Cleveland-Cuyahoga County Port Authority

Single Audit
December 31, 2012 and 2011

Dave Yost • Auditor of State

Board of Directors
Cleveland-Cuyahoga County Port Authority
One Cleveland Center
1375 East 9th Street #2300
Cleveland, Ohio 44114

We have reviewed the *Independent Auditor's Report* of the Cleveland-Cuyahoga County Port Authority, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2012 through December 31, 2012. 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.

Dave Yost

Dave Yost
Auditor of State

July 8, 2013

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Cleveland-Cuyahoga County Port Authority

For the Year Ended December 31, 2012

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Ciuni & Panichi
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Independent Auditor's Report

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

Report on the Financial Statements

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 and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

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

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, 2012 and 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 24 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplemental schedules on pages 62 and 63 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2013 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* in considering the Authority's internal control over financial reporting and compliance.

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 13, 2013

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2012

General

As management of the Cleveland-Cuyahoga 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, 2012. Please read this information in conjunction with the Authority's basic financial statements and footnotes beginning on pages 25 and 31 respectively.

The Authority is an independent political subdivision of the State of Ohio. It has two 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 and; 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 Position).

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 Position, the Statement of Revenue, Expenses and Changes in Net Position, the Statement of Cash Flows, the Statement of Fiduciary Net Position, 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 Position presents the Authority's financial position and reports the resources owned by the Authority (assets), future period consumption (deferred outflows), obligations owed by the Authority (liabilities), future period acquisition (deferred inflows) and Authority net position (the difference between assets plus deferred outflows and liabilities plus deferred inflows). The Statement of Revenues, Expenses, and Changes in Net Position present a summary of how the Authority's net position 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 Position 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 (primarily Maritime and Development Finance as well as administration costs, including the fees generated by such groups).

North Coast Harbor **(NCH)** refers herein to activities involving the maintenance and repair of the NCH common areas and activities involving special events and capital repairs for the benefit of NCH. Funding for maintenance and repair are 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. Funding for special events and capital repairs are paid, as directed by the City of Cleveland, entirely from funds generated from City-owned parking lots as per a Cooperative Agreement between the City of Cleveland and the Authority. Assets, including cash and accounts receivable are shown as restricted assets on the Authority's Statement of Net Position. NCH assets are offset by corresponding liabilities on the Authority's Statement of Net Position. Income and expenses from NCH activities are netted on the Statement of Revenues, Expenses, and Changes in Net Position for fiscal years 2012 and 2011, as they do not reflect the operating results of the Authority.

In 2012, the Authority and the City of Cleveland entered into agreements which ended the Authority's involvement in the administration of the CAM and terminated the Cooperative Agreement.

Statement of Fiduciary Net Position 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 and government 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 under 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 Position and Statement of Revenues, Expenses, and Changes in Net Position.

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 Position, but are shown on the Authority's Statement of Fiduciary Net Position.

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 (or other stated sources of revenue) 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. In January of 2010, the Authority entered into a Memorandum of Understanding ("MOU") with the Ohio Manufacturers' Association ("OMA") and other entities which resulted in an additional $2.5 million contribution to the Bond Fund Program's system of reserves. This $6,500,000 in restricted funds, plus approximately $100,000 in associated interest earnings, is reflected on the Authority's Statement of Net Position. Interest earned on the $4.1 million State of Ohio and Authority contributions are reflected on the Authority's Statement of Net Position 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 Position. Interest earned on the OMA contribution is remitted to the OMA semi-annually, in accordance with the MOU. Any utilization of the reserve funds discussed above would result in a reduction to the Authority's net position.

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 and where the Authority is obligated to repay the debt.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2012

Condensed Statement of Net Position Information

The tables below provide a summary of the Authority's financial position and operations for 2012, 2011, and 2010, respectively.

Comparison of 2012 vs. 2011 Results:

	2012	2011	Change Amount	Change Percent
Assets and deferred outflows of resources:				
Current assets	$ 14,982,558	$ 14,920,886	$ 61,672	0.4%
Capital assets – net	45,611,483	42,203,690	3,407,793	8.1%
Restricted and other assets	12,629,114	8,947,358	3,681,756	41.1%
Deferred outflow of resources	807,435	924,401	(116,966)	(12.7%)
Total assets and deferred outflows of resources	74,030,590	66,996,335	7,034,255	10.5%
Liabilities and deferred inflows of resources:				
Current liabilities	4,799,188	4,816,008	(16,820)	(0.3%)
Current liabilities payable from restricted assets	4,452,386	846,190	3,606,196	426.2%
Other liabilities – including amounts relating to restricted assets	9,845,313	10,631,685	(786,372)	(7.4%)
Deferred inflow of resources	807,435	924,401	(116,966)	(12.7%)
Total liabilities and deferred outflows of resources	19,904,322	17,218,284	2,686,038	15.6%
Net position:				
Net investment in capital assets	35,858,955	31,543,353	4,315,602	13.7%
Restricted for other purposes	7,503,943	7,216,198	287,745	4.0%
Unrestricted	10,763,370	11,018,500	(255,130)	(2.3%)
Total net position	$ 54,126,268	$ 49,778,051	$ 4,348,217	8.7%

Current Assets: Current assets increased by approximately $61,700 from December 31, 2011 to December 31, 2012. The largest increase in this classification was $409,000 in accounts receivable, consisting of $163,500 due from the State of Ohio for a class action settlement pursued by the Ohio Attorney General on behalf of the Authority against Wachovia Bank, N.A. in connection with a municipal bonds derivatives antitrust investigation. Other increases related to $89,000 due from the City of Cleveland for parking revenues collected on the Authority's behalf, $35,700 due from a local contractor for dredge disposal fees, $30,200 due from our insurer for reimbursement from a wind damage claim, and approximately $90,600 in rental payments due from maritime tenants. All of these amounts have since been received. Other increases included $186,200 in cost in excess of billings for the Ohio Department of Transportation ("ODOT") Euclid Facility Project for which the Authority is the developer (see Note 23). Additionally, notes and interest receivable increased by $16,000 due to timing of principal and interest payments.

These increases were offset by a decrease in unrestricted cash and investments of $282,300 utilized in increased organizational activities and $173,800 in loans receivable related to the Ohio Department of Development ("ODOD") Logistics Loan (see Note 11) that was paid. Grants receivable decreased by a total of $67,900 and prepaid expenses decreased by $25,500.

Capital Assets: The Authority's investment in capital assets as of December 31, 2012 increased by $3.4 million when compared to 2011 (net of accumulated depreciation). Capital assets before accumulated depreciation increased by approximately $3.5 million from December 31, 2011 to December 31, 2012. The major component of the increase was an investment of $4.4 million for additional rail track on the Authority's international docks, $490,000 of which was construction in progress at December 31, 2011. The Authority also invested $404,000 constructing two debris harvester vessels designed to remove floating debris from the Cleveland Harbor and Cuyahoga River navigation channel. Additionally, $252,500 in security enhancements were made, $238,200 of which was construction in progress at December 31, 2011. Other investments throughout the year included $200,800 to replace the roof on Warehouse 24, $88,400 for a partial roof replacement to Warehouse A due to damage caused by Hurricane Sandy, $65,400 for a new roof at 1100 West 9th Street, $57,900 in new warehouse doors and port fencing, $44,300 in dredging Authority docks to their authorized depths, and $83,900 in various other improvements (system upgrades, equipment, etc.).

These additions were offset by a $1.4 million reduction to leasehold improvements previously carried on the Authority's balance sheet, due to the return of Docks 28B and 30 to the City of Cleveland (see Note 15). Additional reductions included $55,300 in disposals, a portion of which were caused by wind damage and later replaced. A summary of the activity in the Authority's capital assets during the year ended December 31, 2012, is as follows:

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
Land and land improvements	$ 18,735,094	$ -	$ -	$ 18,735,094
Buildings, infrastructures, and leasehold improvements	38,485,762	4,869,337	(1,424,172)	41,930,927
Equipment	845,564	704,923	(15,658)	1,534,829
Construction in progress	734,618	88,669	(734,617)	88,670
	58,801,038	5,662,929	(2,174,447)	62,289,520
Less accumulated depreciation	(16,597,348)	(1,280,538)	1,199,849	(16,678,037)
Capital assets – net	$ 42,203,690	$ 4,382,391	$ (974,598)	$ 45,611,483

Restricted and Other Assets: Restricted and other assets increased $3.7 million from December 31, 2011 to December 31, 2012. Restricted grants receivable increased by $2.5 million due to the riverwalk and bulkhead grants and $1.1 million due to the Cleveland Public Power ("CPP") funds related to the Flats East Bank Project (see Note 24). These receivables are offset by current liabilities payable from restricted assets.

Restricted cash and investments increased by approximately $119,000, mainly due to the Authority's Bond Program Auxiliary Reserve increasing by $100,000.

Unamortized loan costs increased by $109,000 due to the Bond Fund and CBT letter of credit replacements. A new financial institution was established for the Bond Fund letter of credit which caused a $63,000 increase. The CBT letter of credit was replaced in 2012, to take advantage of better interest rates, causing a $46,000 increase in loan costs. These loan costs are being amortized over the life of the respective letters of credit.

The increases discussed above were offset by scheduled decreases totaling approximately $153,000 in operating lease receivables, debt issuance costs, unamortized lease costs, due from Chancellor University and other restricted assets.

Deferred Outflow of Resources: Deferred outflow of resources decreased by $117,000 as a result of the swap the Authority has in place for the Cleveland Bulk Terminal ("CBT") bonds.

Current Liabilities: Current liabilities decreased by approximately $17,000 from December of 2011 to December of 2012. This change was comprised of a $363,000 decrease in the Ohio Department of Development logistics loan obtained for the rail project that was forgiven in November of 2012 (see Note 11). The decrease was offset by an increase of $268,000 in accounts payable due to several new initiatives and projects undertaken by the Authority in 2012, such as the ODOT project, sediment management activities and improvements at the Cleveland Lakefront Nature Preserve. Additionally, deferred income increased by $38,000 as fewer tenants prepaid their 2013 rent. Current portion of bonds and loans increased by $30,000 year over year as principal payment schedules increased and accrued wages and benefits increased by $10,000 largely due to timing.

Current Liabilities Payable from Restricted Assets: Current liabilities payable from restricted assets in 2012 increased by $3.6 million. $2.5 million of this increase is attributed to the acceptance and expenditures of the riverwalk and bulkhead grants and the CPP funds of $1.1 million related to the Flats East Bank Project (see Note 24). These payables are offset by a corresponding restricted grant receivable.

Other Liabilities – including amounts relating to restricted assets: This line item decreased by approximately $786,000. The reason for the decrease came from a $574,000 scheduled reduction in the non-current portion of the Authority's long-term debt obligations. Additionally, a reduction of $212,000 was seen in deferred income and accrued rent as a result of the straight-line accounting for the Authority's operating and office leases.

The activity in the Authority's debt obligations outstanding during the year ended December 31, 2012 is summarized below (unamortized premiums and discounts have been combined into the appropriate increase/decrease columns):

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year
Cleveland Bulk Terminal	$ 4,835,000	$ -	$ (155,000)	$ 4,680,000
Port Improvements 1999A	2,635,241	1,065	(295,000)	2,341,306
Essroc 1997A	2,826,474	4,748	(100,000)	2,731,222
ODOD Logistics Loan	363,622	2,661,878	(3,025,500)	-
Total	$ 10,660,337	$ 2,667,691	$ (3,575,500)	$ 9,752,528

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

Deferred Inflow of Resources: A decrease of $117,000 occurred in the derivative instrument related to the CBT interest rate swap.

Net Position: Net Position serves as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by $54.1 million at the close of the most recent fiscal year.

The largest portion of the Authority's net position (approximately 66%) 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.

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

Comparison of 2011 vs. 2010 Results:

	2011	2010	Change Amount	Change %
Assets:				
Current assets	$ 14,920,886	$ 15,605,972	$ (685,086)	(4.4%)
Capital assets – net	42,203,690	40,081,428	2,122,262	5.3%
Restricted and other assets	9,871,759	9,851,249	20,510	0.1%
Total assets	66,996,335	65,538,649	1,457,686	2.2%
Liabilities and net assets:				
Liabilities:				
Current liabilities	4,816,008	4,388,144	427,864	9.8%
Current liabilities payable from restricted assets	846,190	781,822	64,368	8.2%
Other liabilities – including amounts relating to restricted assets	11,556,086	12,428,203	(872,117)	(7.0%)
Total liabilities	17,218,284	17,598,169	(379,885)	(2.2%)
Net assets:				
Net investment in capital assets	31,543,353	29,024,191	2,519,162	8.7%
Restricted for other purposes	7,216,198	7,117,759	98,439	1.4%
Unrestricted	11,018,500	11,798,530	(780,030)	(6.6%)
Total net assets	$ 49,778,051	$ 47,940,480	$ 1,837,571	3.8%

***Current Assets**:* Current assets decreased by approximately $685,000 from December 31, 2010 to December 31, 2011. The largest decrease in this classification came from a $528,000 decrease in the unrestricted cash and investments balance, due to the Authority reinvesting positive cash flows from operations and noncapital financing activities into capital assets. Other decreases were attributable to a $200,000 decline in amounts due from Chancellor University, as the 2010 receivable was collected in 2011. Additionally, the property tax receivable declined by $200,000, due to slightly lower collections anticipated in 2012. Additionally, accounts receivable declined by $120,000 due to more timely payments from the Authority's tenants in 2011 than in 2010. Interest receivable declined by $15,000, due to lower interest rates and smaller cash and investment balances.

These decreases were offset by increased receivables related to successful activities in securing external funds. In 2010, the Port was awarded a forgivable loan from the Ohio Department of Development ("ODOD") to build additional rail capacity at the Port's docks. Additionally, the Authority also received an award from Cuyahoga County, Ohio Department of Justice Affairs (acting as a fiduciary agent for the Department of Homeland Security FEMA Grants Program Directorate) to make security improvements at the Port's facilities. As of December 31, 2011, the Authority had approximately $337,000 in costs associated with these projects that were to be reimbursed. There were no outstanding receivables related to these activities in 2010. The only other increases in current assets was attributable to a $40,000 increase in prepaid expenses, due to a significantly higher cost related to the Bond Fund Program Reserve Letter of Credit, which nearly doubled in price beginning in mid-2010.

Capital Assets*:* The Authority's investment in capital assets as of December 31, 2011 increased by $2.1 million when compared to 2010 (net of accumulated depreciation). Capital assets before accumulated depreciation increased by approximately $3.3 million from December 31, 2010 to December 31, 2011. The major component of the increase in capital assets before accumulated depreciation was the Authority's $3.1 million purchase of a 24,000 square foot office building at 1100 West 9th Street, which will serve as the future administrative offices for the organization. Approximately $766,000 of the purchase was allocated to the land value and the balance to the building. The Port also had $735,000 worth of construction in progress as of December 31, 2011 related to the installation of additional rail track on the Port as well as the installation of security enhancements. Other investments throughout the year included $292,000 for a new roof at the Chester Avenue facility, $122,000 in repairs to the Port's heavy lift crane, $99,000 in dredging Port Authority docks to their authorized depths, $75,000 in improvements to one of the Authority's warehouses, $45,000 in dock timbers, $31,000 in new equipment and $19,000 in additional fencing and furniture. These additions were offset by the sale of 5 acres of Port owned property, previously leased to a third party. The sale resulted in a $1.2 million reduction in land and improvements that were previously recorded on the Authority's balance sheet. The remaining reductions were due to the capitalization of certain activities that were in progress as of December 31, 2010. A summary of the activity in the Authority's capital assets during the year ended December 31, 2011, is as follows:

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
Land and land improvements	$ 18,624,127	$ 765,860	$ (654,893)	$ 18,735,094
Buildings, infrastructures, and leasehold improvements	36,017,507	2,961,008	(492,753)	38,485,762
Equipment	810,018	38,441	(2,895)	845,564
Construction in progress	21,600	734,618	(21,600)	734,618
	55,473,252	4,499,927	(1,172,141)	58,801,038
Less accumulated depreciation	(15,391,824)	(1,252,652)	47,128	(16,597,348)
Capital assets – net	$ 40,081,428	$ 3,247,275	$ (1,125,013)	$ 42,203,690

***Restricted and Other Assets**:* Restricted and other assets remained consistent from December 31, 2010 to December 31, 2011. Restricted cash and investments increased by approximately $970,000, mainly due to receipt of the third and final payment $833,000 due from the Ohio Manufacturers' Association. The Authority's Bond Program Auxiliary Reserve also increased by $100,000, to approximately $348,000. Additionally, NCH restricted cash balances related to the Authority's management of North Coast Harbor and the associated Cooperative Agreement with the City of Cleveland, increased by $69,000 over 2010, mainly due to decreased activity in the Special Event and Capital funds during 2011. These increases were offset by a $23,000 reduction in operating grant funds as well as smaller decreases in some of the restricted cash balances.

Other increases in restricted assets related to a $62,000 increase in deferred outflow of resources as a result of the swap the Authority has in place for the Cleveland Bulk Terminal ("CBT") bonds and a $98,000 balance in unamortized lease costs, which represent transaction costs associated with the lease of the former Myers University building to I Can Schools, Inc. Other restricted assets, primarily miscellaneous receivables, increased by $8,000.

The increase in the restricted assets discussed above were offset by a $100,000 decline in money due from Chancellor University, as $50,000 in principal was paid on the note and $50,000 became due within the next year. Also, the $833,000 grant receivable from OMA as of December 31, 2010 was received in 2011. Other decreases in restricted cash and investments were attributable to declines in operating lease receivables of $151,000, mainly due to the write-off of the Old River property receivable as the property was sold in 2011. Additionally, debt issuance costs decreased by $34,000, as no new debt was issued in 2011 and normal amortization of previous costs continued.

***Current Liabilities**:* Current liabilities increased in 2011 by approximately $428,000, mainly due to the construction of additional rail track on the Authority's docks. As of December 31, 2011, the Authority had utilized $364,000 of the proceeds from the ODOD Logistics Loan. Each time the Authority submits for reimbursement, the liability increases. The Loan is forgivable if completion date and total man-hour requirements are met.

In 2011, there was also a $346,000 increase in accounts payable. The increase in accounts payable was mainly attributed to $146,000 in annual insurance premiums that existed as of December 31, 2011, as well as $160,000 in property taxes payable. The property taxes that were payable at the end of the year related to the Authority's property at the Essroc facility as well as at 1100 West 9th Street. Other increases in current liabilities related to an additional $30,000 becoming due within the current year on the Authority's remaining debt.

The increases were offset by a $257,000 decline in deferred income, mainly related to lower than expected property tax receipts that are expected for the upcoming tax year. Additionally, the current portion of the State of Ohio 166 loan was reduced by $55,000 as the Authority utilized proceeds from the sale of the Old River property to pay off the entire loan.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2012

***Current Liabilities Payable from Restricted Assets**:* Current liabilities payable from restricted assets in 2011 increased by $65,000. This line item is related to the Authority's management of North Coast Harbor and the associated Cooperative Agreement with the City of Cleveland. As of December 31, 2011, there were total assets and liabilities, reflecting amounts due to the City of Cleveland and services to be provided to CAM participants totaling of $779,000; of which there was offsetting restricted cash of $767,000 and receivables of $12,000.

Other Liabilities – including amounts relating to restricted assets: This line item decreased by approximately $872,000. The reason for the decrease came from a $545,000 scheduled reduction in the non-current portion of the Authority's long-term debt obligations plus a $191,000 payoff of the State of Ohio 166 loan from the sale of the Old River property. An additional reduction of $200,000 was seen in deferred income and accrued rent as a result of the straight-line accounting for the Authority's operating leases and office lease. These decreases were offset by an increase in the derivative related to the CBT interest rate swap of $62,000.

The activity in the Authority's debt obligations outstanding during the year ended December 31, 2011 is summarized below (unamortized premiums and discounts have been combined into the appropriate increase/decrease columns):

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year
Cleveland Bulk Terminal	$ 4,980,000	$ -	$ (145,000)	$ 4,835,000
Port Improvements 1999A	2,909,065	1,176	(275,000)	2,635,241
Essroc 1997A	2,921,566	4,908	(100,000)	2,826,474
State of Ohio 166 Loan	246,606	-	(246,606)	-
ODOD Logistics Loan	-	363,622	-	363,622
Total	$ 11,057,237	$ 369,706	$ (766,606)	$ 10,660,337

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

***Net Position**:* Net Position serves as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by $49.8 million at the close of the most recent fiscal year.

The largest portion of the Authority's net assets (approximately 63%) 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.

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

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

The Authority's operations increased its net position by $4.3 million in 2012. Key elements of these changes are summarized below:

	2012	2011	Change Amount	Change %
Operating revenues:				
Wharfage, dockage, and storage	$ 1,285,511	$ 1,303,717	$ (18,206)	(1.4%)
Property lease and rentals	2,011,992	1,964,703	47,289	2.4%
Financing fee income	662,752	1,742,146	(1,079,394)	(62.0%)
Foreign trade zone fees	74,333	80,000	(5,667)	(7.1%)
Dredge disposal fees	144,949	-	144,949	100.0%
Parking revenues	380,315	268,227	112,088	41.8%
Contract revenue	476,199	-	476,199	100.0%
Other	74,175	98,090	(23,915)	(24.4%)
Total operating revenues	5,110,226	5,456,883	(346,657)	(6.4%)
Operating expenses:				
Salaries and benefits	2,272,132	2,304,544	(32,412)	(1.4%)
Professional services	923,608	877,280	46,328	5.3%
Sustainable infrastructure services	397,374	-	397,374	100.0%
Contractual services	442,945	-	442,945	100.0%
Facilities lease and maintenance	913,085	988,733	(75,648)	(7.7%)
Marketing and communications	215,508	166,128	49,380	29.7%
Depreciation expense	1,280,538	1,252,652	27,886	2.2%
Office expense	368,576	382,868	(14,292)	(3.7%)
Other expense	154,496	160,228	(5,732)	(3.6%)
Total operating expenses	6,968,262	6,132,433	835,829	13.6%
Operating loss	(1,858,036)	(675,550)	(1,182,486)	175.0%
Nonoperating revenues (expenses):				
Flats East Bank Project grant revenue	4,989,452	-	4,989,452	100.0%
Flats East Bank Project grant expenses	(4,989,452)	-	(4,989,452)	(100.0%)
Property tax receipts	3,037,379	3,119,015	(81,636)	(2.6%)
Nonoperating grant revenue	-	23,000	(23,000)	(100.0%)
Income from investments	298,340	298,181	159	0.1%
Interest expense	(669,293)	(733,069)	63,776	(8.7%)
Loss on disposal of fixed assets	(216,796)	(371,996)	155,200	(41.7%)
Gain on insurance recovery	33,032	-	33,032	100.0%
Other revenue	173,081	-	173,081	100.0%
Total nonoperating revenues - net	2,655,743	2,335,131	320,612	13.7%
Change in net position before capital grants	797,707	1,659,581	(861,874)	(51.9%)
Capital grants	3,550,510	177,990	3,372,520	1,894.8%
Change in net position	4,348,217	1,837,571	2,510,646	136.6%
Net position – beginning of year	49,778,051	47,940,480	1,837,571	3.8%
Net position – end of year	$ 54,126,268	$ 49,778,051	$ 4,348,217	8.7%

Operating Revenues: Collectively, total operating revenues decreased by nearly $347,000, to $5.1 down from $5.5 million in 2011.

Wharfage, Dockage, and Storage: These revenues are generated from Authority cargo movements and they collectively decreased 1% from $1,304,000 in 2011 to $1,286,000 in 2012. Throughput at the Cleveland Bulk Terminal facility, leased by a private company, decreased by 3% for a total of approximately 2.9 million in billable tons of iron ore and limestone. This decreased wharfage revenues at the CBT facility by $35,000 as compared to the previous year. Overall tonnage handled by our primary break-bulk terminal operator increased by 11,400 tons or 3% to 355,000 tons. This tonnage increase resulted in a $1,500 increase in wharfage and dockage revenues attributable to our primary break-bulk operator. Other smaller revenue sources, such as security fees and storage increased by $16,000 in 2012.

Property Lease and Rentals: Property lease and rentals increased by approximately $47,000 or 2% in 2012, primarily due to a full year of leasing activity at the 1100 West 9th Street office building but offset by a decrease in maritime property rent. In August 2011, the Authority purchased the 1100 West 9th Street building to house its future administrative offices, as well as other tenants. In 2012, rent increased by $182,000 due to the full year of leasing. This increase was offset with a $53,000 decrease as the short term lease to a local construction company for a portion of Dock 22 expired in March of 2012. Additional declines were also attributable to operating agreement adjustments with the tenants at Dock 20 totaling $61,000. Finally, a $27,000 decrease resulted from the sale of the Old River property during 2011. The remaining increase was primarily due to increased terminal usage fees as a result of increased throughput.

Financing Fee Income: Development finance fees decreased by $1,080,000 in 2012 to $663,000. Development finance fee income is essentially earned in three ways: (1) closing fees, which are one-time fees charged on Stand Alone, Bond Fund and New Market Tax Credit projects based on the risk profile and structure 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 2012, the Authority assisted in issuing bonds for one transaction versus five in the previous year. Additionally, in 2011, $879,000 was received for New Market Tax Credits fees. None were received in 2012, which resulted in a $1,074,000 decrease in closing fees in 2012 versus 2011.

Approximately $641,000 in financing fee income related to existing projects and the administrative fees associated with them, which was a $29,000 increase from 2011. The increase related to the additional financings that took place in 2011 and 2012.

Finally, the Authority received $10,000 in acceptance fees from one project in 2012, $35,000 less than 2011, as there were fewer new projects.

Foreign Trade Zone Income: Foreign Trade Zone fees remained stable at $74,000 in 2012, compared to $80,000 in 2011. The decrease is the result of one deactivation replaced by another participant later in the year.

Dredge Disposal Fees: In 2008, the Authority began to enter into dredge disposal agreements with organizations that have a need to store privately dredged material in dike disposal Site 12, which is controlled by the Authority and is on the north side of Burke Lakefront Airport. In 2012, 21,000 cubic yards were privately dredged and stored. No private dredging was stored in 2011.

Parking Revenues: Parking revenue increased by $112,000 or 42% as compared to 2011. The Authority's parking revenues relate only to revenues that can be utilized by the Authority and are not associated with the CAM or the City of Cleveland Agreements concerning NCH.

A new parking agreement was executed between the Authority and the Cleveland Browns in 2012. This agreement set an annual flat rate of $225,000, an increase of $25,000 over the previous agreement.

Additional parking, owned or leased by the Authority, is variable and is affected by the number of special events held near the Authority docks. The variable portion of the parking revenues increased by $87,000 in 2012 when compared to 2011 as more waterfront events took place in 2012.

Contract Revenue: In 2012, the Authority entered into a Purchase Agreement with ODOT (see Note 23) to finance and construct a maintenance garage in Euclid Ohio. Upon completion, ODOT will purchase the facility from the Authority. The project is accounted for using the percentage of completion method in recognizing revenue and expenses for the project. As of December 31, 2012, contract revenue recognized was $476,000 as the project was 6% complete. The project is expected to be fully completed in 2013.

Other Revenues: Other operating revenues decreased by $24,000 in 2012. Other revenues include the Authority's office sublease, equipment rentals, NCH administrative fees and other charges. In 2012, the largest decrease related to equipment rental income.

Operating Expenses: Operating expenses increased by approximately $836,000 (14%) in 2012 compared to 2011.

Salaries and Benefits: The most significant operating expenses of the Authority are salary and benefit costs, which decreased by $32,000 or 1% from 2011.

Salaries increased approximately $32,000 as the Authority added one new position in June of 2012. In 2011, three positions were filled and two were eliminated. The new hire, plus the full-year effect of the positions filled and eliminated during 2011, resulted in an increase of approximately $32,000 in salary expense for 2012.

Benefit costs decreased by $64,000 primarily due to an $84,000 decrease in healthcare costs as the Authority realized savings resulting from a plan change to a high-deductable health savings compatible plan and increased employee contributions. In addition, medicare and workers compensation decreased collectively by $4,000. These decreases were offset by increases of approximately $24,000 in OPERS and unemployment claims collectively.

Professional Services: These costs increased by $46,000 or 5% as compared to 2011. Legal fees increased by $44,000 from 2011 levels, primarily related to increased contract activity and new initiatives during the year. Additional increases were property management fees and insurance expenses of $15,000 as a result of operating the 1100 West 9th Street office building for a full year. There was an additional $21,000 in amortized lease and loan costs, related to 1100 West 9th Street office building and the costs of securing a new letter of credit. These increases were offset by a decrease in government relations service expense of $17,000, decreased audit fees of $10,000 and a decrease in bank and trustee fees of approximately $7,000.

Sustainable Infrastructure Services: Sustainable infrastructure services ($397,000 for 2012) are costs directly associated with the implementation of the Port's Strategic Action Plan, which called for the Port Authority to "lead critical initiatives for river renewal and infrastructure improvements;" that includes the task of identifying sustainable dredge material management solutions in conjunction with the USACE. A comprehensive sediment management plan for Cleveland Harbor in progress at year end, totaled $330,000. Support services associated with the sediment management plan totaled $25,000. Additionally, operational costs associated with the debris harvester and Cleveland Lakefront Nature Preserve are also included, totaling approximately $42,000.

Contractual Services: Contractual services are costs incurred in conjunction with the design and construction of the maintenance garage in Euclid OH, in accordance to the Purchase Agreement between the Authority and ODOT. These costs have associated revenues and are recognized consistent with the percentage of completion method of accounting. At December 31, 2012 the project was 6% complete with $443,000 in costs incurred.

Facilities Lease and Maintenance: Facilities lease and maintenance expense decreased by $76,000 from 2011 levels. In 2012, lease payments for the Authority's docks decreased by $100,000. This decrease was the result of rent abatement beginning October 1, 2012 as per various agreements between the City of Cleveland and the Authority (see Note 15). Further decreases of $48,000 were realized in general repair costs as more repairs were completed by maintenance staff as opposed to being performed by third parties. These decreases were offset by an increase of $73,000 in operating costs at the 1100 West 9th St. office building due to the full-year impact of owning the property.

Marketing and Communications: Marketing and communication expense increased by $49,000 to $216,000 in 2012 as compared to 2011. Community support and sponsorships of local events increased by $18,000 in 2012. Marketing professional services increased in 2012 by $17,000, as the Authority entered into an agreement for community outreach and education services. Additionally, the Authority's website and brochure redesign that began in 2011 was completed in 2012 for an additional $11,000.

Office Expense: Office expenses decreased by $14,000 to $369,000 in 2012 primarily due to lower supply and utility costs.

Other Expense: Other expenses decreased by $6,000 to $154,000 in 2012 mainly due to a decrease in the number of memberships of which the Authority pays dues.

Nonoperating Revenues (Expenses):

- ***Flats East Development Project Revenue and Expense:*** The Authority accepted various grants to facilitate the completion of a major redevelopment project in the City of Cleveland known as the Flats East Bank Project. Grant expenditures and corresponding revenues of $4,989,452 were recognized in 2012 in relation to this project (see Note 24).

- ***Property Tax Receipts***: A large portion of nonoperating revenues results from the Authority's .13 mill property tax levy. Receipts declined by $82,000, due to previous changes to the Ohio tax code which reduced property taxes due to local jurisdictions.

- ***Nonoperating Grant Revenue – Other***: Nonoperating grant revenue decreased by $23,000 in 2012. In 2011, the Authority received $23,000 affiliated with a 2008 grant from the Cleveland Foundation. No proceeds were received in 2012.

- ***Income from Investments:*** 2012 investment income remained consistent with 2011 at $298,000 as investment balances and interest rates were relatively unchanged from the previous year.

- ***Interest Expense****:* The $64,000 decrease is the result of continued reduction of principal of the Authority's existing direct debt obligations and reduced interest rates resulting from replacement of the letter of credit provider for the Cleveland Bulk Terminal Project bonds on March 1, 2012. The reduction of principal resulted in a decrease of approximately $34,000 in interest expense in 2012 and approximately $30,000 was a result of the letter of credit replacement which lowered the variable interest portion on the CBT bonds.

- ***Loss on Disposal of Fixed Assets:*** On October 1, 2012 the Authority through a series of agreements with the City of Cleveland returned property to the City that had been leased by the Authority and for which leasehold improvements were carried on the Authority's Statement of Net Position (see Note 15). At the time of transfer, the carrying value of previous improvements to the property was $217,000 and was written off as a loss on disposal. A $372,000 loss was recognized in 2011 due to the sale of an Old River Road property as the carrying value and lease receivable were written off.

- ***Gain on Insurance Recovery:*** The Authority recognized $33,000 in gains in 2012 as damage caused by Hurricane Sandy was recovered by the Authority's insurer.

- ***Other Revenue:*** In 2012 the Authority was awarded $163,500 from the State of Ohio for a class action settlement pursued by the Ohio Attorney General on behalf of the Authority against Wachovia Bank, N.A. in connection with a municipal bond derivatives antitrust investigation. An additional $9,700 of other miscellaneous revenue was also recognized.

Capital Grants: In 2012, capital grant revenue exceeded $3.5 million dollars. As discussed above, the largest increase was realized from the forgiveness of a $3.0 million ODOD Logistics Loan (see Note 11). An additional $420,000 was received from the U.S. Environmental Protection Agency, via a Great Lakes Restoration Initiative Grant, for the development and deployment of debris harvester vessels; completed in 2012 (see Note 18). Other grant revenues recognized were $51,000 from the U.S. Environmental Protection agency for the remediation of a portion of the Cleveland Lakefront Nature Preserve, $44,000 from the Federal Emergency Management Agency, through the Ohio Emergency Management Agency, to repair infrastructure damaged caused by Hurricane Sandy, and $11,000 to complete security enhancements awarded by Cuyahoga County through the Department of Homeland Security.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2012

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

The Authority's operations increased its net assets by $1.8 million in 2011. Key elements of these changes are summarized below:

	2011	2010	Change Amount	Change %
Operating revenues:				
Wharfage, dockage, and storage	$ 1,303,717	$ 1,040,031	$ 263,686	25.4%
Property lease and rentals	1,964,703	1,678,523	286,180	17.0%
Financing fee income	1,742,146	1,136,479	605,667	53.3%
Foreign trade zone fees	80,000	117,500	(37,500)	(31.9%)
Dredge disposal fees	-	80,381	(80,381)	(100.0%)
Parking revenues and other	366,317	417,773	(51,456)	(12.3%)
Total operating revenues	5,456,883	4,470,687	986,196	22.1%
Operating expenses:				
Salaries and benefits	2,304,544	1,840,476	464,068	25.2%
Professional services	877,280	1,134,344	(257,064)	(22.7%)
Facilities lease and maintenance	988,733	958,730	30,003	3.1%
Marketing and communications	166,128	255,498	(89,370)	(35.0%)
Depreciation expense	1,252,652	1,172,153	80,499	6.9%
Office expense	382,868	359,984	22,884	6.4%
Other expense	160,228	218,275	(58,047)	(26.6%)
Total operating expenses	6,132,433	5,939,460	192,973	3.2%
Operating loss	(675,550)	(1,468,773)	793,223	54.0%
Nonoperating revenues (expenses):				
Property tax receipts	3,119,015	3,251,997	(132,982)	(4.1%)
Nonoperating grant revenue	23,000	2,560,333	(2,537,333)	(99.1%)
Income from investments	298,181	461,542	(163,361)	(35.4%)
Interest expense	(733,069)	(785,399)	52,330	6.7%
Capital grant	177,990	-	177,990	100.0%
(Loss) on disposal of fixed assets	(371,996)	(5,735)	(366,261)	(6,386.4%)
Total nonoperating revenues – net	2,513,121	5,482,738	(2,969,617)	(54.2%)
Change in net assets	1,837,571	4,013,965	(2,176,394)	(54.2%)
Net assets – beginning of year	47,940,480	43,926,515	4,013,965	9.1%
Net assets – end of year	$ 49,778,051	$ 47,940,480	$ 1,837,571	3.8%

Operating Revenues*:* Collectively, total operating revenues increased by nearly $986,000, up from $4.5 million in 2010.

The amount of cargo handled by the Authority increased substantially in 2011 for the second consecutive year, as the regional and global economy continues a modest recovery from the 2009 Great Recession. The Authority's maritime business is correlated with local steel consumption, which continues to rebound from historic lows, seen just two years ago. The Authority also experienced significant increases in property lease and rentals from successful transactions with tenants on non-maritime property. Finally, the previously awarded New Markets Tax Credits provided a substantial boost to our Development Finance line of business at the end of the year. The 22.1% increase in operating revenues only required a 3.2% increase in 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 increased 25% from $1,040,000 in 2010 to $1,304,000 in 2011. Overall tonnage handled by our primary break-bulk terminal operator increased by 46,965 tons or 16% to 344,031. This tonnage increase resulted in a $56,000 increase in wharfage and dockage revenues attributable to our primary break-bulk operator. Additionally, throughput at the Cleveland Bulk Terminal facility, leased by a private company, increased by 40% for a total of approximately 3 million in billable tons of iron ore and limestone. This increased wharfage revenues at the CBT facility by $205,000 over the previous year. The facility supplies raw materials to a local steel plant, which also indicates increasing post-recession demand, though slightly below historical averages. The Authority also received additional storage revenues in 2011 from the increased tonnage, accounting for the remainder of the increase in these revenues.

Property Lease and Rentals*:* Property lease and rentals increased by approximately $286,000 or 17% in 2011, primarily due to new leasing activity at the former Myers University facility and the purchase of 1100 West 9^{th} Street. The former Myers building was leased to Chancellor University for the first 7 months of 2011 and a 5-year lease with I Can Schools began in August. Both leases generated an additional $202,000 in lease revenues. In August 2011, the Authority purchased a 24,000 square foot office building to house the Authority's future administrative offices, as well as other tenants. Lease income from the date of purchase from existing tenants totaled $98,000 for 2011. The Authority also leased maritime property, referred to as Dock 22, to a local construction company throughout 2011 for an additional $79,000. The increases were offset by a $45,000 decline in property rentals from the Old River property, which was sold in 2011. Additionally, a portion of property previously leased to Essroc was removed from their lease in the 3^{rd} quarter of 2011, which reduced their land rental by $16,000. Additional declines were also attributable to operating agreement adjustments with our break-bulk terminal operator ($20,000) and the tenant at Dock 20 ($12,000).

Financing Fee Income: Development finance fees increased by $606,000 in 2011 to $1.7 million. Development finance fee income is essentially earned in three ways: (1) closing fees, which are one-time fees charged on Stand Alone, Bond Fund and New Market Tax Credit projects based on the risk profile and structure 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 2011, the Authority assisted in issuing bonds for five transactions, most of which were smaller and less complex than previous periods. However, the Authority, through its Cooperative Agreement with the Northeast Ohio Development Fund LLC, received $878,850 in fees related to four transactions that were financed with New Market Tax Credits. This resulted in a $530,000 increase in closing fees in 2011 versus 2010.

Approximately $590,000 in financing fee income related to existing projects and the administrative fees associated with them, which was a $46,000 increase from 2010. The remaining increase related to the additional financings that took place in 2010 and 2011 which are offset by the continued reduction in principal on outstanding projects.

Finally, the Authority received $30,000 more in application and acceptance fees in 2011 related to projects that are expected to close in 2012.

Foreign Trade Zone Income: Foreign Trade Zone fees declined by $37,500 in 2011 to $80,000. The decline in Foreign Trade Zone enrollment continues as a result of changes to the State of Ohio tax code. The tax code change eliminated a tax on inventory, providing less of an incentive for a company to participate in the FTZ program. In December of 2011, the Authority reached an agreement with a third party to take over the marketing and reporting efforts associated with the federal program.

Dredge Disposal Fees: In 2008, the Authority began to enter into dredge disposal agreements with organizations that have a need to store privately dredged material in Dike Disposal Site 12, which is controlled by the Authority and is on the north side of Burke Lakefront Airport. There was no private dredged material stored in Port-controlled disposal sites in 2011 versus 11,500 cubic yards in 2010, resulting in an $80,000 decline in revenue.

Parking and Other Revenues: Parking and other revenues decreased by $46,000 or 15% compared to 2010. The Authority's parking revenues relate only to revenues that can be utilized by the Authority and are not associated with the CAM or the City of Cleveland Agreements concerning NCH.

The current parking agreement with the Cleveland Browns for the Authority to provide a certain number of spots on the date of home football games is largely fixed and resulted in $225,000 in revenue in 2010, which is consistent with previous periods. The agreement, which had a base rental of $200,000 and an amendment for an additional $25,000 related to previous capital improvements, expired in June of 2011. The amended agreement eliminated the $25,000 additional payment related to capital improvements, since it had been fully amortized. The Authority also received $3,000 in new parking revenue from 1100 West 9^{th} Street, as the spots are also utilized for events at Cleveland Browns Stadium.

Additional parking, either owned or leased by the Authority, is variable and is affected by the number of special events held near the Authority docks, as well as attendance at Cleveland Browns home games. The variable portion of the parking revenues decreased by $24,000 in 2011 when compared to 2010, largely as a result of the "Tall Ships" festival that was held on the lakefront in July of 2010.

Other income decreased by $5,000 in 2011. Revenues in "Other" include the Authority's office sublease, equipment rentals, NCH administrative fee and other charges.

Operating Expenses: Operating expenses increased by approximately $193,000 (3.2%) in 2011 compared to 2010. The most significant operating expenses of the Authority are salary and benefit costs, which increased by $464,000 or 25.2%. The Authority underwent significant changes in the fourth quarter of 2009, as the President and CEO resigned and four positions were eliminated. The Authority eliminated two additional positions in 2010 and had another three senior-level positions unfilled for the majority of 2010. The Authority hired three people in 2011, but also had a retirement and one position was eliminated. The new hires, plus the full-year effect of two senior-level positions (including the President & CEO), resulted in $345,000 in additional costs. Staffing and salary and benefit costs remain at levels well below recent periods.

Additional salary and benefit costs, all of which are directly tied to salaries and the number of employees, also increased. OPERS contributions increased by $46,000, Medicare, health-care benefit expenses and workers compensation increased collectively by $99,000. Unemployment costs decreased by $23,000.

The remaining operating expenses represent the cost of operating the Authority which includes facilities lease and maintenance (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, and Authority dues and memberships) and depreciation.

Changes in other operating expenses during 2011 are detailed below:

- Professional services decreased by $257,000 or 22.7% as compared to 2010. The Authority continued to look for ways to reduce the annual operating loss and additional savings were found in professional services. In 2011, the Board adopted a Strategic Action Plan as a result of in-depth analysis performed by a team of consultants that began in 2010. Work related to the Plan was $136,000 less in 2011 than in 2010. Also, the Authority paid an executive search firm $84,000 in 2010 to locate and hire a permanent President and CEO; no external search firms were used in 2011 for any positions. Finally, the Authority no longer utilizes government relations firms for work in Washington, D.C. or Columbus. This decision saved an additional $144,000 in professional fees in 2011 versus 2010.

  These decreases were offset by a $97,000 increase in the Authority's letter of credit fee which supports the Common Bond Fund Program. Pricing for letters of credit have increased dramatically since the financial crisis. Additionally, the Authority is now amortizing commission costs associated with leasing activities, mainly from the five year lease of the former Myers facility to I Can Schools. This increased professional services by $9,000 in 2011.

- Facilities lease and maintenance expense increased by $30,000 from 2010 levels. Operating costs of 1100 West 9th Street are included in this line item and added an additional $57,000 in costs. The increase was offset by lower maintenance costs for the Authority's docks, as the two maintenance crew employees are performing more work themselves versus contracting out for services.

- Marketing and communication expenses decreased by $89,000 to $166,000 in 2011 as compared to 2010. Similar to professional services, the Authority no longer utilizes communications firms on a retainer basis, which saved $64,000 in 2011. Additionally, the "Tall Ships" festival, which the Authority sponsored with a $50,000 contribution, did not take place in 2011 and will return to Cleveland harbor in 2013. FTZ marketing expenses decreased by $19,000 in 2011, as the Port moved towards an agreement with a third party to manage the program, which took place in December 2011.

  The Authority invested an additional $19,000 in redesigning the Authority's website and $16,000 on the redesign of brochures, strategic plan communications and other materials. In addition, there was a $7,000 increase in travel related to maritime business development.

- Office expenses increased by $23,000 to $383,000 in 2011. The most significant reason for the increase was a $9,000 increase in computer equipment and software for new employees as well as a $4,000 increase in phone and data service for the same reason. The rest of the increase was attributable to higher utility and parking costs.

- Other expenses decreased by $58,000 to $160,000 in 2011. The decrease was related to a commitment fee of $32,000, paid in 2010, to the Ohio Department of Development for a Logistics and Distribution Stimulus Loan for a rail improvement project. Additionally, the Authority reduced contributions to various local and national industry and economic development organizations by $30,000 compared to 2010. These decreases were offset by higher employee costs, such as such as travel and professional development, primarily due to the increased staffing.

Nonoperating Revenues (Expenses): Net nonoperating revenues decreased by $3.0 million in 2011, largely due to the $2.5 million in funds awarded and recognized from the Ohio Manufacturers' Association in the previous year. Additional changes were:

- ***Property tax receipts***: The largest portion of nonoperating revenues results from the Authority's .13 mill property tax levy. Receipts declined by $133,000, due to previous changes to the Ohio tax code which phased out a small portion of property taxes.

- ***Nonoperating grant revenue – other***: Nonoperating grant revenue decreased by approximately $2.5 million to $23,000 in 2011. FirstEnergy, under an agreement reached with the Ohio Manufacturers' Association, awarded the Authority a $2.5 million grant in 2010 which was invested in the Common Bond Fund Program's system of reserves. In 2008, the Authority was awarded a $450,000 grant from the Cleveland Foundation for "Transformative Investment Initiatives." The remaining $23,000 was spent in 2011.

- ***Income from investments****:* Investment income decreased by $163,000 in 2011 compared to 2010. The main reason was a $103,000 decline in interest payments received from Chancellor University. Previously, Chancellor was paying interest on a $2.25 million note due to the Authority. The Authority took title to the property in December of 2010 along with other consideration as satisfaction for the note.

  Additionally, investments owned by the Authority with call provisions were all exercised and reinvested at significantly lower interest rates. Interest rates did not improve in 2011 and the Authority's investment options are limited. This accounted for the remaining $60,000 decrease in income from investments.

- ***Interest expense**:* The $52,000 decrease is primarily a result of the continued reduction of principal of the Authority's existing, direct debt obligations. This resulted in a $45,000 decrease in interest expense in 2011 when compared to 2010. Interest expense from the State of Ohio 166 loan was reduced by $7,000, as the Authority repaid the obligation with proceeds from the sale of the Old River property in May of 2011.

- ***Loss on disposal of fixed assets:*** As mentioned above, the Authority received $842,000 in proceeds from the sale of the Old River property in May of 2011. At the time of the sale, the carrying value of the property and associated improvements was $1,103,000. Additionally, the Authority had an operating lease receivable of $110,500 that was written-off. The difference between the proceeds received and the carrying value of both the property, improvements and the lease receivable accounted for nearly all of the non-cash $372,000 loss recognized in 2011. In 2010, the Authority recognized a $6,000 loss associated with the disposal of inoperable machinery and equipment.

Net Position

The following chart details the Authority's net position at December 31, 2012, 2011 and 2010:

	2012	2011	2010
Total	$ 54,126,268	$ 49,778,051	$ 47,940,480

Total net position increased by $4.3 million in 2012, primarily due to increased capital grant activity, including the forgiveness of the ODOD Logistics Loan. Additionally, the Authority enjoyed a full year of additional property lease and rentals at 1100 West 9th Street. Financing fee income was well below historical norms, but one of the financing programs achieved two separate upgrades during 2012 which should result in increased activity going forward. Revenue from the ODOT Euclid Facility Project will dramatically increase both operating revenues and expenses, but the net effect will be to further reduce the operating loss going forward.

Operating expenses increased as significant investments were made into sustainable infrastructure services, which are expenditures designed to help solve some public infrastructure challenges in Cleveland Harbor. Outside of this initiative and the ODOT Euclid Facility Project, operating expenses were consistent with previous periods.

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

The Authority again showed a significant improvement in fiscal results in 2012, as the organization benefited from the successful attraction of capital grants and forgiveness of a previous loan. The Board of Directors adopted a Strategic Action Plan in 2011, which gave the organization comprehensive direction for the next several years. There is clear direction for the Authority not to rely on property taxes for operational purposes and further that they should instead be directed to capital projects that benefit the entire region. Finally, the staffing at the Authority has been stabilized after a couple years of wide variations in employment.

Cargo levels at the port are expected to remain relatively similar to recent levels, resulting in little to modest growth in the maritime business. The organization remains actively engaged in attracting new cargo to the Authority, but does not rely on any new business to fund organizational initiatives.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2012

The Authority's Development Finance operation had a slow year in terms of revenues, but did receive two separate ratings upgrades throughout the year. The ratings upgrades, coupled with the new letter of credit obtained in 2012 should produce increased results going forward. Additionally, the regional economy continues to improve, which indicates a greater number of transactions that the Authority will take part in the future.

Revenues are expected to increase dramatically in 2013, mainly due to the development of the ODOT Euclid Facility Project. However, even when adjusting for the ODOT project, development finance revenues are expected to increase substantially in 2013 as a result of a number of transactions that were in progress as of the end of 2012.

The Authority's property tax revenues continue to provide a stable source of capital for the organization and help reduce the volatility experienced in both the maritime and development finance industry. The Authority's .13 mill levy is based on 1999 property values and is expected to bring in approximately $3 million, consistent with previous periods. A levy totaling .67 mills, consisting of a .13 mill replacement and .54 mill increase, was defeated by voters in Cuyahoga County in November of 2012. The existing levy is expected to be voted on in November of 2013.

Early stage investments in sustainable infrastructure services are expected to continue into 2013 to assist the community in solving critical infrastructure challenges as it relates to dredging and disposing of material from the Cuyahoga River, stabilizing a portion of an unstable hillside, and working on the continued environmental clean-up of the river.

Other operating expenses should see smaller increases over their 2012 levels as the organization continues to implement the strategic plan adopted in 2011. However, improvement in the overall operating loss is expected in 2013.

The Authority continues to pursue additional funds from other sources, which has the potential to increase nonoperating revenues, which contributed to the improved financial results in 2012 and 2011.

In summary, 2013 is expected to be an improvement over 2012, as development finance revenues rebound and the Authority completes the ODOT Euclid Project.

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 Position

December 31, 2012 and 2011

	2012	2011
Assets:		
Current assets:		
Cash and investments	$ 10,580,294	$ 10,862,602
Accounts receivable, net	766,842	357,821
Interest receivable	18,414	15,046
Prepaid expenses	172,625	198,096
Due from Chancellor University	62,500	50,000
Property taxes receivable	3,100,000	3,100,000
Capital grant receivable	95,684	163,573
Cost in excess of billings	186,199	-
ODOD loan receivable	-	173,748
Total current assets	14,982,558	14,920,886
Non-current assets:		
Capital assets:		
Construction in progress	88,670	734,618
Land and land improvements	18,735,094	18,735,094
Buildings, infrastructures, and leasehold improvements	41,930,927	38,485,762
Equipment	1,534,829	845,564
Total	62,289,520	58,801,038
Less: accumulated depreciation	(16,678,037)	(16,597,348)
Net book value of capital assets	45,611,483	42,203,690
Restricted and other assets:		
Restricted cash and investments	8,250,135	8,131,495
Grants and other receivables	3,607,325	-
Operating lease receivable	177,929	205,179
Debt issuance costs	272,830	303,438
Unamortized lease costs	76,788	98,217
Unamortized loan costs	108,870	-
Due from Chancellor University	100,000	150,000
Other	35,237	59,029
Total restricted and other assets	12,629,114	8,947,358
Deferred outflow of resources		
Derivative instrument	807,435	924,401
Total assets and deferred outflow of resources	74,030,590	66,996,335

(continued)

Cleveland-Cuyahoga County Port Authority

Statement of Net Position (continued)

December 31, 2012 and 2011

	2012	2011
Liabilities:		
Current liabilities:		
Accounts payable	$ 936,839	$ 668,517
Accrued wages and benefits	140,943	130,869
Deferred income	3,141,406	3,103,000
Current portion of bonds and loans to be repaid by the Authority:		
Cleveland Bulk Terminal Project	160,000	155,000
Port Capital Improvements (1999A Bonds)	310,000	295,000
Essroc (1997 A Bonds)	110,000	100,000
ODOD Logistics Loan	-	363,622
Total current liabilities	4,799,188	4,816,008
Current liabilities payable from restricted assets:		
Accounts payable	4,391,208	778,815
Accrued interest payable	61,178	67,375
Total current liabilities payable from restricted assets	4,452,386	846,190
Other liabilities - including amounts relating to restricted assets:		
Accrued rent	93,974	173,147
Deferred income	578,811	711,823
Long-term bonds and loans, net of current portion:		
Cleveland Bulk Terminal Project	4,520,000	4,680,000
Port Capital Improvements (1999A Bonds)	2,031,306	2,340,241
Essroc (1997 A Bonds)	2,621,222	2,726,474
Total other liabilities	9,845,313	10,631,685
Deferred inflow of resources		
Derivative instrument	807,435	924,401
Total liabilities and deferred inflow of resources	19,904,322	17,218,284
Net position:		
Net investment in capital assets	35,858,955	31,543,353
Restricted for other purposes	7,503,943	7,216,198
Unrestricted	10,763,370	11,018,500
Total net position	$ 54,126,268	$ 49,778,051

See Accompanying Notes to the Basic Financial Statements

Cleveland-Cuyahoga County Port Authority

Statement of Revenues, Expenses, and Changes in Net Position

For the Years Ended December 31, 2012 and 2011

	2012	2011
Operating revenues:		
Wharfage, dockage, and storage	$ 1,285,511	$ 1,303,717
Property lease and rentals	2,011,992	1,964,703
Financing fee income	662,752	1,742,146
Foreign trade zone fees	74,333	80,000
Dredge disposal fees	144,949	-
Parking revenues	380,315	268,227
Contract revenue	476,199	-
Other	74,175	98,090
Total operating revenues	5,110,226	5,456,883
Operating expenses:		
Salaries and benefits	2,272,132	2,304,544
Professional services	923,608	877,280
Sustainable infrastructure services	397,374	-
Contractual services	442,945	-
Facilities lease and maintenance	913,085	988,733
Marketing and communications	215,508	166,128
Depreciation expense	1,280,538	1,252,652
Office expense	368,576	382,868
Other expense	154,496	160,228
Total operating expenses	6,968,262	6,132,433
Operating loss	(1,858,036)	(675,550)
Nonoperating revenues (expenses):		
Flats East Bank Project grant revenue	4,989,452	-
Flats East Bank Project grant expenses	(4,989,452)	-
Property tax receipts	3,037,379	3,119,015
Nonoperating grant revenue	-	23,000
Income from investments	298,340	298,181
Interest expense	(669,293)	(733,069)
Loss on disposal of fixed assets	(216,796)	(371,996)
Gain on insurance recovery	33,032	-
Other revenue	173,081	-
Total nonoperating revenues (expenses)	2,655,743	2,335,131
Change in net position before capital grants	797,707	1,659,581
Capital grants	3,550,510	177,990
Change in net position	4,348,217	1,837,571
Net position – beginning of year	49,778,051	47,940,480
Net position – end of year	$ 54,126,268	$ 49,778,051

See Accompanying Notes to the Basic Financial Statements

Cleveland-Cuyahoga County Port Authority

Statement of Cash Flows

For the Years Ended December 31, 2012 and 2011

	2012	2011
Operating activities:		
Receipts from customers	$ 4,573,306	$ 5,892,266
Payments to suppliers for goods and services	(3,125,628)	(2,870,996)
Payments to employees	(1,727,262)	(1,700,233)
Payments of employee benefits	(608,352)	(679,918)
Net cash (used in) provided by operating activities	(887,936)	641,119
Noncapital financing activities:		
Net proceeds from property tax collections	3,037,379	3,119,015
Grant money received	-	833,333
Cash received from insurance recovery	25,000	-
Cash received from other sources	12,220	-
Net cash provided by noncapital financing activities	3,074,599	3,952,348
Capital and related financing activities:		
Cash received from Chancellor transaction (*)	-	250,000
Cash received from Chancellor note receivable (*)	37,500	50,000
Cash received from ODOD	2,835,627	189,874
Cash received from capital grants	592,899	14,417
Proceeds from the sale of capital assets	-	841,907
Principal paid on debt	(550,000)	(766,606)
Interest paid on debt	(631,817)	(702,637)
Acquisition and construction of capital assets	(4,924,883)	(4,347,844)
Net cash used in capital and related financing activities	(2,640,674)	(4,470,889)
Investing activities:		
Purchase of investment securities	(24,605,924)	(23,292,039)
Proceeds from sale and maturity of investment securities	23,291,511	21,953,635
Interest on investments	297,592	331,536
Net cash used in investing activities	(1,016,821)	(1,006,868)
Net decrease in cash and cash equivalents	(1,470,832)	(884,290)
Cash and cash equivalents – beginning of year	10,866,437	11,750,727
Cash and cash equivalents – end of year	$ 9,395,605	$ 10,866,437

(continued)

* Relates to Chancellor University transactions, see Note 12.

See Accompanying Notes to the Basic Financial Statements

Cleveland-Cuyahoga County Port Authority

Statement of Cash Flows (continued)

For the Years Ended December 31, 2012 and 2011

	2012	2011
Reconciliation of operating loss to net cash (used in) provided by operating activities:		
Operating loss	$ (1,858,036)	$ (675,550)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Depreciation	1,280,538	1,252,652
Changes in assets and liabilities:		
Accounts receivable	(214,350)	119,869
Cost in excess of billing	(186,199)	-
Operating lease receivables	27,250	151,429
Lease receivable - Great Lakes Towing	-	(110,489)
Prepaid expenses and other assets	46,642	(48,244)
Unamortized lease costs	21,429	(98,217)
Unamortized loan costs	(108,870)	-
Accounts payable	264,891	215,421
Deferred income and other	(94,606)	(161,969)
Accrued wages and benefits	10,074	1,010
Other liabilities	(76,699)	(4,793)
Net cash (used in) provided by operating activities	$ (887,936)	$ 641,119
Reconciliation cash and investments reported on the Statement of Net Position to cash and cash equivalents reported on the Statement of Cash Flows:		
Statement of Net Position cash and investment amounts:		
Included in current assets	$ 10,580,294	$ 10,862,602
Included in restricted and other assets	8,250,135	8,131,495
Total	18,830,429	18,994,097
Investments included in the balances above that are not cash equivalents	(9,434,824)	(8,127,660)
Cash and cash equivalents reported in the Statement of Cash Flows	$ 9,395,605	$ 10,866,437
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	$ (5,813)	$ (6,084)
Amortization of bond issuance costs on debt issues classified as interest expense	$ (30,608)	$ (33,591)
Disposal/write-off of capital assets	$ -	$ 21,600
Increase in capital assets due to accounts payable	$ 3,429	$ 152,083
Increase in ODOD Logistics Loan due to ODOD Loan receivable	$ -	$ 173,748
Increase in other nonoperating revenue due to accounts receivable	$ 194,671	$ -

See Accompanying Notes to the Basic Financial Statements

Cleveland-Cuyahoga County Port Authority

Statement of Fiduciary Net Position
Fiduciary Funds (in thousands)

For the Years Ended December 31, 2012 and 2011

	2012	2011
Assets:		
Cash and cash equivalents	$ 62,739	$ 90,831
Notes and loans receivable	698,110	666,704
Financing lease receivable	46,744	50,805
Capital assets, net of accumulated depreciation	393,849	306,402
Total assets	$ 1,201,442	$ 1,114,742
Liabilities:		
Revenue bonds and notes payable	$ 1,201,442	$ 1,114,742

See Accompanying Notes to the Basic Financial Statements

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, with advice and consent of the Cleveland City Council and three are appointed by the County Executive, subject to confirmation by the Cuyahoga County Council. A new form of government was adopted January 1, 2011 for Cuyahoga County, replacing a three member Board of County Commissioners, which previously appointed members to the Board.

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)

Basis of Presentation – The Authority's basic financial statements consist of a statement of net position, statement of revenue, expenses and changes in net position, statement of cash flows, and statement of fiduciary net position. 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 position, 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 position and changes in net position. 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 No-Commitment (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 Position.

Cash Equivalents and Investments – For the purposes of the statement of net position 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 that 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 each fixed asset over its estimated useful life 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 that the related debt is outstanding using the interest method.

Interest Cost – Interest cost incurred by the Authority in connection with a construction project that 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. Unused vacation leave may be carried forward; 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. There is no liability for unpaid, accumulated sick leave since employees do not receive payment for unused sick time.

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 that 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 have 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 Position – Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consist 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 position is 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 position for other purposes, 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 Governmental Accounting Standards Board Statement 62, except for leases that 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 that 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 position.

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. Additionally, fees associated with new market tax credits are also recognized as they are received.

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.

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.

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 Position.

Note 1: Summary of Significant Accounting Policies (continued)

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 – For 2012, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*.

GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which do not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the Authority. The implementation of this statement has no impact on the Authority's financial statements or disclosures.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the Authority. The implementation of this statement has no material impact on the Authority's financial statements or disclosures.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011 and have been implemented by the Authority. The implementation of this statement has no impact on the Authority's financial statements or disclosures.

Comparative Data/Reclassifications – Certain reclassifications have been made to the 2011 financial statements in order to conform to the 2012 presentation.

Subsequent Events – In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through June 13, 2013, the date the financial statements were available to be issued.

Note 2: 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, 2012 the carrying amounts of the Authority's deposits were $6,737,718 and the related bank balances were $6,768,080, of which $500,000 was covered by federal depository insurance and $6,268,080 was uninsured and collateralized with securities held by the pledging institutions trust department, not in the Authority's name. At December 31, 2011 the carrying amounts of the Authority's deposits were $8,202,162 and the related bank balances were $8,206,930 of which $250,500 was covered by federal depository insurance and $7,956,430 was uninsured and collateralized with securities held by the pledging institutions trust department, not in the Authority's name.

Investments – The Authority's investment policies are governed by state statutes that 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 from 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, 2012 and 2011 have effective maturity dates of less than five years.

Note 2: Deposits and Investments (continued)

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 investment obligations of the U.S. Treasury, U.S. agencies and instrumentalities, interest bearing demand or time deposits, State Treasury Asset Reserve of Ohio ("STAROhio"), 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. STAROhio is an investment pool created pursuant to Ohio statutes and is managed by the Treasurer of the State of Ohio.

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 $4.4 million of the Authority's total investment balance is invested in a Guaranteed Investment Contract (GIC) until 2027, which collateralizes bonds issued under the Common Bond Fund Program. 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, 2012:

Investment Type	Fair Value	Rating*	Less than one year	One to five Years	Percentage of Investments
Money market fund	$ 2,657,001	AAA	$ 2,657,001	$ -	22.0%
First American Treasury	6,072	AAA	6,072	-	0.1
United States Treasury Note	90,049	AAA	-	90,049	0.7
Certificates of deposit	1,505,663	N/A	1,254,088	251,575	12.5
Federal Home Loan Bank obligations	1,116,146	AAA	500,922	615,224	9.2
Federal National Mortgage Association obligations	700,534	AAA	-	700,534	5.8
Guaranteed Investment Contract	4,364,826	N/A	-	4,364,826	36.1
Federal Home Loan Mortgage Corporation obligations	306,222	AAA	-	306,222	2.5
Federal Farm Credit Bank obligations	1,346,198	AAA	-	1,346,198	11.1
Total	$ 12,092,711		$ 4,418,083	$ 7,674,628	$ 100%

* Moody's Investor Service

Deposits and investments at December 31, 2012 and 2011 relating to the conduit debt were held by trustees and other third parties and were approximately $62,739,000 and $90,831,000, respectively.

Note 2: Deposits and Investments (continued)

The following table presents fair value, length of maturity and the credit ratings of the Authority's investments at December 31, 2011:

Investment Type	Fair Value	Rating*	Less than one year	One to five Years	Percentage of Investments
Money market fund	$ 2,664,275	AAA	$ 2,664,275	$ -	24.7%
Certificates of deposit	1,501,345	N/A	-	1,501,345	13.9
Federal Home Loan Bank obligations	415,624	AAA	-	415,624	3.8
Federal National Mortgage Association obligations	745,737	AAA	-	745,737	6.9
Guaranteed Investment Contract	4,355,537	N/A	-	4,355,537	40.4
Federal Home Loan Mortgage Corporation obligations	799,328	AAA	-	799,328	7.4
Federal Farm Credit Bank obligations	310,089	AAA	-	310,089	2.9
Total	$ 10,791,935		$ 2,664,275	$ 8,127,660	$ 100%

Deposits and investments at December 31, 2011 and 2010 relating to the conduit debt were held by trustees and other third parties were approximately $90,831,000 and $118,364,000, respectively.

Note 3: Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance at January 1, 2012	Additions	Deletions	Balance at December 31, 2012
Capital assets not being depreciated:				
Land and land improvements	$ 18,735,094	$ -	$ -	$ 18,735,094
Construction in progress	734,618	88,669	(734,617)	88,670
Total capital assets not being depreciated	19,469,712	88,669	(734,617)	18,823,764
Capital assets being depreciated:				
Buildings, infrastructures, and leasehold improvements	38,485,762	4,869,337	(1,424,172)	41,930,927
Equipment	845,564	704,923	(15,658)	1,534,829
Total capital assets being depreciated	39,331,326	5,574,260	(1,439,830)	43,465,756
Less accumulated depreciation:				
Buildings, infrastructures, and leasehold improvements	15,758,704	1,217,438	(1,184,189)	15,791,953
Equipment	838,644	63,100	(15,660)	886,084
Total accumulated depreciation	16,597,348	1,280,538	(1,199,849)	16,678,037
Total capital assets being depreciated, net	22,733,978	4,293,722	(239,981)	26,787,719
Capital assets, net	$ 42,203,690	$ 4,382,391	$ (974,598)	$ 45,611,483

Note 3: Capital Assets (continued)

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance at January 1, 2011	Additions	Deletions	Balance at December 31, 2011
Capital assets not being depreciated:				
Land and land improvements	$ 18,624,127	$ 765,860	$ (654,893)	$ 18,735,094
Construction in progress	21,600	734,618	(21,600)	734,618
Total capital assets not being depreciated	18,645,727	1,500,478	(676,493)	19,469,712
Capital assets being depreciated:				
Buildings, infrastructures, and leasehold improvements	36,017,507	2,961,008	(492,753)	38,485,762
Equipment	810,018	38,441	(2,895)	845,564
Total capital assets being depreciated	36,827,525	2,999,449	(495,648)	39,331,326
Less accumulated depreciation:				
Buildings, infrastructures, and leasehold improvements	14,658,552	1,147,280	(47,128)	15,758,704
Equipment	733,272	105,372	-	838,644
Total accumulated depreciation	15,391,824	1,252,652	(47,128)	16,597,348
Total capital assets being depreciated, net	21,435,701	1,746,797	(448,520)	22,733,978
Capital assets, net	$ 40,081,428	$ 3,247,275	$ (1,125,013)	$ 42,203,690

Note 4: Retirement and Post-employment Benefit Plans

Pension Benefits – The Authority participates in the Ohio Public Employees Retirement System ("OPERS"). OPERS administers three separate pension plans. The Traditional Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 Pension 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 and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2012, 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.

Note 4: Retirement and Post-employment Benefit Plans (continued)

The Authority's required contributions for pension obligations to the Traditional Pension, Combined and Member Directed Plans (excluding the amount relating to postretirement benefits) for the years ended December 31, 2012, 2011, and 2010 were $153,374, $128,048, and $119,906, respectively; 100% of the required contributions have been contributed for 2012, 2011 and 2010. These amounts include contributions for a single employee who is paid for by the CAM participants at NCH, but is considered a public employee.

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health-care 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. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. 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. 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 2012, 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 Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of the post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health-care benefits provided, by retirees or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Note 4: Retirement and Post-employment Benefit Plans (continued)

The Authority's contributions for health care to the Traditional and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were $85,872, $71,693, and $68,554, respectively; 100% of the required contributions have been contributed for 2012, 2011 and 2010.

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 January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health-care plan.

Note 5: 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 and public utility property located in Cuyahoga County. The 2011 levy (collected in 2012) was based upon an assessed valuation of approximately $29.80 billion. The 2010 levy (collected in 2011) was based upon an assessed valuation of approximately $29.82 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 five years through 2012 for collection in calendar year 2013.

In November of 2012, the Authority sought a levy totaling .67 mills, consisting of a .13 mill replacement and an increase of .54 mills to fund certain initiatives contained in the Authority's 2011 Strategic Action Plan. The levy was defeated by the voters of Cuyahoga County by a margin of 57% to 43%. As 2013 is the final year of collection from the previously approved 2007 levy, the Authority expects to have a tax levy on the ballot in November of 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 Fiscal Officer 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 County Fiscal Officer 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 Fiscal Officer 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 6: 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 position, as well as a corresponding liability. The asset balance in the accounts related to the CAM totaled $87,448 at December 31, 2012.

Additionally, in 2005, the Authority entered into a Cooperative Agreement with the City of Cleveland to allow certain revenues generated from City-owned parking lots to go towards certain expenditures for the benefit of NCH. These expenditures were to be primarily used for holding special events at NCH and for capital repairs. The Cooperative Agreement removed the liability of capital repairs from the CAM participants and was assumed by the City. The funds relating to the Cooperative Agreement are held by the Authority and paid upon written request from the City of Cleveland. Balances in these accounts are classified as restricted assets in the accompanying statement of net position, as well as a corresponding liability and totaled $693,841 as of December 31, 2012.

In 2012 and 2011, activities related to NCH had no effect on the Authority's income statement, other than a small administrative fee.

In March of 2012, the City of Cleveland passed certain ordinances which significantly altered numerous agreements between the City and the Authority, including those related to NCH. In October of 2012, the Cooperative Agreement between the City and the Authority relating to City-owned parking lots at NCH was terminated. Additionally, as of January 1, 2013, the Authority had no further administrative duties as it related to the CAM Agreement. Balances held by the Authority were returned to the City and the Authority will no longer have an administrative role in the parking or operations of NCH.

Note 7: Long-Term Obligations

Changes in the Authority's long-term obligations for the year ended December 31, 2012 are as follows:

	Balance January 1, 2012	Increase	Decrease	Balance December 31, 2012	Due Within One Year
Cleveland Bulk Terminal Project	$ 4,835,000	$ -	$ (155,000)	$ 4,680,000	$ 160,000
Essroc (1997A)	2,826,474	4,748	(100,000)	2,731,222	110,000
Port Improvements (1999A)	2,635,241	1,065	(295,000)	2,341,306	310,000
ODOD Logistics Loan	363,622	2,661,878	(3,025,500)	-	-
Total	$ 10,660,337	$ 2,667,691	$ (3,575,500)	$ 9,752,528	$ 580,000

Note 7: Long-Term Obligations (continued)

Changes in the Authority's long-term obligations for the year ended December 31, 2011 are as follows:

	Balance January 1, 2011	Increase	Decrease	Balance December 31, 2011	Due Within One Year
State of Ohio 166 Loan	$ 246,606	$ -	$ (246,606)	$ -	$ -
Cleveland Bulk Terminal Project	4,980,000	-	(145,000)	4,835,000	155,000
Essroc (1997A)	2,921,566	4,908	(100,000)	2,826,474	100,000
Port Improvements (1999A)	2,909,065	1,176	(275,000)	2,635,241	295,000
ODOD Logistics Loan	-	363,622	-	363,622	363,622
Total	$ 11,057,237	$ 369,706	$ (766,606)	$ 10,660,337	$ 913,622

See Notes for additional information on the above obligations.

Note 8: 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 a 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.

The bonds outstanding at December 31, 2012 are payable as follows:

Year	Principal	Interest	Total
2013	$ 310,000	$ 121,878	$ 431,878
2014	325,000	105,081	430,081
2015	345,000	87,344	432,344
2016	365,000	68,531	433,531
2017	385,000	48,644	433,644
2018 - 2019	615,000	33,325	648,325
Total payments	2,345,000	$ 464,803	$ 2,809,803
Unamortized original issue discount	(3,694)		
Total	$ 2,341,306		

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

Note 9: 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 subsequently 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. On March 1, 2007, the Authority issued $5,470,000 in Multi-Mode Variable Rate Refunding Revenue Bonds, Series 2007 ("Refunding Bonds") in connection with 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 16, 2017, 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 was renegotiated with a new provider in 2012, expires on March 16, 2017, provides assurance that funds will be available through the financial institution to redeem any nonmarketable 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. The Lease (and subsequent amendments) also defines Additional Rent, which is a charge inbound ton that is handled at the facility.

In November of 2007, the shareholders' of ONC 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.

Note 9: Cleveland Bulk Terminal (continued)

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 0.35% and 2.09%, respectively on December 31, 2012 and December 31, 2011. 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 year 2007 and the other remains in place until 2017.

The objectives and terms of the Authority's hedging derivative outstanding at the end of the period are summarized below:

Type	Objective	Amount	Date	Date	Terms
Pay-fixed Interest Rate Swap	Hedge interest rate risk on Multi-Mode Variable Rate Demand bonds, Series 2007	$ 4,660,000	3/1/07	3/2/17	Pay 4.83% Received 67% of 1-month LIBOR

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 fair value of the interest rate swap 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.

	Classification	Amount	Classification	Amount	Notional
Cash flow hedge; Pay-fixed interest rate swap	Deferred inflow	$ 116,966	Debt	$ (807,435)	$ 4,660,000

The interest rate swap is subject to the following risks:

Interest Rate Risk – The Authority is exposed to interest rate risk. On the pay-fixed, receive-variable cash flow hedge that is hedging interest rates on a Multi-Mode Variable Rate Refunding Revenue Bonds, Series 2007, as LIBOR decreases, the Authority's net payment on the swap increases.

Note 9: Cleveland Bulk Terminal (continued)

Credit Risk – The Authority is exposed to credit risk in the amount of the derivative's fair value. When the fair value of any swap has a positive market value, then the Authority is exposed to the actual risk that the counterparty will not fulfill its obligations. As of December 31, 2012, the Authority had no net exposure to actual credit risk on its hedging derivative as the swap is a liability to the Authority. The counterparty under the swap is Key Bank, NA. As of December 31, 2012, the counterparty had ratings of A3/A-/A- from Moody's, Standard & Poor's and Fitch, respectively. 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 as issued by Moody's, it will collateralize the swap liability to the Authority with securities, consisting of obligations of the U.S. 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 – The Authority is exposed to basis risk when the variable interest received on a swap is based on a different index than the variable interest rate to be paid on the hedged item. At December 31, 2012, the variable rates on the hedge item and the derivative were not equal, thereby causing basis risk to be realized by the Authority. Because the hedge item rates are set in a tax-exempt market and the receipts on hedge are calculated based on a percentage of a taxable rate, it is expected that basis risk will continue throughout the term of the derivative.

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.

Rollover Risk – The Authority is exposed to rollover risk on any swap that matures or may be terminated prior to the maturity of the hedged item. The hedged item is currently structured to mature in 2031 and the swap is scheduled to mature in 2017, thereby subjecting the Authority to rollover risk should the Authority decide that it wishes to hedge its interest rate exposure at that time.

The bonds outstanding at December 31, 2012, 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
2013	$ 160,000	$ 222,535	$ 382,535
2014	170,000	214,768	384,768
2015	180,000	205,858	385,858
2016	185,000	197,471	382,471
2017	200,000	192,059	392,059
2018 – 2022	1,120,000	788,912	1,908,912
2023 – 2027	1,435,000	487,229	1,922,229
2028 - 2031	1,230,000	115,099	1,345,099
Total payments	$ 4,680,000	$ 2,423,931	$ 7,103,931

Note 9: Cleveland Bulk Terminal (continued)

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
2013	$	282,783
2014		282,783
2015		282,783
2016		282,783
2017		60,814
Total	$	1,191,946

The Authority recorded $378,782 of rental income (on a straight-line basis) under the Lease for the years ended December 31, 2012 and 2011. In addition, the cost and carrying amount of the Authority's property subject to this Lease was $13.8 million and $11.4 million, respectively at December 31, 2012.

The letter of credit, which was set to expire on March 1, 2012, was replaced through a different qualified financial institution and expires on March 1, 2017.

Note 10: Essroc Project (1997A Bonds)

In 1997, the Authority issued $3,795,000 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 6.45 acres of certain real property and bulkheading located on Dock 20 from the Authority. Rental payments are broken into two components: 1) a Land Rental, which was $106,800 at the inception of the lease and is subject to an annual CPI increase and 2) an Improvement Rental, which equals the annual debt service on the 1997 A bonds, plus a small administrative charge. The Lease also contains a provision for wharfage and dockage fees if tonnage exceeds 100,000 tons in a given Lease year.

Note 10: Essroc Project (1997A Bonds) (continued)

The bonds outstanding at December 31, 2012 are payable as follows:

Year	Principal	Interest	Total
2013	$ 110,000	$ 158,871	$ 268,871
2014	115,000	152,546	267,546
2015	120,000	145,790	265,790
2016	130,000	138,746	268,746
2017	140,000	131,128	271,128
2018 – 2022	815,000	524,899	1,339,899
2023 - 2027	1,345,000	244,325	1,589,325
Total payments	2,775,000	$ 1,496,305	$ 4,271,305
Unamortized original issue discount	(43,778)		
Total	$ 2,731,222		

As additional security, the Authority has agreed that the amount of "Available Moneys" (as defined in the Series 1997-A 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 1997 A Bonds.

The Series 1997-A 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 $1.8 million, respectively, at December 31, 2012.

In March of 2011, the Authority amended the Ground Lease and Operating Agreement with Essroc. Under the terms of the amendment, 3.07 of the total 6.45 acres included in the original Lease will no longer be utilized by Essroc and will be available for alternative uses, effective August 1, 2011. In exchange for removing the acreage from the Lease, Essroc's annual Ground Lease Rental was reduced by 30%. The Improvement Rental, which pays principal and interest on the 1997A bonds issued by the Authority, remains unchanged.

The future minimum rental payments to be received under the Amended Ground Lease and Operating Agreement, which is accounted for as an operating lease, are as follows (assuming no annual CPI increase):

Year	Amount
2013	$ 365,732
2014	364,886
2015	362,752
2016	365,290
2017	366,390
2018 – 2022	1,812,970
2023 – 2027	1,652,670
Total	$ 5,290,690

Note 10: Essroc Project (1997A Bonds) (continued)

The Authority recorded $263,509 of rental income (on a straight-line basis) under the Improvement Rental per the Ground Lease and Operating Agreement for the years ended December 31, 2012 and 2011. The Authority recognized additional rental income attributable to the Land Rental portion of the Ground Lease and Operating Agreement of $100,702 and $120,719 for the years December 31, 2012 and 2011, respectively.

Note 11: Ohio Department of Development Logistics Loan

In December 2010, the Authority authorized the execution of a Term Sheet and Commitment Letter with the ODOD to receive a $3,025,500 Logistics and Distribution Loan (the "Loan") from the State of Ohio for the construction of a rail loop on the Authority's property as well as other improvements. In May of 2011, the Authority executed the final Loan Agreement with ODOD. The full amount of the loan was utilized in the amount of $3,025,500. The total project cost was approximately $4,600,000.

The Loan, including accrued interest, was to be forgiven by ODOD, provided the Authority completed the project by October 31, 2012 and there were 9,350 man-hours worked during construction. If the completion deadline and man-hours requirement were not met, and no extensions were granted, the entire amount of the loan, plus accrued interest, would have become due.

The Authority met all loan forgiveness requirements during 2012 and the loan was forgiven in November of 2012. $3,025,500 was recognized as a "Capital Grant" on the Statement of Revenues, Expenses, and Changes in Net Position. No outstanding balances remain as of December 31, 2012.

Note 12: Chancellor 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. The 2004E bonds were issued in December of 2004 in the amount of $5,725,000 and proceeds were used to acquire and renovate an educational facility located on Chester Avenue in Cleveland, Ohio.

In May of 2008, a Cuyahoga County Common Please Court issued an order approving the sale of substantially all of the Assets of Myers University, free and clear of liens, to Myers University Systems LLC, a for-profit limited liability company, pending completion of due diligence, satisfaction of contingencies, and negotiating a purchase agreement.

Note 12: Chancellor University (continued)

On August 21, 2008, an Asset Purchase Agreement was entered into between Myers University Systems LLC, now referred to as "Chancellor University" and the court-appointed Special Master. Part of the consideration was in the form of a $2.25 million Note, which was secured by a Mortgage on the Chester Avenue facility which was financed by the 2004E bonds. As a result of the Asset Purchase Agreement, 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 Bond Trustee the Note and Mortgage for $2,250,000 payable on August 21, 2010.

In August of 2010, the Authority and Chancellor University entered into a Forbearance and Deed in Lieu of Foreclosure Agreement in order to satisfy the $2.25 million payment due to the Authority.

In exchange for forbearance on the Note, the Authority received $500,000 in cash, a $250,000 note, with quarterly $12,500 principal payments, payable over five years with interest at Prime plus 2% ("Due from Chancellor University"), and free and clear title to the 41,230 square foot Chester Avenue facility originally financed by Authority issued bonds in 2004.

The Authority took title to the Chester Avenue facility on December 30, 2010 and no gain or loss was recognized by the Authority on the transaction with Chancellor University.

In November of 2010, the Authority and Chancellor University entered into a six-month Lease Agreement for the Chester Avenue facility. The term of the Lease was from January 1, 2011 through June 30, 2011 with a rental rate of $17,179 per month. The Lease was subsequently amended to extend through July 31, 2011. The Authority leased the facility to I Can Schools in August of 2011 (See Note 13).

Note 13: I Can Schools Lease

In May of 2011, the Authority entered into a 5-year Lease Agreement with I Can Schools, Inc. for the property formerly occupied by both Myers and Chancellor University. The Authority also agreed to make certain improvements to the condition of the property. The Lease commenced on August 1, 2011 and will expire on July 31, 2016, with an option to extend the Lease for an additional three year period. Annual rental payments under the lease are $15,000 per month in the first year, $16,000 per month in years two and three and $17,500 per month in years four and five.

The future minimum rental payments to be received under the Lease Agreement are as follows:

Year	Amount
2013	$ 192,000
2014	199,500
2015	210,000
2016	122,500
Total	$ 724,000

Note 13: I Can Schools Lease (continued)

The Authority recorded $196,800 and $82,000 of rental income (on a straight-line basis) under the Lease for the years ended December 31, 2012 and 2011, respectively. In addition, the cost and carrying amount of the Authority's property subject to this Lease was $1.8 million and $1.6 million, respectively at December 31, 2012.

See Note 25 "Subsequent Events" for an update on the status of the property.

Note 14: 1100 West 9th Street

In August of 2011, the Authority purchased an approximately 24,000 square foot building located at 1100 West 9th Street in downtown Cleveland, Ohio for $3,050,000. The building will house the future administrative offices of the Authority, as well as other tenants. The building is fully-leased, with different financial terms, lease expirations, and renewal options for all of the tenants.

The future minimum rental payments to be received under the various agreements with the tenants at 1100 West 9th Street are as follows:

Year	Amount
2013	$ 238,879
2014	152,508
2015	116,394
2016	116,394
2017 – 2021	114,399
Total	$ 738,574

The Authority recorded $280,676 and $98,456 of rental income (on a straight-line basis) under the various leases for the years ended December 31, 2012 and 2011, respectively. In addition, the cost and carrying amount of the Authority's property subject to this Lease was $3.1 million. Pursuant to the terms of one of the tenant's leases, the Authority sent a notice of termination effective May 31, 2013 for one floor of the office building, which the Authority plans on occupying in late 2013.

Note 15: Other Leases

Authority as Lessee

City of Cleveland

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 was further conditioned upon "the Authority's financial ability to vacate the docks and secure suitable alternatives," which the City agrees to cooperate to achieve.

Note 15: Other Leases (continued)

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, and were extended to 2043.

If any 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 $300,000 and $400,000 for the years ended December 31, 2012 and 2011 respectively.

On October 1, 2012, a third amendment to the Dock Lease between the City of Cleveland and the Authority was executed. This agreement terminated the Authority's leasehold interests in a portion of Dock 28 ("28B") and Dock 30. The remaining property covered under the Lease (Docks 24, 26, and the remaining portion of Dock 28 ("28A")) was extended for an additional 15 years until 2058.

Also on October 1, 2012, a cooperative agreement between the City of Cleveland and the Authority was executed for Harbor Services. This agreement assigns certain navigation, harbor and maritime duties, and enforcement responsibilities to the Authority. The agreement further provides annual rent abatement on the remaining dock rental of $250,000 provided these duties are performed.

Office Lease

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 expanded the space leased by the Authority by 4,320 square feet 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 received 12 months of free rent on the additional 4,320 of expansion space, beginning in July of 2009. Future minimum rentals to be paid by the Authority under the lease are $338,000 in 2013 and $28,000 in 2014. Rental expense, recognized on a straight-line basis, related to the Authority's lease at One Cleveland Center totaled $251,234 for the years ended December 31, 2012 and 2011.

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. The tenant received six months of free rent on the 4,320 square feet as well as free rent on 1,620 square feet for the following six months. On May 2, 2012, the tenant exercised their option to extend the lease until January 31, 2014. Rental income, recognized on a straight-line basis through October of 2012, related to the Authority's sub-lease totaled $42,039 in 2012 and $39,646 in 2011.

Note 15: Other Leases (continued)

Authority as Lessor

General Cargo Docks (24-30)

Effective April 1, 2011, the Authority entered into several Lease Agreements for use of land, docks, and warehouses owned by the Authority or leased from the City of Cleveland to a single Terminal Operator to handle general cargo operations at the Port of Cleveland.

The Agreement, effective April 1, 2011 through March 31, 2012, has a base rental of $400,000 per year and a Tonnage Assessment Schedule with the following rates: $0.125 per ton on the first 100,000 tons; $0.25 per ton on tons between 100,001 and 200,000, and $0.75 per ton above 200,001 tons. In March of 2012, the Port Authority entered into a new Agreement from April 1, 2012 through March 31, 2013 on essentially the same economic terms as the prior Agreement. Effective October 1, 2012, the Authority reduced the Terminal Operators annual base rent to $392,000, per the lease agreement, due to a reduction in space made available to them. The space was required to house parties under contract with the Authority to provide rail switching services. The new agreement has a base rent of $12,000 annually. The Authority recognized $4,000 in rental income related to lease agreement for rail switching activities.

The Authority recognized $398,000 and $400,000 in base rental income from the Lease Agreements for the years ended December 31, 2012 and 2011, respectively. The Authority also recognized $150,171 in 2012 and $142,304 in 2011 in income associated with the Tonnage Assessment Schedule.

In total, the Authority recognized $548,171 and $542,304, respectively, in rental income from property leased or subleased to the Terminal Operator for the years ended December 31, 2012 and 2011. The future fixed rental the Authority is scheduled to receive under the most recent Lease Agreements, via the Master Fixed Rental and Tonnage Assessment Schedule, total $98,000, all of which are due in 2013.

Dock 20

Effective April 1, 2011, the Authority entered into an Operating Agreement for approximately eight acres of property commonly referred to as Dock 20 directly north of property leased by Essroc. The term of the Agreement was for one-year, with no renewal options and had a base rental of $180,000.

In March 2012, the Authority entered into an Operating Agreement for Dock 20 for another one-year term. Due to the construction of additional rail on Dock 20, approximately 2.2 acres of property previously utilized was not included in the Operating Agreement. The base rental for the remaining property totals $147,000 annually. The future fixed rentals the Authority is scheduled to receive under the Operating Agreement total $36,750 in 2013.

The Authority recorded $138,753 and $180,000 in rental income from the Dock 20 Operating Agreement in 2012 and 2011, respectively.

Note 15: Other Leases (continued)

Dock 22

In December of 2010, the Board of Directors authorized the use of property immediately east of Dock 20, commonly referred to as Dock 22. The Operating Agreement requires monthly rental payments of $3,500 for a portion of the property and for $5,000 per month on the northern section of Dock 22. The Authority agreed to extend the Agreement for the both sections of Dock 22 on two different occasions in 2011, with a final termination date of March 31, 2012. The Authority recognized $25,500 and $78,666 in rental income from property leased under this Agreement in 2012 and 2011, respectively.

Parking

In June of 1999, the Authority entered into a Memorandum of Agreement (MOA) with the Cleveland Browns ("Browns") to provide 2,200 parking spaces on property owned or leased by the Authority for each NFL game hosted at Cleveland Browns Stadium. Under this agreement, the Browns paid the Authority 50% of the net revenue generated from parking fees, or $200,000, whichever was greater. In 2000, the parties agreed to extend the agreement to June 30, 2011. The amendment in 2000 increased the base parking payment to the Authority to $225,000 to recoup certain capital investments made by the Authority.

In July of 2011, the Authority and the Browns agreed to terms similar to the 1999 MOA, with the Authority to receive $200,000 or 50% of the net revenues, whichever is greater. The term of the agreement expired on June 30, 2012, but could be extended with the agreement of both parties until April 30, 2014.

In July of 2012, the Authority entered in a five-year Operating Agreement with the Browns for an annual fee of $225,000. The terms of the agreement also provide for an additional rent of $20,000 per game, on a pro-rata basis, if the Browns regular season is extended to include playoff games.

The Authority also has agreements with a private parking operator for parking operations other than those associated with Cleveland Browns games.

In 2012 and 2011, the Authority recognized $380,315 and $268,227, respectively, in parking revenues, $225,000 of which related to the operating agreement with the Browns.

Note 16: 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 17: Ohio Manufacturers' Association Grant

In January of 2010, FirstEnergy Corporation, through its Ohio utilities subsidiaries - Ohio Edison, Cleveland Electric Illuminating Company and Toledo Edison (the Companies) - 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 a Memorandum of Understanding ("MOU") between three Ohio port authorities, the OMA, Ohio Edison, Cleveland Electric Illuminating Company, and Toledo Edison, the Companies agreed to provide approximately $2.5 million, less administrative expenses, to each of three Ohio port authorities to support their financing efforts, including the Cleveland-Cuyahoga County Port Authority. The money was invested into the Authority's Common Bond Fund Program's system of reserves. The $2.5 million received under the MOU is shown as "Restricted cash and investments" on the Authority's balance sheet as of December 31, 2012.

Investment income earned on amounts deposited under the MOU are paid semi-annually to the OMA.

Note 18: Capital Grant Activity

In May of 2011, the Authority executed a $3,025,500 Logistics and Distribution Loan Agreement with the State of Ohio (see Note 11) for the construction of a rail loop on the Authority's property. The loan, including accrued interest, could be forgiven, provided the project was completed by October 31, 2012 and 9,350 man-hours were worked during construction. The Authority met all loan forgiveness requirements during 2012 and the loan was forgiven in November of 2012. $3,025,500 was recognized as a "Capital Grant" on the Statement of Revenues, Expenses, and Changes in Net Position.

In February, 2011 the Authority was awarded $188,750 through a competitive grant process from the Cuyahoga County, Ohio Department of Justice Affairs, acting as a fiduciary agent for the Department of Homeland Security FEMA Grants Program Directorate. The grant funds 75% of the total costs of certain security enhancements up to a total of $251,750. The Schedule of Expenditures of Federal Awards outlines the amount utilized on this grant during fiscal year 2012.

In July, 2011 the U.S. Environmental Protection Agency awarded the Authority a Great Lakes Restoration Initiative Grant for $425,160 to develop and deploy a floating debris management vessel system to capture and remove floating debris in North Coast Harbor and the Cuyahoga River. The grant is expected to fund 100% of the costs of the debris harvester vessels designed for this purpose. Design work commenced in January, 2012 and the debris harvester boats were put into service and launched in the fourth quarter of 2012. The Schedule of Expenditures of Federal Awards outlines the amount utilized on this grant during fiscal year 2012.

In July, 2012 the Authority was awarded a $97,000 subgrant from Cuyahoga County which is a pass-through grant from the U.S. Department of Homeland Security. The grant is to be used to pay for security improvements at the port. No grant funds were expended during the 2012 fiscal year.

Note 18: Capital Grant Activity (continued)

In August, 2012 the Authority was awarded a $600,000 subgrant from Cuyahoga County which is a pass-through grant from the United States Environmental Protection Agency. The grant requires a 20% match from the Authority and grant funds are to be used to remediate a 5-acre portion of the Cleveland Lakefront Nature Preserve for continued long-term use of the area. The Authority moved forward with plans for the site remediation upon acceptance of the grant and the remediation is scheduled to be completed during the second quarter of 2013.

In January 2013, the President declared Cuyahoga County a federal disaster area as a result of the severe weather generated by the remnants of Hurricane Sandy on October 29th and 30th, 2012. As a result, the Authority was eligible to apply for and receive federal grant money through the Ohio Emergency Management Agency ("OEMA") to reimburse for eligible costs of damages from the storm. As the damages and costs associated with damages were 2012 events, the grant funds are recognized for the fiscal year 2012. The Authority had insurance which covered the damages with the exception of the $50,000 insurance deductible. The deductible was deemed to be acceptable to submit for reimbursement with a $37,500 (75%) federal contribution and a $6,250 (12.5%) OEMA contribution.

Note 19: 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 Stand Alone Financings.

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 is rated 'BBB+' by Standard & Poor's.

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 10% 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 Position as the Authority is ultimately liable for both bond issuances. Additionally, approximately $6.6 million (Program Development Fund, Program Reserve Fund, and the OMA funds) in restricted cash and investments are also shown on the Authority's Statement of Net Position, which primarily represents the Authority's initial investment in the Program and associated interest earnings and funds received from OMA. 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.

Note 19: No-Commitment Debt (continued)

Additionally, in 2004, the Authority's Board of Directors established an Auxiliary Reserve which could be utilized in the event of a default. As of December 31, 2012, the Reserve had a balance of approximately $348,000, which is shown as restricted cash and investments on the Authority's Statement of Net Position. The Auxiliary Reserve is Board-restricted and is not part of the Trust Indenture that governs the Common Bond Fund Program. 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 Position.

The primary reserve deposits, which totaled $10.05 million at December 31, 2012, 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, including funds received from OMA, at December 31, 2012 were composed of a $6.6 million cash reserve and a $9 million irrevocable, nonrecourse letter of credit from a financial institution, which expires on December 1, 2015, and is subject to an annual renewal after that time.

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

Stand Alone Financings – Stand Alone Financings represent bonds and notes issued for project financings that are collateralized by the related amounts to be received under leases and loan agreements with borrowers 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.

The Authority acts as an agent for the Common Bond Fund Program and certain Stand Alone Financing obligations, and as such the related assets and liabilities to the extent of asset balances are reported in the Statement of Fiduciary Net Position. The aggregate amount of outstanding debt for the Common Bond Fund Program was $60,675,000 (excluding the 1997A and 1999A bonds that are obligations of the Authority) and Stand Alone Financing Obligations were $1,140,766,267 as of December 31, 2012. The aggregate amount of outstanding debt for the Common Bond Fund Program was $67,565,000 (excluding the 1997A and 1999A bonds that are obligations of the Authority) and the Conduit Financing Obligations were $1,047,177,433 as of December 31, 2011.

Note 19: No-Commitment Debt (continued)

In both programs the debt is secured by the property financed and/or the revenue streams pledged for the project and 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 Position.

Note 20: 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 (a separately owned and operated private entity) was able to obtain an allocation of new market tax credits in 2004. Additional allocations were also received in 2009 and in 2011. 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 2012 and recognized $878,850 in 2011 from tax credit investments made by NEODF and related subsidiary LLC's. Under the terms of the Cooperative Agreement, the Authority is to receive additional funds upon the conclusion of the various transactions undertaken by NEODF, for those transactions that are not in default and for which no compliance deficiencies exist.

As a result of the previous transactions undertaken by NEODF, the Authority could receive as much as $801,000 in 2013, $697,500 in 2016, $387,000 in 2018 and $45,000 in 2019, should the conditions described above be met. These amounts represent 45% of the total amount which is due to NEODF, before accounting for organizational expenses, such as legal and compliance fees.

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.

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: 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 in connection with the CityView Center retail 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 and also through Special Assessments which can be levied if PILOTS are not sufficient for debt service.

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 subsequently entered into a settlement of tax values as a result of a pending tax contest. The settlement resulted in reduced assessed valuations for the properties, owned by City View Center, LLC, subject to payment of PILOTS for the bonds. There is other property owned by other parties that is also subject to PILOTS.

During the pendency of the Receivership, there have been sufficient PILOT payments to pay debt service, fund an additional reserve required by the Indenture and specially redeem $840,000 in bonds.

In 2011, the case was reassigned and the plaintiff in the case filed an amended complaint in December 2011 which included a claim for foreclosure on the property. The Authority filed a motion to intervene in the action to protect its interest in the property through the security for the PILOTS and special assessments. The motion to intervene was granted. On June 4, 2012, the Court entered a Stipulated and Consent to Judgment Entry as to the Port Authority and Summit County Port Authority, which recognizes the Service Payments and Special Assessments as surviving the foreclosure.

Note 23: ODOT Euclid Facility Project

In April of 2012, the Authority agreed to enter into a Purchase Agreement and Easement Agreement with the Ohio Department of Transportation ("ODOT") to finance and construct a maintenance garage in Euclid, Ohio. Upon completion, ODOT will purchase the facility from the Authority under the terms outlined in the Purchase Agreement. The Authority will be reimbursed for its costs, plus a development fee of 10% of the design-build construction contract or $550,000, whichever is greater. The Purchase Agreement defines the contract costs which are eligible for reimbursement. The Authority is recognizing the revenue and expenses for the project using the percentage of completion method of accounting. As of December 31, 2012 the Authority had costs in excess of billings of $186,199 and recognized contract revenues and expenses of $476,199 and $442,945 respectively. The project is scheduled to be completed in the third quarter of 2013 and the remaining amount of the contract is expected to be recognized during fiscal year 2013.

Note 24: 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, Cleveland Public Power ("CPP"), and others have been working for the past several years with Scott Wolstein, through the Flats East Development LLC ("Developer"), on a major redevelopment project in the City of Cleveland known as the Flats East Bank Project (the "Project").

Additionally, the City of Cleveland, the Authority, and the Developer negotiated, executed, and amended 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.

Financing for the Project, including the bonds issued by the Authority, occurred in 2010. The bonds issued in 2010 provided partial funding for the first phase of the Project and involved, in total, approximately $275 million in funding and equity, including a Common Bond Fund issuance and issuance of Stand Alone bonds.

The Authority accepted various grants on behalf of the Developer to facilitate in the completion of the Project. The Development Agreement stipulates that the Developer is responsible for providing funding of the local match required for the grants.

In January, 2012 the Ohio Department of Transportation awarded the Authority two Federal Highway Administration grants for improvements to be made on the Project. A grant in the amount of $3,902,790 was awarded for the design and improvement of bulkheading on the Project. A grant in the amount of $1,422,781 was awarded for the design and construction of a riverwalk on the Project. The match for both of the grants is 20% and is provided from the funds of the Developer. The Schedule of Expenditures of Federal Awards outlines the amounts expended on each of these grants during fiscal year 2012. The remainder of the grant funds are expected to be utilized in 2013 as phase one of the Project comes to completion.

The Authority was awarded a $1,000,000 Ohio Department of Development Roadwork Development Grant to assist in roadwork improvements as part of the Project. The grant was fully utilized during the 2012 fiscal year.

As part of the Development Agreement, the City of Cleveland agreed to contribute funds from the budget of CPP to assist with infrastructure improvements to the Project. The City of Cleveland requested that the Authority undertake this portion of the Project on behalf of CPP. The Authority was instructed to submit to CPP for reimbursement of infrastructure improvement costs on behalf of the Developer and then to remit those funds back to the Developer as a reimbursement of their costs. CPP funds provided to the Authority and subsequently passed through to the Developer during 2012 for infrastructure improvements to the Project totaled $1,708,555.

Note 25: Subsequent Events

Sale of Property – In March of 2013, the Board of Directors authorized an Agreement for Sale and Purchase for the acquisition of real property currently leased by the Authority to I Can Schools. The Agreement had a stated purchase price of $2,000,000 and is contingent upon a 15-year lease extension with I Can Schools, which has been negotiated, but only takes effect if the sale closes. As of the date of the financial statements, the sale has yet to close. Should the transaction take place, a gain of approximately $158,000 is expected to be recognized in 2013.

The following are the approximate balances held and the principal amount of outstanding Common Bond Fund bonds as of December 31, 2012:

SERIES	Contracting Party	Original Bond Amount	Outstanding Principal Balance	Required Primary Reserve Balance	Final Maturity
1997A	Essroc /Port Authority (1)	$ 3,795,000	$ 2,775,000	$ 366,641	5/15/27
1998A	Jergens, Inc.	5,720,000	2,250,000	572,000	5/15/18
1998B	NOACA	3,345,000	1,330,000	324,472	5/15/18
1999A	Port Authority (1)	5,230,000	2,345,000	520,385	5/15/19
1999B	Universal Heat Treating, Inc.	1,480,000	270,000	148,000	11/15/14
2001A	Council for Economic Opportunities in Greater Cleveland	4,440,000	1,475,000	444,000	5/15/16
2002A	Community Assessment and Treatment Services, Inc. (4)	2,090,000	-	-	5/15/22
2002C	Cleveland Christian Home, Inc.	5,130,000	3,405,000	513,000	5/15/22
2003A	Heidtman Steel Products	4,250,000	300,000	425,000	5/15/13
2004A	Luigino's, Inc.	5,000,000	2,815,000	500,000	5/15/19
2004B	City of Cleveland	2,965,000	410,000	296,500	11/15/27
2004C	Tru-Fab Technology, Inc.	1,060,000	770,000	106,000	11/15/23
2004D	City of Garfield Heights	8,850,000	6,240,000	885,000	5/15/23
2005A	Goodyear Tire & Rubber Co.	4,125,000	1,205,000	412,500	5/15/14
2005B	Fairmount Montessori Associates	3,375,000	2,710,000	337,500	5/15/25
2005C	Avery Dennison Corp.	6,000,000	6,000,000	600,000	11/15/15
2005D	Columbia National Group, Inc.	6,020,000	3,790,000	602,000	5/15/20
2006A	Cavaliers Practice Facility	9,500,000	7,965,000	950,000	5/15/26
2008A	Brush Wellman, Inc.	5,155,000	4,455,000	515,500	5/15/23
2009A	Eaton World Headquarters	2,000,000	2,000,000	200,000	11/15/20
2011A	City of Cleveland - Forest Bay Tower	2,520,000	2,485,000	252,000	5/15/34
2011B	Flats East Development	8,800,000	8,800,000	880,000	5/15/40
2012A	UC Marriott	2,000,000	2,000,000	200,000	11/15/45
	Total	$102,850,000	$ 65,795,000	$ 10,050,498	

Summary of Reserves:	
Primary Reserve Funds	$ 10,050,498
Program Development Fund (2,3)	1,790
Program Reserve (3)	4,000,010
Program Reserve - Ohio Manufacturers Association	2,483,491
Program Reserve LOC	9,000,000
Total Reserve Funds	$ 25,535,789
Total Reserves/Outstanding Bonds	38.81%

(1) Assets and liabilities associated with these issuances are reflected on the Authority's Statement of Net Position.
(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 Position.
(4) Community Assessment and Treatment Services, Inc. bonds were redeemed on 6/29/12.

Cleveland-Cuyahoga County Port Authority

Stand Alone Issuances

December 31, 2012

The following are the listing of Stand Alone debt issuances undertaken by the Authority for which there is still principal outstanding as of December 31, 2012:

	Stand Alone Debt Issuances	Year	Type of Debt Issued	Original Issuance	Principal Outstanding
1	Applied Industrial Technologies	1996	Revenue Bonds	$ 18,835,000	$ 8,689,231
2	University Square	2001	Revenue Bonds (Special Assessment)	40,600,000	34,565,000
3	Carnegie/96th Research Building LLC	2003	Revenue Bonds	32,000,000	29,700,000
4	OSF Properties	2004	Taxable Development Revenue Bonds	16,000,000	-
5	City of Brecksville	2004	Tax-Exempt Revenue Bonds	2,195,000	680,000
6	RITA	2004	Development Revenue Bonds	20,990,000	13,795,000
7	Marine Mechanical	2004	Taxable Economic Development Lease Revenue Bond	8,470,000	4,635,004
8	Playhouse Square Foundation	2004	Variable Rate Cultural Facility Revenue Bonds	18,000,000	9,550,000
9	Euclid Avenue Housing Corp.	2005	Student Housing Facility Revenue Bonds	34,385,000	30,860,000
10	Avery Dennison Corp.	2005	Taxable Development Lease Revenue Bonds	39,785,000	31,545,000
11	Cleveland Museum of Art	2005	Cultural Facility Revenue Bonds	90,000,000	90,000,000
12	Judson	2005	Development Revenue Refunding Bonds	31,500,000	27,455,000
13	Park Synagogue	2006	Multi-Mode Variable Rate Revenue Bonds	9,995,000	9,655,000
14	St. Clarence-GEAC, LLC Project	2006	Senior Housing Revenue Bonds	17,120,000	16,380,000
15	Carnegie/89th Garage and Service Center, LLC	2007	Revenue Bonds	156,920,000	146,715,000
16	SPC Buildings 1 & 3, LLC	2007	Revenue Bonds	34,590,000	32,675,000
17	Science Park Cleveland, LLC	2007	Taxable Convertible Revenue Bonds	45,700,000	42,590,000
18	Laurel School	2008	Variable Rate Educational Facility Revenue Bonds	16,000,000	16,000,000
19	Euclid A venue Housing	2008	Variable Rate Demand Revenue Bonds	14,500,000	14,500,000
20	Veterans Development Office/Parking	2009	Revenue Bonds	115,000,000	112,330,000
21	Nehst Creations, LLC	2010	Revenue Bonds	5,200,000	-
22	Eaton World Headquarters	2009	Capital Lease Bonds	123,589,256	123,589,256
23	Cleveland Museum of Art	2010	Cultural Facility Revenue Bonds	70,430,000	70,430,000
24	Independence Research Park - Cleveland Clinic	2010	Development Revenue Refunding Bonds	46,000,000	43,860,000
25	Hospice of Western Reserve, Inc.	2010	Refunding Bonds	21,565,000	21,440,000
26	Oriana Services, Inc.	2010	Tax-Exempt Revenue Refunding Bonds	2,505,000	1,585,000
27	City of Cleveland - Flats East Bank	2010	City Appropriation Bonds	11,000,000	10,765,000
28	Flats East Development	2010	First Mortgage Lease Revenue Bonds	74,742,776	74,742,776
29	Medical Center Company	2011	Revenue Bonds	77,470,000	75,560,000
30	St. Johns Medical	2011	Revenue Bonds	40,000,000	39,000,000
31	Magnificat	2012	Revenue Bonds	7,565,000	7,475,000
			Total	$ 1,242,652,032	$ 1,140,766,267

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Independent Auditor's 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of the Cleveland-Cuyahoga County Port Authority (the "Authority"), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 13, 2013.

Internal Control over Financial Reporting

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

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

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

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

Purpose of this Report

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

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 13, 2013

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Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Directors
Cleveland-Cuyahoga County Port Authority

Report on Compliance for Each Major Federal Program

We have audited the Cleveland-Cuyahoga County Port Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2012. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibilities

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibilities

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Board of Directors
Cleveland-Cuyahoga County Port Authority

Report on Schedule of Expenditures of Federal Awards Required by OMB A-133

We have audited the financial statements of the Authority as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon dated June 13, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 13, 2013

Cleveland-Cuyahoga County Port Authority

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
U.S. Department of Transportation:			
Passed-Through the Ohio Department of Transportation:			
Highway Planning and Construction:			
CUY-Cleveland Riverwalk	20.205	PID 88443	$ 48,381
CUY-Cleveland Bulkhead	20.205	PID 80969	2,232,516
Total U.S. Department of Transportation			2,280,897
U.S. Environmental Protection Agency:			
Direct award:			
Great Lakes Program	66.469		419,694
Passed-Through Cuyahoga County:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		50,806
Total U.S. Environmental Protection Agency			470,500
U.S. Department of Homeland Security:			
Passed-Through Ohio Emergency Management Agency:			
State-Local Disaster Assistance	97.036	FEMA-DR-4098	37,500
Passed-Through Cuyahoga County:			
Port Security Grant	97.056	2008	10,760
Total U.S. Department of Homeland Security			48,260
Total Federal Financial Assistance			$ 2,799,657

The accompanying notes are an integral part of this schedule

Cleveland-Cuyahoga County Port Authority

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2012

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of the Authority's federal award programs. The information in this Schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.* Federal financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies are included on this schedule.

Note 2: Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting.

Cleveland-Cuyahoga County Port Authority
Schedule Of Findings
OMB Circular A-133 Section .505

For the Year Ended December 31, 2012

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Was there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1) (iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510(a)?	No
(d)(1)(vii)	Major Programs	Highway Planning and Construction Grant - CFDA # 20.205; U.S. Environmental Protection Agency, Great Lakes Program – CFDA # 66.469
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A:>$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

None noted.

3. Findings for Federal Awards

None noted.

Dave Yost • 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
JULY 18, 2013