land owned by the Authority on the old river channel.

The MOU outlined that the vacant 10 acre parcel be conveyed to the City of Cleveland once the lease of certain City-owned docks was extended for an additional 15 years. The conveyance and extension took place in 2005.

As of December 31, 2007, the original acquisition cost of the property was still recorded on the Authority's balance sheet, despite a portion of the property having been conveyed to the City of Cleveland. Upon discovery of the overstatement, the Authority restated the "Invested in Capital Assets, Net of Related Debt" and "Land and Land Improvements" figures by approximately $1.4 million. The restatement reflects the allocated amount of property that was conveyed to the City of Cleveland, based on the $2 million acquisition price. As of December 31, 2009, the current cost and carrying amount of the remaining land is approximately $655,000.

Note 3: Deposits and Investments

Deposits – The Authority's depository requirements are governed by state statutes and require that deposits be placed in eligible banks or savings and loans located in Ohio. Any public depository in which the Authority places deposits must pledge as collateral eligible securities of aggregate market value at least equal to the amount of deposits not insured by the Federal Deposit Insurance Corporation. Collateral that may be pledged is limited to obligations of the following entities: the U.S. government and its agencies, the State of Ohio, and any legally constituted taxing subdivision within the State of Ohio.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. The Authority has no deposit policy for custodial risk beyond the requirements of state statute. At December 31, 2009 the carrying amounts of the Authority's deposits were $7,411,808 and the related bank balances were $7,460,795 all of which were covered by federal depository insurance. At December 31, 2008 the carrying amounts of the Authority's deposits were $6,143,727 and the related bank balances were $6,327,385 of which all was covered by federal depository insurance.

Investments – The Authority's investment policies are governed by state statutes which authorize the Authority to invest in obligations of the U.S. government, its agencies and instrumentalities; bonds and other State of Ohio obligations; certificates of deposit; money market mutual funds; and repurchase transactions and commercial paper. Repurchase transactions must be purchased from financial institutions as discussed in "Deposits" above or any eligible dealer who is a member of the National Association of Securities Dealers. Repurchase transactions are not to exceed a period of 30 days and must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of, or guaranteed by, the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

The Authority is prohibited from investing in any financial instrument, contract or obligation whose value or return is based upon, or linked to, another asset or index, or both, separate from the financial instrument, contract or obligation itself (commonly known as a "derivative"). The Authority is also prohibited from investing in reverse repurchase agreements.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policies limit its investment portfolio to maturities of five years or less, which is in accordance with Ohio law. All of the Authority's investments at December 31, 2009 and 2008 have effective maturity dates of less than five years.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policies authorize investments obligations of the U.S. Treasury, U.S. agencies and instrumentalities, interest bearing demand or time deposits, State Treasury Asset Reserve of Ohio ("Star Ohio"), money market mutual funds, commercial paper, repurchase agreements, and in certain situations, prefunded municipal obligations, general obligations of any state and other fixed income securities. Repurchase transactions are not to exceed 30 days. Star Ohio is an investment pool created pursuant to Ohio statutes and is managed by the Treasurer of the State of Ohio.

Note 3: Deposits and Investments (continued)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Authority's investment policies provide that investments be diversified to reduce the risk of loss from over concentration in a single issuer, specifying that no more than 50% of the Authority's total investment portfolio will be invested in a single security type, with the exception of obligations of the U.S. Treasury and STAROhio. Approximately $4.3 million of the Authority's total investment balance is invested in a Guaranteed Investment Contract (GIC) until 2027. The GIC provider guarantees a rate of return and has the option of purchasing securities to meet that obligation, so long as they are listed as an "Eligible Investment" in the Trust Indenture. The Authority applies the 50% test to its existing investment portfolio that is maintained outside of the Trust Indenture.

The following table presents fair value, length of maturity and the credit ratings of the Authority's investments at December 31, 2009:

Investment Type	Fair Value	Rating	Less than 1 year	1 to 5 Years	Percentage of Investments
Money market fund	$ 182,716	AAA	$ 182,716	$ -	1.93%
Federal Home Loan Bank obligations	1,825,284	AAA	901,502	923,782	19.24
Federal Home Loan Mortgage Corporation obligations	1,107,472	AAA	-	1,107,472	11.67
Federal National Mortgage Association obligations	1,705,153	AAA	-	1,705,153	17.98
Guaranteed Investment Contract	4,364,597	N/A	-	4,364,597	46.01
Federal Farm Credit Bank obligations	300,750	AAA	-	300,750	3.17
Total	$ 9,485,972		$ 1,084,218	$ 8,401,754	100%

Deposits and investments at December 31, 2009 and 2008 relating to the conduit debt were held by trustees and other third parties were approximately $136,728,000 and $66,861,000, respectively.

Note 4: Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance at January 1, 2008	Additions	Deletions	Balance at December 31, 2009
Capital assets not being depreciated:				
Land and land improvements	$ 18,419,075	$ -	$ -	$ 18,419,075
Capital assets being depreciated:				
Buildings, infrastructures, and leasehold improvements	34,396,256	294,570	(101,673)	34,589,153
Equipment	827,897	-	-	827,897
Total capital assets being depreciated	35,224,153	294,570	(101,673)	35,417,050
Less accumulated depreciation:				
Buildings, infrastructures, and leasehold improvements	12,509,948	1,147,041	(40,669)	13,616,320
Equipment	540,491	87,410	-	627,901
Total accumulated depreciation	13,050,439	1,234,451	(40,669)	14,244,221
Total capital assets being depreciated, net	22,173,714	(939,881)	(61,004)	21,172,829
Capital assets, net	$ 40,592,789	$ (939,881)	$ (61,004)	$ 39,591,904

Capital asset activity for the year ended December 31, 2008 was as follows:

	Restated Balance at January 1, 2008	Additions	Deletions	Balance at December 31, 2009
Capital assets not being depreciated:				
Land and land improvements	$ 18,419,075	$ -	$ -	$ 18,419,075
Capital assets being depreciated:				
Buildings, infrastructures, and leasehold improvements	34,267,817	128,439	-	34,396,256
Equipment	814,489	13,408	-	827,897
Total capital assets being depreciated	35,082,306	141,847	-	35,224,153
Less accumulated depreciation:				
Buildings, infrastructures, and leasehold improvements	11,340,486	1,169,462	-	12,509,948
Equipment	473,238	67,253	-	540,491
Total accumulated depreciation	11,813,724	1,236,715	-	13,050,439
Total capital assets being depreciated, net	23,268,582	(1,094,868)	-	22,173,714
Capital assets, net	$ 41,687,657	$ (1,094,868)	$ -	$ 40,592,789

In February of 2009, the Authority incurred severe wind damage to the roof of Warehouse A, owned by the Authority. The cost to replace the damaged portion of the roof (approximately 25% of the entire roof) and the associated clean-up was $277,000, nearly all of which was covered by insurance. The difference between the proceeds received from the insurer and the previous cost basis of the roof resulted in a gain of approximately $206,000. The new portion of the roof is being amortized over a 25-year period, which matches the remaining life of the existing roof.

Note 5: Retirement and Postemployment Benefit Plans

Pension Benefits – The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member employer contributions. For 2009, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2009, the members of all three plans were required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The Authority contributed 14.0 percent of covered payroll.

The Authority's required contributions for pension obligations to the Traditional and Combined Plans (excluding the amount relating to postretirement benefits) for the years ended December 31, 2009, 2008, and 2007 were $180,404, $134,235 and $154,892, respectively, equal to the required contributions for each year. The full amount has been contributed for all three years and includes contributions for a single employee who is paid for by the CAM participants at NCH, but is considered a public employee.

Postemployment Benefits – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Member of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

Note 5: Retirement and Postemployment Benefit Plans (continued)

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town St., Columbus, OH, 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, the Authority contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS’ Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of the post employment health care benefits. For 2009, the employer contribution allocated to the health care plan was 7.0 percent from January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009 of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Authority’s contributions for health care for the years ended December 31, 2009, 2008, and 2007 were $130,446, $134,235, and $99,912.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2007, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Note 6: Property Taxes

Property taxes received by the Authority represent a special levy of .13 mills to fund the Authority's operations. The tax is levied against all real, public utility and tangible (used in business) property located in Cuyahoga County. The 2008 levy (collected in 2009) was based upon an assessed valuation of approximately $31.9 billion. The 2007 levy (collected in 2008) was based upon an assessed valuation of approximately $32.5 billion. In November of 2007, the voters of Cuyahoga County approved a renewal of the Authority's .13 mill property tax levy. The levy is effective commencing in 2008 and first due for collection in calendar year 2009, continuing for 5 years through 2012 for collection in calendar year 2013.

Real property taxes are levied each January 1 on the assessed value listed as of the prior January 1. Assessed values are established by the County Auditor at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88% of cost). The tangible personal property tax is being phased out – the assessment percentages for all property including inventory was reduced to zero for 2009 and was 12.5 percent for 2008.

Telephone companies switched from being public utility to general business taxpayers beginning in 2007. Over the next five years, which began 2007, telephone property will phase out and be eliminated from taxation in 2011. The revenue from the personal property tax was reimbursed to the local governments beginning in 2006 from a new Commercial Activity Tax (CAT) collected by the State of Ohio. The Authority does not expect to suffer any significant negative impact in its tax receipts over the next few years as a result of this change. The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Authority. Taxes are payable to the County in two equal installments in January and July and, if not paid, become delinquent after December 31. The County Auditor periodically remits to the Authority its portion of the taxes collected with final settlement in June and December for taxes payable in the first and second halves of the year, respectively.

Note 7: North Coast Harbor

Effective June 1, 1996, the Authority entered into an agreement known as the Common Area Maintenance ("CAM") Agreement with the City of Cleveland ("City"), Rock and Roll Hall of Fame and Museum and the Great Lakes Museum of Science, Environment and Technology ("Great Lakes Museum") pertaining to the City's waterfront area and related facilities known as North Coast Harbor ("NCH"). The purpose of the CAM Agreement is to provide for the ongoing operation, maintenance, insurance and security of the common areas of the NCH. Currently, the CAM participants are the Great Lakes Science Center, the Rock and Roll Hall of Fame and Museum, the Cleveland Browns, the Goodtime III (a passenger touring boat), and the Steamship William G. Mather Museum. Common area maintenance is funded through the contributions of the CAM participants as defined under the CAM Agreement and the cash and investments held pursuant to the CAM Agreement are classified as restricted assets in the accompanying statement of net assets. In 2008 and 2009, revenues and expenses had no effect on the Authority's income statement, other than a small administrative fee.

Note 8: Long-Term Obligations

Changes in the Authority's long-term obligations for the year ended December 31, 2009 are as follows:

	Balance January 1, 2009	Increase	Decrease	Balance December 31, 2009	Due Within One Year
State of Ohio 166 Loan	$ 351,170	$ -	$ (51,238)	$ 299,932	$ 53,326
Cleveland Bulk Terminal Project	5,260,000	-	(140,000)	5,120,000	140,000
Essroc (1997A)	3,091,321	5,194	(90,000)	3,006,515	90,000
Port Improvements (1999A)	3,421,399	1,383	(250,000)	3,172,782	265,000
Note payable	2,250,000	-	-	2,250,000	2,250,000
Total	$ 14,373,890	$ 6,577	$ (531,238)	$ 13,849,229	$ 2,798,326

Changes in the Authority's long-term obligations for the year ended December 31, 2008 are as follows:

	Balance January 1, 2008	Increase	Decrease	Balance December 31, 2008	Due Within One Year
State of Ohio 166 Loan	$ 400,403	$ -	$ (49,233)	$ 351,170	$ 51,239
Cleveland Bulk Terminal Project	5,380,000	-	(120,000)	5,260,000	140,000
Essroc (1997A)	3,166,002	5,319	(80,000)	3,091,321	90,000
Port Improvements (1999A)	3,654,921	1,478	(235,000)	3,421,399	250,000
Note payable	-	2,250,000	-	2,250,000	-
Total	$ 12,601,326	$ 2,256,797	$ (484,233)	$ 14,373,890	$ 531,239

See Notes 9, 10, 11, 12 and 13 for additional information on the Port Improvements (1999A), State of Ohio 166 Loan, Cleveland Bulk Terminal, Essroc Project (1997A), and the Note Payable, respectively.

Note 9: Port Improvements (1999A)

In 1999, the Authority issued $5,230,000 in Development Revenue Bonds through the Authority's Bond Fund Program. The bonds were issued tax-exempt, mature on May 15, 2019 and bear interest at rate of 5.375% per annum. The proceeds were used to: (a) finance a portion of the 1998 acquisition of 15 acres of land on the Old River ($1.5 million); (b) finance a portion of the 2000 improvements to Dock 22 ($1.5 million); (c) finance $945,000 of maritime maintenance and repair projects, including $634,000 for the 2001 rehabilitation of the Authority's heavy lift crane; and (d) finance a part of the Authority's portion of the construction costs of a new port entrance under West Third Street, providing direct access onto and off of State Route 2 ($1.3 million) ("Port Entrance Project"). Construction on the new $7.2 million Port Entrance Project began in January 2002 and was completed in 2003. A portion of the costs of the Port Entrance Project ($4.8 million) were funded by federal and state grants. The portion of the costs of the project that relate to improvements being made on property that is not owned by the Authority and for which the Authority is not responsible for ongoing maintenance were expensed as incurred.

Note 9: Port Improvements (1999A) (continued)

The bonds outstanding at December 31, 2009 are payable as follows:

Year	Principal	Interest	Total
2010	$ 265,000	$ 167,431	$ 432,431
2011	275,000	153,053	428,053
2012	295,000	138,003	433,003
2013	310,000	121,878	431,878
2014	325,000	105,081	430,081
2015 – 2019	1,710,000	237,844	1,947,844
Total payments	3,180,000	$ 923,290	$ 4,103,290
Unamortized original issue discount	(7,218)		
Total	$ 3,172,782		

The debt service on the Series 1999A Bonds is paid by the Authority directly to the Bond Fund trustee.

Note 10: State of Ohio 166 Loan

In January 2000, the Authority received the proceeds of a $725,000 State of Ohio 166 Loan to reimburse the Authority for a portion of the $2 million cost of the acquisition of approximately 15 acres of land adjacent to the Cuyahoga River, commonly referred to as the Old River Property. Approximately five acres were subsequently leased to a private business under an operating lease.

The loan bears interest at the rate of 4.25% per annum, and is payable in 180 consecutive monthly installments of $5,363 (including interest) through 2015. The loan is secured by an assignment of the six acre lease and is payable from the operating funds of the Authority.

The loan outstanding at December 31, 2009 is payable as follows:

Year	Principal	Interest	Total
2010	$ 53,326	$ 11,027	$ 64,353
2011	55,499	8,854	64,353
2012	57,760	6,593	64,353
2013	60,113	4,240	64,353
2014	62,562	1,791	64,353
2015	10,672	53	10,725
Total payments	$ 299,932	$ 32,558	$ 332,490

Note 10: State of Ohio 166 Loan (continued)

A Second Amended and Restated Lease was executed in March of 2006. The future base rental payments required under the Lease are as follows:

Year		Amount
2010	$	85,257
2011		87,815
2012		90,449
2013		93,163
2014		95,958
2015 – 2019		524,736
2020 – 2024		490,526
2025 – 2029		220,924
2030 – 2034		256,111
2035		36,913
Total	$	1,981,852

The Authority recorded $72,160 of rental income (on a straight-line basis) under the Lease for the years ended December 31, 2009 and 2008.

Note 11: Cleveland Bulk Terminal

In March 1997, the Authority purchased a working dock facility, composed of approximately 45 acres of lakefront property and improvements, from Consolidated Rail Corporation ("Conrail") for $6,150,000. The property, known as Cleveland Bulk Terminal, is a vessel-to-rail transfer facility.

The Authority has entered into a lease and operating agreement for the entire facility with Oglebay Norton Terminals, Inc., ("ONTI"), a subsidiary of Oglebay Norton Company, which extends through March 2017.

In 2001, the Authority issued $5,765,000 of Refunding Revenue Bonds, Series 2001, to advance refund the bonds that were issued to acquire the facility. As a result, the original bonds are considered defeased and were removed from the Authority's Statement of Net Assets in 2001. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $582,550. This difference, previously reported on the Statement of Net Assets as a deduction from bonds payable, was charged to operations through the year 2007 using the effective-interest method. At December 31, 2007, the difference had been fully amortized.

Note 11: Cleveland Bulk Terminal (continued)

On March 1, 2007, the Authority issued $5,470,000 in Multi-Mode Variable Rate Refunding Revenue Bonds, Series 2007 ("Refunding Bonds") in relation to the Cleveland Bulk Terminal (CBT) project. The proceeds of the bonds were used to refund the Authority's Taxable Variable Rate Refunding Bonds, Series 2001. The Series 2007 Bonds are tax-exempt, whereas the 2001 Bonds were taxable, as those proceeds were to defease bonds issued in 1997 used to acquire the Cleveland Bulk Terminal. The Bonds are secured by an irrevocable direct pay letter of credit, which expires on March 1, 2012, with a local financial institution. No gain or loss was recognized as the $5,470,000 tax-exempt bonds equaled the amount outstanding on the Series 2001 Refunding Bonds at the time of issuance.

The Refunding Bonds are payable in quarterly installments through 2031 and are not general obligations of, and are not secured by, the full faith and credit of the Authority. The repayment terms of the Refunding Bonds enable the holders of the bonds to demand payment prior to maturity under certain circumstances. As a result, the Authority has executed a remarketing agreement and a letter of credit with a financial institution which requires the financial institution to use its best efforts to resell any portion of the bonds presented for payment prior to their scheduled maturity. The letter of credit, which expires on March 1, 2012, provides assurance that funds will be available through the financial institution to redeem any non-marketable bonds prior to their maturity.

The Authority receives rental payments from its tenant and operator under the Lease and Operating Agreement ("Lease") of the Cleveland Bulk Terminals which helps pay a portion of the principal and interest due on the Refunding Bonds. The original Lease was entered into in March of 1997 and was extended through 2017 in December of 2002. The Lease is between Oglebay Norton Terminals, Inc. and the Authority. In addition, an Operating Agreement was entered into with Oglebay Norton Terminals, Inc. on December 16, 2002 with respect to an ore handling facility utilized in the handling of bulk materials on that site.

In addition, Oglebay Norton Company ("ONC"), the parent company of Oglebay Norton Terminals, Inc., entered into a Guaranty Agreement to guarantee the base rent under the Lease which was extended on December 16, 2002. Under the Guaranty Agreement, ONC guaranteed the payments of what was defined as Base Rent and Additional Rent under the Lease.

In November of 2007, the shareholders' of Oglebay Norton Company approved the company's acquisition by Carmeuse North America, a subsidiary of Europe's Carmeuse Group. The Guaranty Agreement mentioned above was assumed by Carmeuse North America as part of the transaction.

Objective and Significant Terms of the Interest Rate Swap – The Refunding Bonds bear interest at a variable rate as determined by a remarketing agent based upon current transactions in comparable securities that enable the agent to remarket the notes at par. The interest rates on the Refunding Bonds were 2.17% and 1.77%, respectively on December 31, 2009 and December 31, 2008. Interest rate exchange agreements ("swaps") are used to limit the Authority's interest rate exposure on the Refunding Bonds. The swaps provide for interest to be received based on notional amounts at variable rates and for interest to be paid on the same notional amounts at fixed rates. The fixed interest rates do not change over the life of the agreements, one of which expired in fiscal 2007 and the other remains in place until 2017.

Note 11: Cleveland Bulk Terminal (continued)

The variable rates are reset every quarter, are based on LIBOR, and are settled with the counterparties to the swaps at that time. These swap agreements are not used for trading purposes and effectively change the base interest rate exposure on the Refunding Bonds to a fixed rate of 5.81%, through March 1, 2007 and a fixed rate of 4.83% thereafter through March 2, 2017.

Fair Value – The negative fair value of this swap for the year ended December 31, 2009 was ($787,586). The fair value was developed by a pricing service using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Credit Risk – The Authority is exposed to credit risk in the amount of the derivative's fair value. As of December 31, 2009, the counterparty was rated A by Moody's Investor Service, A by Standard and Poor's and A+ by Fitch Ratings. To mitigate the potential for credit risk, if the counterparty's credit qualify falls below BBB- as issued by Fitch Ratings or Standard & Poor's or Baa3, it will collateralize the swap liability to the Authority with securities, consisting of obligations of the US government, mortgage participation certificates of the FHMC or the FNMA, or such other securities as the parties mutually agree to. Collateral would be deposited with a third-party custodian.

Basis Risk – Municipal interest rate swaps are normally based on a fixed payment and an indexed variable receipt instead of the actual variable debt payment. Any difference between the indexed variable receipt and the accrual market-determined variable borrowing rate on bonds is called "basis risk". Under the swap, the Authority will be paid the actual market-determined variable borrowing rate on the bonds is called "basis risk." Under the swap, the Authority will be paid the actual market-determined variable borrowing rate on the swap, as determined by the remarketing agent, which eliminates the basis risk.

Termination Risk – The derivative contract used the International Swap Dealers Association Master Agreement ("Master Agreement"), which includes standard termination events, such as failure to pay and bankruptcy. The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap were terminated, the variable rate bond would no longer carry a synthetic interest rate. In addition, if at the time of the termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Note 11: Cleveland Bulk Terminal (continued)

The bonds outstanding at December 31, 2009, are payable as follows (assuming that the interest rate is able to be fixed at 4.83% after the expiration of the existing swaps in 2017):

Year	Principal	Interest	Total
2010	$ 140,000	$ 244,090	$ 384,090
2011	145,000	236,862	381,862
2012	155,000	234,468	389,468
2013	160,000	222,535	382,535
2014	170,000	214,768	384,768
2015 – 2019	980,000	942,833	1,922,833
2020 – 2024	1,235,000	678,481	1,913,481
2025 – 2029	1,580,000	341,702	1,921,702
2030 – 2031	555,000	23,612	578,612
Total payments	$ 5,120,000	$ 3,139,351	$ 8,259,351

The Lease provides for base rental payments along with certain additional rentals dependent upon the annual tonnage of freight handled at the facility. The future base rental payments required under the agreement, which is accounted for as an operating lease, are as follows:

Year	Amount
2010	$ 282,783
2011	282,783
2012	282,783
2013	282,783
2014	282,783
2015 – 2017	626,380
Total	$ 2,040,295

The Authority recorded $378,782 of rental income (on a straight-line basis) under the Lease for the years ended December 31, 2009 and 2008. In addition, the cost and carrying amount of the Authority's property subject to this Lease was $13.8 million and $12.2 million, respectively at December 31, 2009.

Note 12: Essroc Project (1997A Bonds)

In 1997, the Authority issued $3,975,000 of Development Revenue Bonds through the Authority's Bond Fund Program. The bonds were issued tax-exempt, mature on May 15, 2027 and bear interest at 5.75% and 5.80% annually. Proceeds from the bonds were used for the purpose of improving Dock 20 by providing bulkheading and various transportation improvements to be used in the operation of the Port of Cleveland.

Debt service under the bonds is being paid primarily from the rental payments made to the Bond Fund trustee by Essroc Cement Corp. ("Essroc") in connection with a Ground Lease and Operating Agreement ("Lease"), pursuant to which Essroc leases certain real property and bulkheading located on Dock 20 from the Authority.

The bonds outstanding at December 31, 2009 are payable as follows:

Year	Principal	Interest	Total
2010	$ 90,000	$ 175,834	$ 265,834
2011	100,000	170,515	270,515
2012	100,000	164,765	264,765
2013	110,000	158,871	268,871
2014	115,000	152,546	267,546
2015 – 2019	690,000	653,338	1,343,338
2020 – 2024	915,000	426,280	1,341,280
2025 – 2027	945,000	105,270	1,050,270
Total payments	3,065,000	$ 2,007,419	$ 5,072,419
Unamortized original issue discount	(58,485)		
Total	$ 3,006,515		

As additional security, the Authority has agreed that the amount of "Available Moneys" (as defined in the Series 1997A Bonds) which can be used for the payment of principal and interest on the bonds due in any year will be at least 1.2 times the amount of such principal and interest. In addition, the Authority has agreed that it will not issue bonds or other indebtedness that have a claim, pledge or lien prior to that of the Series 1997A Bonds.

The Series 1997A Bonds are subject to redemption prior to maturity by the Authority.

The property at Dock 20 had a cost and carrying amount of $3.5 million and $2.3 million, respectively, at December 31, 2009. Essroc has also agreed in the Ground Lease and Operating Agreement to pay the Authority certain land rentals, improvement rentals (relating to the original improvement of the property), and dockage and wharfage fees. The future minimum rental payments to be received under the Ground Lease and Operating Agreement, which is accounted for as an operating lease, are as follows (assuming no annual CPI increase):

Note 12: Essroc Project (1997A Bonds) (continued)

Year	Amount
2010	$ 400,092
2011	403,612
2012	398,396
2013	401,311
2014	400,464
2015 – 2019	2,000,804
2020 – 2024	1,986,606
2025 – 2027	1,035,177
Total	$ 7,026,462

The Authority recorded $263,509 of rental income (on a straight-line basis) under the Improvement Rental under the Ground Lease and Operating Agreement for the years ended December 31, 2009 and 2008. The Authority recognized additional rental income attributable to the Land Rental portion of the Ground Lease and Operating Agreement of $136,771 and $133,455 for the years December 31, 2009 and 2008, respectively.

Note 13: Note Payable

In 2008, the Authority issued a $2,250,000 promissory note, which matures on September 10, 2010. The proceeds from the loan were used to pay off a portion of Myers outstanding 2004E bonds in the Authority's Common Bond Fund program. Interest on the outstanding principal amount of the note is calculated on the 3-month LIBOR rate, plus an applicable margin (0.60% per annum). Interest is due quarterly, and the principal balance is due on the maturity date.

As of December 31, 2009, $2,250,000 remains outstanding on the note.

The loan agreement requires the Authority to maintain collateral at a minimum value of at least 100% of the principal loan balance, depending on the type of security. At December 31, 2009, the required amount of the Authority's cash and investments are restricted for collateral on the note payable and are shown as Restricted Cash and Investments on the Authority's balance sheet.

Note 14: Other Leases

Authority as Lessee – The Authority leases various docks from the City of Cleveland (the "City"). On August 15, 2004, the Authority returned Dock 32 to the City and, in October 2004, the lease agreement was amended to reduce the Authority's annual rental payments from $500,000 to $400,000 through the expiration of the lease in December 2028. Under the first amended lease, the City has the right to remove Dock 30, and a portion of Dock 28 from the lease upon five years written notice, along with a development plan for the docks to be removed and approved by City Council and the City. The removal is further conditioned upon "the Port's financial ability to vacate the docks and secure suitable alternatives", which the City agrees to cooperate to achieve. In August of 2005, the Authority transferred certain undeveloped property it owned on the Old River in return for the City's entering into a Second Amendment of Lease by which the lease term of Docks 24 and 26 and a portion of Dock 28 (known as 28A), also owned by the City, were extended to 2043. If either of these docks were returned to the City, the annual rental payments required under the lease would be reduced based on the number of square feet eliminated from the lease. Also, the Lease Term for the remainder of Dock 28 and Dock 30 was extended to December 31, 2028 subject to the five year call provision discussed above. The maximum reduction in the annual lease payments would aggregate $150,000 if both of these docks were returned to the City. Rental expense under the operating lease with the City was $400,000 for the years ended December 31, 2009 and 2008.

The Authority has leased office space at One Cleveland Center since January 2000. In January of 2009, the Board of Directors of the Authority authorized the extension of a lease with Optima One Cleveland Center. The lease extension expands the space leased by the Authority by 4,320 to a total of 15,047 square feet. The term of the lease was extended an additional five years until January 31, 2014. The Authority received 12 months of free rent on the original 10,727 square feet, beginning in February of 2009 and will receive 12 months of free rent on the additional 4,320 of expansion space, beginning July of 2009. Future minimum rentals to be paid by the Authority under the lease are $237,000 in 2010, $323,000 in 2011, $330,000 in 2012, $338,000 in 2013 and $28,000 in 2014. Rental expense, recognized on a straight-line basis for 2009, related to the Authority's lease at One Cleveland Center totaled $248,000 and $209,000 for the years ended December 31, 2009 and 2008, respectively.

Authority as Lessor – Effective April 1, 2007, the Authority entered into several Lease Agreements for docks and warehouses owned by the Authority or leased from the City of Cleveland. Rather than assigning specific rents to the different properties, the Authority and the Terminal Operator agreed to a Master Fixed Rental and Tonnage Assessment Schedule for the period April 1, 2007 through March 31, 2008 that cover docks and warehouses both subleased by the Authority from the City of Cleveland and owned by the Authority. The Terminal Operator is required to pay the Authority $435,000 in base rentals over the 12-month period and an additional $0.75 per ton handled by the Terminal Operator across the docks. On April 1, 2008 and 2009, Lease Agreements with the Terminal Operator were entered into under the same terms as the Agreement referenced above.

Note 14: Other Leases (continued)

The Authority recognized $435,000 in base rental income from the new Lease Agreements for the years ended December 31, 2009 and 2008 and $124,913 and $283,368, respectively, in income associated with the Tonnage Assessment Schedule.

In total, the Authority recognized $559,913 and $718,368, respectively, in rental income from property leased or subleased to the Terminal Operator for the years ended December 31, 2009 and 2008. The future fixed rentals the Authority is scheduled to receive under the new Lease Agreements, via the Master Fixed Rental and Tonnage Assessment Schedule total $120,000, all of which are due in 2010.

In March of 2010, the Authority and the Terminal Operator re-structured the existing agreement. The new agreement, effective April 1, 2010 through March 31, 2011, calls for a base rental of $400,000 per year and a new Tonnage Assessment Schedule with reduced rates for tonnages below 200,000. If certain tonnage levels are reached under the terms of the Agreement, bonus payments would be received by the Port Authority.

Effective April 1, 2005, the Authority entered into an Operating Agreement for approximately 8 acres of property commonly referred to as Dock 20 and directly north of property leased by Essroc. The Agreement automatically renews for one-year terms until March 31, 2010 and is subject to an annual CPI increase. The Authority recorded $228,470 and $227,563 in rental income from this agreement in 2009 and 2008, respectively.

In March of 2010, the Authority entered into a new Operating Agreement for Dock 20. The terms call for an annual base rental of $180,000 and additional payments if certain tonnage levels are reached. The term of the Agreement is for 1-year, with no renewal options.

Note 15: Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. Commercial insurance has been obtained to cover damage or destruction to the Authority’s property and for public liability, personal injury and third-party property damage claims. Settled claims have not exceeded the Authority’s commercial insurance coverage for any the past three years.

Employee health care benefits are provided under a group insurance arrangement and the Authority is insured through the State of Ohio for workers’ compensation benefits.

Note 16: No-Commitment Debt

As stated in Note 1, the Authority has issued certain special obligation revenue bonds and notes, primarily through two different programs; the Common Bond Fund Program and other Conduit Financings.

Note 16: No-Commitment Debt (continued)

Common Bond Fund Program – The Authority has established a Common Bond Fund Program (the "Program" or "Bond Fund") to provide long-term, fixed interest rate financing of $1 million to $10 million to credit worthy businesses, governments and non-profit organizations for owner-occupied industrial, commercial, non-profit and infrastructure projects. Port of Cleveland Bond Fund Development Revenue Bonds are issued in accordance with the Ohio Revised Code and a Trust Indenture dated November 1, 1997 between the Authority and a local financial institution. The Common Bond Fund Program is managed by the Authority; however, these obligations are not secured by the full faith and credit of the Authority.

The Common Bond Fund Program includes a system of cash reserves used to collateralize the bonds issued under the Program. All borrowers are required to deposit an amount (or acceptable letter of credit) equal to ten percent of the proceeds of the bonds into a Primary Reserve Fund for each issuance, which secures the specific obligation to which it relates. If the Program Reserve and letter of credit discussed below are exhausted, the Primary Reserve Fund amounts can be used to secure repayment of other outstanding obligations issued under the Program.

The 1997A and 1999A bonds issued through the Common Bond Fund Program are reflected on the Authority's Statement of Net Assets as the Authority is ultimately liable for both bond issuances. Additionally, approximately $4.1 million (Program Development Fund and Program Reserve Fund) in restricted cash and investments are also shown on the Authority's Statement of Net Assets, which primarily represents the Authority's initial investment in the Program and associated interest earnings. In the event of a default, any utilization of either the Program Development Fund or the Program Reserve Fund would result in a charge to the Authority's earnings.

Additionally, in 2004, the Authority's Board of Directors began establishing an Auxiliary Reserve which could be utilized in the event of a default. As of December 31, 2009, the Reserve had a balance of approximately $148,000, which is shown as restricted cash and investments on the Authority's Statement of Net Assets. The Auxiliary Reserve is Board-restricted and is not part of the Trust Indenture which governs the Common Bond Fund Program. In May of 2008, the Board of Directors of the Authority formally pledged the Authority's Auxiliary Reserve to the Common Bond Fund Program in order to increase the Authority's capacity to continue to issue bonds under the Program. The pledge will remain in place until the Authority maintains sufficient reserves in order to maintain a "BBB+" rating, from Fitch Ratings, for the Program.

In August of 2008, the Board of Directors authorized the use of the Auxiliary Reserve, approximately $1,400,000 at the time, to assist in funding the redemption of the Myers University (2004E) bonds.

Under the Program, debt service requirements on each bond issue are secured by a pledge of amounts to be received pursuant to loan, lease, or other agreements executed in connection with the projects. The timing and amount of payments due from the borrowers and paid directly to the Bond Fund trustee under the various agreements approximate the debt service requirements of the bonds, plus a small administrative charge, which is reflected as "Financing fee income" on the Statement of Revenues, Expenses, and Changes in Net Assets.

Note 16: No-Commitment Debt (continued)

The primary reserve deposits, which totaled $9.1 million at December 31, 2009, consist of cash, government obligations, acceptable letters of credit or other instruments allowed under the Indenture. A trustee holds these funds during the term the bonds are outstanding, with investment income earned on the Primary Reserve Fund amounts returned to the borrowers at their discretion. The balance in the Primary Reserve Fund established for each debt issuance is utilized to fund the final principal payment when the related debt issuance is completely repaid. In addition to the primary reserves, a Program Reserve and Program Development Fund are maintained to collateralize all of the obligations outstanding under the Program.

The Program Reserve and Program Development funds at December 31, 2009 were composed of a $4.1 million cash reserve and a $9 million irrevocable, nonrecourse letter of credit from a financial institution, which expires on March 1, 2018.

On December 23, 2009, the Trustee for the Common Bond Fund Program was notified that the letter of credit would not be extended beyond March 1, 2018.

In January of 2008, Fitch Ratings affirmed their “BBB+” rating on the Common Bond Fund Program, but revised their Rating Outlook to Negative from Stable. The Outlook revision was a result of uncertainty surrounding Myers University (discussed in Note 17) and economic pressures throughout the region that could negatively affect other borrower’s in the portfolio.

In August of 2009, Fitch Ratings downgraded the Common Bond Fund Program to “BBB-”, with a Rating Outlook of Negative. The downgrade followed a review by Fitch of its default and recovery assumptions to similar bond fund programs, which was applied for the first time to the Authority’s Common Bond Fund Program. The Negative Outlook was based on the continued weakness in the regional economy and the industries to which the portfolio has exposure.

The issuances through the Common Bond Fund Program are reflected in the Statement of Fiduciary Net Assets, with the exception of the 1997A and 1999A bonds.

Conduit Financings – Conduit Financings represent bonds and notes issued for project financings which are collateralized by the related amounts to be received under leases and loan agreements with properties and tax-increment financing arrangements with local governments.

None of the debt obligations listed from the above financing sources are secured by the credit of the Authority.

Note 16: No-Commitment Debt (continued)

The Authority acts as an agent for the Common Bond Fund Program and certain Conduit Financing obligations, and as such the related assets and liabilities to the extent of asset balances are reported in the Statement of Fiduciary Net Assets. The aggregate amount of outstanding debt for the Common Bond Fund Program was $63,790,000 (excluding the 1997A and 1999A bonds that are obligations of the Authority) and Conduit Financing Obligations was $725,912,044 as of December 31, 2009. The aggregate amount of outstanding debt for the Common Bond Fund Program was $72,475,000 (excluding the 1997A and 1999 bonds that are obligations of the Authority) and Conduit Financing Obligations was $678,794,458 as of December 31, 2008.

In both programs, the debt is secured by the property financed, and/or the revenue streams pledged for the project, is payable solely from the payments received by the trustee from the borrowers or other sources specified in the related agreements. These obligations are considered "conduit debt obligations" under Interpretation No. 2 of the Governmental Accounting Standards Board, *Disclosure of Conduit Debt Obligations*. Because the Authority has no obligation to repay the debt beyond the specific third party revenue sources pledged under the debt agreements, the obligations are not recorded on the Authority's Statement of Net Assets.

Note 17: Myers University

At December 31, 2007, one of the issuances through the Common Bond Fund Program was for Myers University, an organization that had negative working capital and had recently been experiencing significant operating losses. On December 1, 2006, the organization made an unscheduled draw on a $300,000 credit enhancement which helped secure the bonds. The draw was replenished on December 13, 2006. A second unscheduled draw occurred on May 1, 2007, which was again replenished on June 15, 2007. On May 29, 2007, the $300,000 credit enhancement that was held by another financial institution was transferred to the Trustee for the Common Bond Fund Program. In addition, the Trustee held the Primary Reserve Fund in the amount of $572,500. The Bonds were further secured by a first mortgage on the property that was acquired and improved with the proceeds of the Bond Fund financing.

An action was filed on December 10, 2007 in the Cuyahoga County Common Pleas Court by certain donors and former trustees of Myers University who sought to prevent the University from closing. An emergency motion for temporary restraining order was granted on December 12, 2007, keeping Myers University open as an operating entity. As part of that order, the Court also appointed a Special Master and issued a restraining order limiting the disbursement or transfer of funds or accounts of the University without prior approval of the Court. The Court subsequently extended the tenure of the Special Master who remains in control of Myers University.

Since December 31, 2007, Myers University had made its monthly payments of interest due on the Bonds as provided in the Loan Agreement with the Authority. During that time, the Special Master sought an infusion of capital or an alternate buyer of Myers University to continue its operation.

On February 16, 2008, the Authority moved to intervene in court action and such intervention was granted.

Note 17: Myers University (continued)

On August 21, 2008, the Sale of Assets occurred and the Note and Mortgage from Myers LLC for $2,250,000 were received by the Trustee for the Bonds. As a result, the Authority prepared a Notice of Call to the holders of the Bonds and filed a Material Event Notice (Bond Call) as a result of the Bonds becoming taxable. On September 15, 2008, the Bonds were redeemed and paid in full, and the Authority subsequently acquired from the Trustee for the Bonds the Note and Mortgage for $2,250,000 payable on August 21, 2010.

Subsequently, the Authority and Key Bank (another secured creditor of Myers University) entered into a series of discussions regarding the distribution of remaining funds from the sale to Myers LLC pending the distribution of funds held by the Special Master. The Authority and Key Bank ultimately reached an agreement on the distribution of amounts, as secured creditors.

On December 23, 2008, after notice and hearing, the Common Pleas Court issued an order authorizing the payment to secured parties, including the Port Authority.

Since the total consideration was less than the total debt owed by the University to various creditors, the Authority recognized that the net proceeds realized by the Authority from the sale would not be sufficient to pay off the outstanding principal on the 2004E bonds. As a result of this anticipated shortfall, the Authority recorded an estimated loan loss reserve of $1,102,500 and a corresponding charge on the Statement of Revenues, Expense and Changes in Net Assets as of December 31, 2007. Due to transaction costs, the economics of the transaction and negotiations with other creditors, the Authority booked an additional loan loss of $1,024,745 during 2008, which is reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

As part of the Order to Sell the assets of Myers University and the subsequent Settlement Agreement between the creditors, the Authority received a Cognovit Promissory Note and mortgage (through the bond trustee) from the purchaser of the assets of Myers University in the amount of $2,250,000 ("Due from Chancellor University"), which matures on August 21, 2010. Interest is payable quarterly at the Prime Rate, plus the Applicable Margin (2 percentage points). Additionally, the Authority received $225,000 in December of 2008 in relation to the sale of the assets and booked a receivable of $118,194 ("Due from Chancellor University"), which was due as of December 31, 2008 and subsequently collected. Finally, the sale order escrowed a portion of the sale proceeds which would be paid to creditors in 18-months if certain conditions were met. The Authority has a $161,437 receivable ("Due from Chancellor University") on their balance sheet as of December 31, 2009 relating to this portion of the transaction.

In addition, several other events have occurred since the asset sale Order was approved. First, the Internal Revenue Service conducted an examination of the tax-exempt bonds which were redeemed. As a result of that examination, the IRS issued a letter on April 15, 2009 indicating that it closed the examination with no change in the tax-exempt nature of the Bonds as of redemption and that the redemption occurred in compliance with IRS regulations. Second, plaintiffs appealed the Judge's December 22, 2008 Order approving the disposition of funds to secured creditors to the Court of Appeals. Finally, an oral argument was heard in a separate appeal filed by the plaintiffs objecting to the sale of assets. On May 28, 2009, the appeal by the plaintiffs was dismissed by the Court of Appeals as moot.

Note 18: New Market Tax Credit Program

On September 29, 2003, the Authority entered into a Cooperative Agreement with certain third parties, including Northeast Ohio Development Fund LLC ("NEODF"), setting forth various understandings with respect to NEODF obtaining an allocation of tax credits from the federal government under the "New Market Tax Credits Program." The Cooperative Agreement sets forth the procedures for administering the credits and providing project loans with respect to that program. With the assistance of the Authority, NEODF was able to obtain an allocation of new market tax credits in 2004. These credits are to be deployed as investments in qualifying low income community businesses.

NEODF may utilize the credits provided it complies with terms and conditions of the Cooperative Agreement and the New Market Tax Credit Program. The Authority has no obligation for compliance under the New Market Tax Credit Program, but receives certain fees and other monies from investments made by NEODF and related organizations under the program. The Authority did not recognize any fees under the program for 2009 and 2008, from tax credit investments made by NEODF and related organizations. Under the terms of the Cooperative Agreement, the Authority is to receive additional funds upon the conclusion of the various transactions undertaken by NEODF, provided that the transaction is not in default and no compliance deficiencies exist. As a result of the 2 transactions undertaken by NEODF, the Authority could receive $573,660 in 2012 and $697,500 in 2014, plus interest, should the conditions described above be met. The Authority has not booked a receivable on the balance sheet for these amounts, due to the uncertainty of the underlying transactions and compliance issues.

In 2009, NEODF received an additional allocation of New Market Tax Credits. On June 29, 2009, NEODF and the Community Development Financial Institutions Fund entered into an allocation agreement to evidence this new allocation of $30 million. No new projects utilizing this allocation have been identified at this time.

Note 19: Flats East Bank Project

The Authority, in collaboration with the City of Cleveland, Cuyahoga County, the State of Ohio, the Northeast Ohio Regional Sewer District, the Cleveland Municipal School District, Greater Cleveland Partnership and others has been working for the past several years with Scott Wolstein, through Flats East Development LLC ("Developer"), on a major redevelopment project in the City of Cleveland known as the Flats East Bank Project. This is an approximately $500,000,000 redevelopment of the East Bank of the Flats in Cleveland, Ohio which will include a residential and commercial development contemplated to include for-sale and rental residential units, supporting retail and commercial office development, parking facilities and other public improvements including streets, sidewalks, street lights, public utilities, a promenade along the Cuyahoga River, public park, marina and other public spaces (the "Project").

In order to facilitate the implementation of the property acquisition phase of the Project, in November 2005, the Authority entered into an Agreement for Acquisition, Disposition and Redevelopment of Property ("Acquisition Agreement") with the Developer.

Note 19: Flats East Bank Project (continued)

The Acquisition Agreement provides that the Authority obtain appropriate appraisals, title and other relevant information and negotiate with the various landowners for the purchase of the property to be acquired for the Project which the Developer has not acquired. The Developer deposited a letter of credit in escrow with a title company, for the benefit of the Authority, for the appraised value of the properties to be acquired. If the Authority was unable to negotiate the purchase of the needed properties, the Authority then commenced eminent domain proceedings to acquire the property. On May 23, 2006, the first of such actions was filed.

Since there are federal funds allocated to the Project, the Developer and the Authority are required to comply with federal law, including the Uniform Relocation and Real Property Acquisition Policies Act of 1970 (the "Relocation Act"). In order to comply with the Relocation Act, the Authority is required to follow certain guidelines relating to property acquisition which include the retention of a relocation consultant and an appraiser, which it has done. All acquisition costs, including relocation experts and appraisers, are to be paid by the Developer pursuant to the Acquisition Agreement.

Additionally, the City of Cleveland, the Authority and the Developer negotiated and executed a Project Development Agreement (the "Development Agreement"), which fully sets forth the details of the Project and its construction, the financing for the public infrastructure and certain other Project improvements, as well as other project requirements.

The Development Agreement references a piece of property, commonly referred to as the "Loop" site. The Developer has an option to purchase the approximately three acres parcel under two circumstances. If the "Loop" is developed to house the commercial offices of the Federal Defense Finance and Accounting Service (DFAS), the developer shall be conveyed the site for nominal consideration. If DFAS does not occupy the site, then the purchase price shall be an amount mutually agreeable to the Authority and the Developer. There is no timeframe associated with the expiration of the option stated in the Development Agreement. It is expected that any sale of current Authority property would result in a significant gain on any disposition of real estate.

The Authority paid $25,000 and $530,000 in expenses related to the Flats East Bank project, all of which was paid by the Developer in 2009 and 2008, respectively. Additionally, the Authority had $3,000 and $2,800 of accounts payable associated with the transaction and booked a corresponding receivable that was due from the Developer as of December 31, 2009 and 2008.

In 2007, the Authority negotiated agreements to purchase properties from Flats East Bank property owners with title transferring to the Developer immediately after the Authority's acquisition. Settlement negotiations and court proceedings with remaining property owners concluded in 2008. During 2007, settlement agreements were reached with all remaining property owners in the appropriation action filed by the Authority. All settlement costs and the cost of litigation are being paid by the Developer, which obligation was secured by a Letter of Credit to the Authority, which expired in November 2008, since it was determined that all property had been acquired per the Acquisition Agreement and all outstanding acquisition obligations had been paid.

Note 19: Flats East Bank Project (continued)

If any additional acquisition obligations are discovered they would still be required to be paid by the Developer. All of the property acquisitions have occurred and property ownership for the entire site is in the title of the Developer and the eminent domain action has been dismissed. The Port Authority is separately working with the Developer to assist in the financing of the project on a non-recourse basis to the Authority.

Note 20: NASA Grant

In May of 2007, the State of Ohio awarded the Authority a $5,000,000 Job Ready Sites (JRS) Grant. The assistance was to offset costs of creating a technical center and research laboratory for the NASA Plum Brook Space Power Facility in Erie County, Ohio. In 2009, the Authority received the $5,000,000 Grant and then reimbursed NASA for the costs incurred in developing the technical center.

Note 21: Contingencies

The Authority, in the normal course of its activities, is involved in various claims and pending litigation. In the opinion of Authority management, the disposition of these other matters is not expected to have a material adverse effect on the financial position of the Authority.

Note 22: OSF Properties / Amtrust Financial Corporation

In 2004, the Authority was the issuer for $16,000,000 in revenue bonds for the construction of a parking structure and retail space on Euclid Avenue in Cleveland, Ohio. The borrower was OSF Properties, a subsidiary of Amtrust Financial (formerly Ohio Savings Bank).

On November 30, 2009, a series of debtors under the umbrella of Amtrust Financial Corporation filed for bankruptcy protection.

The bonds are non-recourse to the Authority and solely secured by the revenues from the Project. The Authority has no obligation to repay the bonds.

The Authority filed a claim in bankruptcy in an unknown amount under the lease and mortgage and for the annual fee due to the Authority.

Note 23: City of Garfield Heights / CityView Center Project

In 2004, the Authority issued $8.85 million in development revenue bonds through the Common Bond Fund Program to fund certain infrastructure improvements with the CityView Center development in Garfield Heights, Ohio. The bonds were to be repaid from payments in lieu of taxes (“PILOTS”) from the increase in value on the property from the retail development.

Note 23: City of Garfield Heights / CityView Center Project (continued)

In February of 2009, the largest secured creditor of CityView Center, LLC filed an action for the Appointment of Receiver against CityView. The project has run into economic difficulties due to environmental issues and concerns and the loss of its largest retail tenant, as well as other tenants.

The Receiver and the Board of Education of Garfield Heights entered into a settlement of tax values. The settlement resulted in reduced assessed valuations for the properties subject to payment of PILOTS for the bonds. There is other property owned by other parties that is also subject to PILOTS.

Based on these reductions, there is still sufficient value to support the bond debt service. Currently, the Trustee holds sufficient funds to pay debt service on the bonds through 2010.

Note 24: Subsequent Events

Ohio Manufacturers' Association Economic Development Funds – In January of 2010, FirstEnergy Corporation, through its Ohio utilities – Ohio Edison, Cleveland Electric Illuminating Company and Toledo Edison – agreed to provide $7.5 million over three years to support economic development and job retention projects under an agreement reached with The Ohio Manufacturers' Association (OMA). The agreement is related to the companies' commitment to support economic development and jobs as part of their Electric Security Plan.

Under the agreement, the companies will provide $2.5 million over three years to each of three Ohio port authorities to support projects designated by the OMA, including the Cleveland-Cuyahoga County Port Authority. The money will be inserted into the Authority's Common Bond Fund Program's system of reserves. The initial investment of $816,000 was deposited with the Trustee in January of 2010.

Sublease of Office Space – In February of 2010, the Authority agreed to sublease 4,320 square feet of office space to a third party, beginning in March 2010 until October 31, 2012. At the option of the tenant, the lease can be renewed until January 31, 2014. The tenant received six months of free rent on the 4,320 square feet as well as a rent abatement on 1,620 square feet for the following six months. Future minimum rentals to be received by the Authority under the sublease are $8,100 for 2010, $49,500 for 2011 and $44,820 for 2010.

Cleveland-Cuyahoga County Port Authority

Common Bond Funds

For the Year Ended December 31, 2009

The following are the approximate balances held and the principal amount of outstanding Common Fund Bonds as of December 31, 2009:

SERIES	Contracting Party	Original Bond Amount	Outstanding Principal Balance	Primary Reserve Balance	Final Maturity
1997A	Essroc /Port Authority (1)	$ 3,795,000	$ 3,065,000	$ 366,641	05/15/2027
1998A	Jergens	5,720,000	3,225,000	572,000	05/15/2018
1998B	NOACA	3,345,000	1,915,000	324,472	05/15/2018
1999A	Port Authority (1)	5,230,000	3,180,000	520,385	05/15/2019
1999B	Universal Heat	1,480,000	430,000	148,000	11/15/2014
2000B	RITA (4)	5,000,000	-	-	11/15/2010
2001A	CEOGC	4,440,000	2,500,000	444,000	05/15/2016
2001B	Cleveland Bottle	1,500,000	1,120,000	150,000	11/15/2021
2002A	CATS	2,090,000	1,625,000	209,000	05/15/2022
2002C	CCH	5,130,000	4,045,000	513,000	05/15/2022
2003A	Centaur/Heidtman Steel	4,250,000	1,930,000	425,000	05/15/2013
2004A	Luigino's	5,000,000	3,770,000	500,000	05/15/2019
2004B	City of Cleveland	2,965,000	1,410,000	296,500	05/15/2026
2004C	Tru-Fab	1,060,000	890,000	106,000	11/15/2023
2004D	Garfield Heights	8,850,000	8,200,000	885,000	05/15/2023
2005A	Goodyear	4,125,000	2,640,000	412,500	05/15/2014
2005B	Fairmount Montessori	3,375,000	3,070,000	337,500	05/15/2025
2005C	Avery Dennison	6,000,000	6,000,000	600,000	11/15/2015
2005D	Columbia National Group	6,020,000	4,915,000	602,000	05/15/2020
2006A	Cleveland Cavaliers	9,500,000	8,950,000	950,000	05/15/2026
2006B	City of Perrysburg (5)	5,060,000	-	-	11/15/2035
2008A	Brush Wellman	5,155,000	5,155,000	515,500	05/15/2023
2009A	Eaton Corporation	2,000,000	2,000,000	200,000	11/15/2020
Total		$101,090,000	$ 70,035,000	$ 9,077,498	

Summary of Reserves:	
Primary Reserve Funds	$ 9,077,498
Program Development Fund (2,3)	123,101
Program Reserve (3)	3,998,867
Program Reserve LOC	9,000,000
Total Reserve Funds	$ 22,199,466
Total Reserves/Outstanding Bonds	31.69%

(1) Assets and liabilities associated with these issuances are reflected on the Authority's Balance Sheet.
(2) One-half the monies in the Program Development Fund are transferred to the Authority for its general purposes in June and December of each year as long as no deficiency exists.
(3) Balances in the Program Development Fund and the Program Reserve are shown as restricted cash and investments on the Authority's Statement of Net Assets.
(4) The 2000B bonds (RITA) were redeemed in full on March 18, 2009.
(5) The 2006B bonds (City of Perrysburg) were redeemed in full on November 15, 2009.

Cleveland-Cuyahoga County Port Authority

Non-Bond Fund Issuances

For the Year Ended December 31, 2009

The following are the listing of non-Bond Fund debt issuances undertaken by the Authority for which there is still principal outstanding as of December 31, 2009:

	Non-Bond Fund Debt Issuances	Year	Type of Debt Issued	Original Issuance	Principal Outstanding
1	Applied Industrial Technologies	1996	Revenue Bonds	$ 18,835,000	$ 12,231,044
2	Metro Health	1999	Revenue Notes (Public Improvements)	10,973,006	-
3	University Square	2001	Revenue Bonds (Special Assessment)	40,600,000	39,165,000
4	TRW Automotive	2003	Governmental Loan	650,000	-
5	Carnegie/96th Research Building LLC	2003	Revenue Bonds	32,000,000	30,800,000
6	Euclid/93rd Garage and Office LLC	2003	Revenue Bonds	48,415,000	-
7	OSF Properties	2004	Taxable Development Revenue Bonds	16,000,000	12,768,000
8	City of Brecksville	2004	Tax-Exempt Revenue Bonds	2,195,000	1,310,000
9	RITA (2)	2004	Development Revenue Bonds	20,990,000	17,530,000
10	Swagelok	2004	Taxable Development Revenue Bonds Series	21,000,000	-
11	Marine Mechanical	2004	Taxable Economic Development Lease Revenue Bond	8,470,000	5,800,000
12	Playhouse Square Foundation	2004	Variable Rate Cultural Facility Revenue Bonds	18,000,000	9,550,000
13	Euclid Avenue Housing Corp.	2005	Student Housing Facility Revenue Bonds	34,385,000	32,840,000
14	Avery Dennison Corp.	2005	Taxable Development Lease Revenue Bonds	39,785,000	35,785,000
15	Cleveland Museum of Art	2005	Cultural Facility Revenue Bonds	90,000,000	90,000,000
16	Judson	2005	Development Revenue Refunding Bonds	31,500,000	29,340,000
17	Park Synagogue	2006	Multi-Mode Variable Rate Revenue Bonds	9,995,000	9,995,000
18	St.Clarence-GEAC, LLC Project	2006	Senior Housing Revenue Bonds	17,120,000	17,070,000
19	St.Clarence-GEAC, LLC Project	2006	Taxable Senior Housing Revenue Bonds	250,000	133,000
20	Carnegie/89th Garage and Service Center, LLC	2007	Revenue Bonds	156,920,000	156,920,000
21	SPC Buildings 1 & 3, LLC	2007	Revenue Bonds	34,590,000	34,195,000
22	Science Park Cleveland, LLC	2007	Taxable Convertible Revenue Bonds	45,700,000	44,980,000
23	Laurel School	2008	Variable Rate Educational Facility Revenue Bonds	16,000,000	16,000,000
24	Euclid Avenue Housing	2008	Variable Rate Demand Revenue Bonds	14,500,000	14,500,000
25	Veterans Development Office/Parking	2009	Revenue Bonds	115,000,000	115,000,000
			Total	$ 843,873,006	$ 725,912,044

Stadium Financing

During 1996, the Board of Directors of the Authority, by motion, declared its intent to participate in certificates of participation financing to be undertaken by the City of Cleveland (the "City") for the financing of the construction of a new football stadium. A Cooperative Agreement between the Authority, Cuyahoga County, the National Football League, and the City was executed which set forth an agreement in relation to the financing and building of a new football stadium. Under this Cooperative Agreement, the Authority agreed to: 1) enter into a ground lease with the City for the stadium property; 2) lease the stadium back to the City; and 3) assign certain of its rights under the leases to a trustee to enable the issuance of certificates of participation in the City's payments of rent to the trustee pursuant to the leases. On March 7, 1997, the Board of Directors of the Authority adopted a resolution authorizing and approving the execution, delivery, and performance of certain documents in connection with the financing, including the ground lease, lease, and assignment. During 1997 and 1999, City of Cleveland certificates of participation in the amounts of $139.3 million and $20.5 million, respectively, were sold by the trustee.

Stadium Financing (continued)

Simultaneously with the issuance of the certificates of participation, the Authority assigned to the trustee, with concurrence of the City, substantially all of its rights under the ground lease and leaseback to the City. The certificates of participation do not represent obligations of the Authority and the Authority has no significant rights or responsibilities with respect to the leases. Accordingly, no amounts have been recorded in the accompanying financial statements with respect to this transaction.

In February 2003, the City entered into a swap option with an investment bank in which the bank paid for the right to enter into a floating-to-fixed interest rate swap 90 days prior to the bonds' call date (November 15, 2007). If the bank exercises its option, the City will issue variable rate bonds to refund the outstanding Series 1997 Certificates of Participation. Because the Authority is a party to the Trust Indenture and the leases, its consent to this refunding structure was required and granted. This transaction was non-recourse to the Authority and the Authority maintains the protections it received in the original transaction.

In March and May of 2008, the City of Cleveland requested that the Authority Board of Directors authorize and approve the signing and delivery of various documents in connection with the refinancing of the Cleveland Brown's Stadium, including supplements to the Lease-Purchase Agreement and Trust Agreement, providing for the issuance of additional certificates under the Trust Agreement to refund the outstanding 2007 Certificates of Participation or to convert certain of the 2007 Certificates of Participation from one interest rate period to another interest rate period, thus enabling the City of Cleveland to obtain savings or to minimize risks of increased interest expense on the 2007 Certificates of Participation and the City of Cleveland's corresponding base rent payments under the Lease Agreement.

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Ciuni &
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CPAs and Business Advisors

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*

Board of Directors
Cleveland-Cuyahoga County Port Authority

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the Cleveland-Cuyahoga County Port Authority (the "Authority") as of and for the year ended December 31, 2009, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated May 25, 2010, wherein we noted that the Authority adopted Governmental Accounting Standards Board Statements No. 52, 55 and 56, as disclosed in Note 1. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider finding 2009-01 described in the accompanying schedule of findings to be a material weakness.

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Board of Directors
Cleveland-Cuyahoga County Port Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, Management, others within in the entity, and the Auditor of State's Office and is not intended to be and should not be used by anyone other than these specified parties.

Ciuni & Panichi, Inc.

Cleveland, Ohio
May 25, 2010

Cleveland-Cuyahoga County Port Authority

Schedule of Findings

December 31, 2009

1. Summary of Auditors' Results

Type of Financial Statement Opinion	Unqualified
Were there any significant deficiencies reported at the financial statement level (GAGAS)?	No
Was there any material weaknesses reported at the financial statement level (GAGAS)?	Yes
Was there any material noncompliance reported at the financial statement level (GAGAS)?	No

2. Findings Related To The Financial Statements Required To Be Reported In Accordance With GAGAS

2009-01 – Financial Reporting - Material Weakness

Sound financial reporting is the responsibility of the Authority's Chief Financial Officer and Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

The following audit adjustment was made to the financial statements:

> Restatement of capital assets as of December 31, 2007, due to a portion of land improperly capitalized in previous years.

The lack of controls over financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.

We recommend the Authority adopts policies and procedures for controls over year-end financial reporting to help ensure the information accurately reflects the activity of the Authority thereby increasing the reliability of the financial data at year-end. The Authority's management needs to review the statements to be sure that all items are being properly recorded.

3. Other Findings

None.

Cleveland-Cuyahoga County Port Authority

Schedule of Prior Year Findings

December 31, 2009

The Authority had no prior audit findings.

Cleveland-Cuyahoga County Port Authority

1375 E. Ninth Street, Suite 2300
Cleveland, OH 44114-1790
(216) 241-8014

Response to Findings Associated with
Audit Conducted In Accordance with
Government Auditing Standards
For the Year Ended December 31, 2009

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2009-01	Management has enhanced procedures relating to the financial reporting process over capital assets to accurately capture data underlying the financial statements.	N/A	Brent Leslie, Chief Financial Officer

Mary Taylor, CPA
Auditor of State

CLEVELAND – CUYAHOGA COUNTY PORT AUTHORITY

CUYAHOGA 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
JUNE 22, 2010

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
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