CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY
CUYAHOGA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2016

Dave Yost • Auditor of State

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE **PAGE**

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INDEPENDENT AUDITOR'S REPORT

Cleveland-Cuyahoga County Port Authority
Cuyahoga County
1100 West 9th Street, Suite 300
Cleveland, Ohio 44113

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity and the aggregate remaining fund information of the Cleveland-Cuyahoga County Port Authority, Cuyahoga County, Ohio (the Authority), as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and the aggregate remaining fund information of the Cleveland-Cuyahoga County Port Authority, Cuyahoga County, Ohio, as of December 31, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements Audited by a Predecessor Auditor

The financial statements of the Authority as of and for the year ended December 31, 2015 were audited by other auditors, whose report dated June 7, 2016, expressed an unmodified opinion on those statements and included an emphasis of matter paragraph that described the change in the Authority's accounting principles discussed in Note 2 to the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole.

The *Common Bond Funds* and *Stand Alone Issuances* Schedules present additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards also presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is also not a required part of the financial statements.

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2017, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

June 27, 2017

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Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2016 and 2015

General

As management of the Cleveland-Cuyahoga County Port Authority (the "Authority," the "Port Authority," or the "Port"), 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, 2016. Please read this information in conjunction with the Authority's basic financial statements and footnotes beginning on pages 32 and 38, respectively.

The Authority is a body corporate and politic and an independent political subdivision of the State of Ohio. It has two main business lines: 1) maritime operations which consist of the international docks on the east side of the Cuyahoga River, a bulk cargo facility on the west side of the river, and a regularly scheduled liner service providing container and break-bulk shipping services between the Great Lakes and Europe; 2) development finance operations, which manage 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). The Authority also plays an active role in finding sustainable solutions for maritime infrastructure, a large focus of which is related to dredging the Cuyahoga River.

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 Revenues, 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 a 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 the Authority's net position (the difference between assets plus deferred outflows and liabilities plus deferred inflows). The Statement of Revenues, Expenses, and Changes in Net Position presents 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 obligors 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, with the exception of debt issued through the Common Bond Fund, which includes a system of cash reserves partially funded by Authority contributions. A detailed explanation of the system of cash reserves can be found in Note 17. 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).

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 (2016A) and Port Capital Improvements (2016B), 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, other than as noted, 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. In January of 2014, the Authority contributed an additional $548,000 into the system of reserves. This $7.6 million in restricted funds, which includes approximately $500,000 in associated interest earnings and administrative fees, is reflected on the Authority's Statement of Net Position. Interest earned on the original State of Ohio and Authority contributions are 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, 2007, and 2016 and where the Authority is obligated to repay the debt.

   Additional information regarding No-Commitment Debt can be found in Note 17.

During 2015, the Port Authority adopted Governmental Accounting Standards Board (GASB) Statement 68, "*Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*," which significantly revises accounting for pension costs and liabilities.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. *In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Authority is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from $55,980,179 to $55,221,099.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2016 and 2015

Condensed Statement of Net Position Information

The tables below provide a summary of the Authority's financial position and operations for 2016 and 2015, respectively.

Comparison of 2016 vs. 2015 Results:

	2016	2015	Change Amount	Change Percent
Assets and deferred outflows of resources:				
Current assets	$ 17,696,567	$ 16,480,151	$ 1,216,416	7.4%
Capital assets – net	53,744,258	47,538,208	6,206,050	13.1%
Restricted and other assets	8,315,179	9,098,158	(782,979)	(8.6%)
Deferred outflow of resources	602,753	414,726	188,027	45.3%
Total assets and deferred outflows of resources	80,358,757	73,531,243	6,827,514	9.3%
Liabilities and deferred inflows of resources:				
Current liabilities	1,557,481	2,307,061	(749,580)	(32.5%)
Current liabilities payable from restricted assets	21,138	567,980	(546,842)	(96.3%)
Other liabilities – including amounts relating to restricted assets	8,279,271	8,389,703	(110,432)	(1.3%)
Deferred inflow of resources	3,046,961	3,231,020	(184,059)	(5.7%)
Total liabilities and deferred outflows of resources	12,904,851	14,495,764	(1,590,913)	(11.0%)
Net position:				
Net investment in capital assets	46,185,712	38,767,611	7,418,101	19.1%
Restricted for other purposes	8,194,706	8,309,470	(114,764)	(1.4%)
Unrestricted	13,073,488	11,958,398	1,115,090	9.3%
Total net position	$ 67,453,906	$ 59,035,479	$ 8,418,427	14.3%

Current Assets: Current assets increased by approximately $1.2 million from December 31, 2015 to December 31, 2016. The primary reason for the increase in this classification was a $1.3 million increase in the Authority's unrestricted cash and investment balance. This increase was due in part to improved operating results driven by strong performance in the Authority's development finance program as well as reduced liner service costs due to the restructuring of the agreement which took place in 2015. In addition, nonoperating revenues also increased as compared to 2015. Finally, a $332,500 Cleveland Bulk Terminal (CBT) debt service reserve account was unrestricted as it was no longer required as a result of refinancing the CBT debt.

Other increases in this category include $101,000 in prepaid expenses and an $81,200 increase in grants receivable. The increase in prepaid expense was primarily due to an increase in the Authority's 2017 property insurance coverage and a new requirement by the Ohio Bureau of Workers Compensation to pre-pay annual premiums. The increase in grants receivable is the result of the final submission for the CDF12 project to the State of Ohio Healthy Lake Erie Program that was outstanding at year end (see Note 16).

These increases are offset by a $166,000 decrease in accounts receivable due to timing differences in trade receivables, a $21,000 reserve made for bad debt and a $101,000 decrease to loans receivable as final payment was received from the State of Ohio Development Services Agency (ODSA) in 2016 as the project reached completion (see Note 26).

Capital Assets: The Authority's investment in capital assets as of December 31, 2016 increased by $6.2 million when compared to 2015 (net of accumulated depreciation). Capital assets before accumulated depreciation increased approximately $8.1 million from $68.4 million at December 31, 2015 to $76.5 million at December 31, 2016.

Investments in buildings, infrastructure and leasehold improvements increased by $3.3 million in 2016. The largest component of the increase in this category was a $1,725,000 investment to construct a new warehouse on Dock 22 in order to meet additional storage demands related to cargo movement. The Authority received $1,385,000 in funding for this project from an ODSA forgivable loan. The ODSA loan was forgiven in its entirety on October 6, 2016 (see Note 26). The Authority also invested an additional $1,040,600 million to make improvements to the sediment processing center located on CDF 12. These improvements included a third sluiceway for sorting harvestable material, a silt storage area and water management devices. These improvements are expected to increase the capacity to collect dredge materials at the site by approximately 130,000 cubic yards over the next four years. Site Improvements at the CDF12 sediment processing center were fully funded by grants from the Ohio Healthy Lake Erie Fund and the Ohio Department of Natural Resources (see Note 16). Other investments included $253,000 for lighting of cement silos, of which $55,000 was contributed by third party contributions, $93,000 for structural improvements to the warehouse 24 annex, and $78,000 for timber curbs on dock 24.

Investment in equipment increased by $6.3 million in 2016. The largest component of the increase in this category was a $5,789,000 investment made to purchase 2 mobile harbor cranes. The mobile harbor cranes were part of an infrastructure improvement project designed to improve overall efficiency and cost effectiveness in cargo movement. The Authority received a total of $4,622,000 in funding for the cranes from the CMAQ grant, $1,113,000 which occurred in 2015, and $1,159,000 from the ODSA forgivable loan, $282,000 which occurred in 2015 (see Notes 16 and 26). The Authority also purchased additional ground equipment during the year which included a reach stacker, spotter, and dump truck.

A summary of the activity in the Authority's capital assets during the year ended December 31, 2016, is as follows:

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
Land and land improvements	$ 19,459,708	$ -	$ -	$ 19,459,708
Buildings, infrastructures, and leasehold improvements	45,099,191	3,280,043	-	48,379,234
Equipment	2,358,924	6,321,278		8,680,202
Construction in progress	1,521,169	10,306	(1,521,169)	10,306
	68,438,992	9,611,627	(1,521,169)	76,529,450
Less accumulated depreciation	(20,900,784)	(1,884,408)	-	(22,785,192)
Capital assets – net	$ 47,538,208	$ 7,727,219	$ (1,521,169)	$ 53,744,258

Restricted and Other Assets: Restricted and other assets decreased by approximately $783,000 from December 31, 2015 to December 31, 2016.

The primary reason for the decrease in this classification was a $461,000 decrease in restricted grants and accounts receivable related to the Flats East Bank Project that was completed in 2015. This amount is offset by corresponding liabilities payable from restricted assets on the Authority's Statement of Net Position.

Restricted cash and investments also decreased by $276,800 primarily due to a decrease of $466,000 in reserve requirements related to the Authority's debt obligations as a result of refinancing (see Notes 11 and 12). Retainage payable also decreased by $74,000 as requirements were met to release these funds to the contractor of the Euclid Garage Project during 2016.

These decreases were offset by an increase of $187,000 in the Authority's administrative fee account, held in trust, due to a deficiency in the CCH primary reserve account (see Note 24). Other increases in restricted cash and investments include a $100,000 scheduled increase in the Bond Fund Auxiliary Reserve fund.

Deferred Outflow of Resources: Deferred outflows of resources increased by $188,000 primarily as the result of a $365,100 increase in deferred outflows related to pensions (see Note 6). A $203,400 decrease was also realized in the value related to the CBT interest rate swap which was terminated during 2016 (see Note 11). These decreases were offset by a $26,300 increase in deferred outflow of resources related to the refunding of the Essroc (1997A) bonds (see Note 12).

Current Liabilities: Current liabilities decreased by approximately $750,000 from 2015 to 2016. The primary reason for this change was an $838,000 decrease in the ODSA Loan which was forgiven in October of 2016 (see Note 26). This decrease was offset by an $82,000 increase in accounts payable.

Current Liabilities Payable from Restricted Assets: Current liabilities payable from restricted assets decreased by $547,000 from December 31, 2015 to December 31, 2016. This decrease was primarily the result of a decrease in restricted accounts payable, related to the Flats East Bank Project which was completed during 2015 and had no activity in 2016 (see Note 22). Other decreases included a $74,000 decrease in retainage payable and a decrease in interest payable due to lower interest rates accruing as the result of refinancing of debt obligations during the year.

Other Liabilities – including amounts relating to restricted assets: This line item decreased by approximately $110,000. The primary reason for the decrease was a $396,000 reduction in the non-current portion of the Authority's long-term debt obligations. Additionally, a reduction of $130,500 was seen in unearned income as a result of the continued straight-line accounting for the Authority's operating leases.

These decreases were offset by an increase of $416,500 in the Authority's net pension liability (see Note 6).

The activity in the Authority's long-term debt obligations outstanding during the year ended December 31, 2016 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 project	$ 4,170,000	$ 4,313,887	$ (4,224,652)	$ 4,259,235
Port Improvements 1999A/2016B	1,363,765	1,208,287	(1,555,000)	1,017,052
Essroc 1997A/2016A	2,399,448	2,387,811	(2,505,000)	2,282,259
Total	$ 7,933,213	$ 7,909,985	$ (8,284,652)	$ 7,558,546

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: Deferred inflows decreased by approximately $184,000 primarily due to a $203,400 decrease in the derivative instrument related to the CBT interest rate swap which was terminated during the refinancing of these bonds in 2016 (see Note 11). This decrease was offset by a $19,400 increase in deferred outflows related to pensions (see Note 6).

Net Position: Net Position serves as a useful indicator of an entity's financial position. In the case of the Authority, assets and deferred outflows exceeded liabilities and deferred inflows by $67 million at the close of the most recent fiscal year.

The largest portion of the Authority's net position (approximately 68%) 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.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2016 and 2015

The tables below provide a summary of the Authority's financial position and operations for 2015 and 2014, respectively.

Comparison of 2015 vs. 2014 Results:

	2015	Restated 2014	Change Amount	Change Percent
Assets and deferred outflows of resources:				
Current assets	$ 16,480,151	$ 19,163,175	$ (2,683,024)	(14.0%)
Capital assets – net	47,538,208	43,997,167	3,541,041	8.0%
Restricted and other assets	9,098,158	9,513,115	(414,957)	(4.4%)
Deferred outflow of resources	414,726	536,693	(121,967)	(22.7%)
Total assets and deferred outflows of resources	73,531,243	73,210,150	321,093	0.4%
Liabilities and deferred inflows of resources:				
Current liabilities	2,307,061	5,106,456	(2,799,395)	(54.8%)
Current liabilities payable from restricted assets	567,980	230,940	337,040	145.9%
Other liabilities – including amounts relating to restricted assets	8,389,703	9,171,479	(781,776)	(8.5%)
Deferred inflow of resources	3,231,020	3,480,176	(249,156)	(7.2%)
Total liabilities and deferred outflows of resources	14,495,764	17,989,051	(3,493,287)	(19.4%)
Net position:				
Net investment in capital assets	38,767,611	35,423,871	3,343,740	9.4%
Restricted for other purposes	8,309,470	8,994,589	(685,119)	(7.6%)
Unrestricted	11,958,398	10,802,639	1,155,759	10.7%
Total net position	$ 59,035,479	$ 55,221,099	$ 3,814,380	6.9%

Current Assets: Current assets decreased by approximately $2.7 million from December 31, 2014 to December 31, 2015. Accounts receivable decreased by $2.4 million, as a large account outstanding at December 31, 2014, from Spliethoff Transport B.V., (Spliethoff) was settled relating to the Cleveland-Europe Express ("CEE", see Note 25). This receivable had an associated liability of $3.6 million recorded on the Authority's Statement of Net Position at December 31, 2014 which was also paid to Spliethoff in 2015.

The Authority's unrestricted cash and investment balance also decreased by $200,000 from 2014, primarily due to cash utilized in operations, offset by capital, noncapital, and investing proceeds. Additional decreases include a $100,000 in property tax receivable, primarily due to the final phase-out of the Authority's share in the Commercial Activities Tax and a $90,000 decrease in prepaid expenses, primarily related to timing of healthcare premiums and letter of credit payments.

These decreases were offset by an increase of $100,000 in loans receivable, due from the State of Ohio for infrastructure improvements, relating to an Ohio Development Services Agency (ODSA) Logistics Distribution Stimulus Loan ("LDS Loan", see Note 26).

Capital Assets: The Authority's investment in capital assets as of December 31, 2015 increased by $3.6 million when compared to 2014 (net of accumulated depreciation). Capital assets before accumulated depreciation increased approximately $5.3 million from $63.2 million at December 31, 2014 to $68.5 million at December 31, 2015.

Investments in buildings, infrastructure, and leasehold improvements increased by $3.3 million in 2015. The largest component of this increase was a $2.9 million investment, in two, inter-related initiatives that provide sustainable and cost effective solutions for managing the sediment which must be dredged each year from the Cuyahoga River Ship Chanel. The Authority invested $1.2 million to acquire and install bed load equipment that intercepts sediment before it enters the Ship Chanel. The intercepted material is then harvested and marketed for beneficial use. The Authority also invested $1.7 million to construct a sediment processing center that increases the capacity to accept dredge materials and provides infrastructure to separate materials for market purposes. The Authority received $2.65 million in capital grants from the Ohio Healthy Lake Erie Fund for these expenditures (see Note 16). Other improvements included $432,000 in security and other capital improvements to the Authority's international docks and administrative headquarters.

Equipment increased by $513,000 primarily due to the purchase of a reach stacker used for lifting both containerized and non-containerized cargo. This purchase was made with forgivable loan funds awarded by the State of Ohio (see Note 26).

Additional capital assets include $1.5 million in construction in progress at December 31, 2015, primarily related to an infrastructure improvement project, which includes the purchase of two new mobile harbor cranes, the construction of a new warehouse on Dock 22 South, and the purchase of new ground equipment. This amount includes the down payment of $1.4 million for 2 new harbor cranes which are expected to be delivered and operational in May of 2016. This infrastructure improvement project is funded by the Congestion Mitigation and Air Quality Program (CMAQ) and the ODSA forgivable loan (see Notes 16 and 26).

These additions were offset by a $51,615 reduction to equipment previously carried on the Authority's Statement of Net Position, due to the disposal of obsolete equipment.

A summary of the activity in the Authority's capital assets during the year ended December 31, 2015, is as follows:

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
Land and land improvements	$ 19,459,708	$ -	$ -	$ 19,459,708
Buildings, infrastructures, and leasehold improvements	41,769,506	3,329,685	-	45,099,191
Equipment	1,897,276	513,263	(51,615)	2,358,924
Construction in progress	50,083	1,521,169	(50,083)	1,521,169
	63,176,573	5,364,117	(101,698)	68,438,992
Less accumulated depreciation	(19,179,406)	(1,772,993)	51,615	(20,900,784)
Capital assets – net	$ 43,997,167	$ 3,591,124	$ (50,083)	$ 47,538,208

Restricted and Other Assets: Restricted and other assets decreased by approximately $415,000 from December 31, 2014 to December 31, 2015.

The main reason for the decrease in this classification was a $733,000 reduction in restricted cash and investments primarily due to previously restricted funds for a CMAQ grant in 2014.

These decreases were offset by a $328,000 increase in restricted grants and accounts receivable primarily related to the Flats East Bank Project (see Note 22).

Deferred Outflow of Resources: Deferred outflows of resources decreased by $122,000 primarily as the result of a decrease in the change of value related to the interest rate swap the Authority has in place for the Cleveland Bulk Terminal (CBT) bonds. This decrease was offset by an increase of $55,000 in deferred outflows related to pensions (see Note 6).

Current Liabilities: Current liabilities decreased by approximately $2.8 million from 2014 to 2015. This change was primarily due to a $3.6 million payable due to Spliethoff for CEE-related expenses paid on behalf of the Authority in 2014, which was paid in March of 2015.

These decreases were offset by an $840,000 increase in the current portion of bonds and loans primarily due to 2015 activity funded by a forgivable State of Ohio Development Services Agency Logistics and Distribution Loan (see Note 26).

Current Liabilities Payable from Restricted Assets: Current liabilities payable from restricted assets increased by $337,000 from December 31, 2014 to December 31, 2015. This increase was primarily a result of an increase in restricted accounts payable, related to the Flats East Bank Project (see Note 22).

Other Liabilities – including amounts relating to restricted assets: This line item decreased by approximately $782,000. The primary reason for the decrease was a $670,000 scheduled reduction in the non-current portion of the Authority's long-term debt obligations. Additionally, a reduction of $133,000 was seen in unearned income as a result of the continued straight-line accounting for the Authority's operating leases.

These decreases were offset by an increase of $21,000 in the Authority's net pension liability (see Note 6).

The activity in the Authority's long-term debt obligations outstanding during the year ended December 31, 2015 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 project	$	4,350,000	$	-	$	(180,000)	$	4,170,000
Port Improvements 1999A		1,708,074		691		(345,000)		1,363,765
Essroc 1997A		2,515,222		4,226		(120,000)		2,399,448
Total	$	8,573,296	$	4,917	$	(645,000)	$	7,933,213

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: Deferred inflows decreased by approximately $249,000 primarily due to a $177,000 change in the derivative instrument related to the CBT interest rate swap and a decrease of $100,000 in deferred property tax receivable. These decreases were offset by a $28,000 increase in deferred outflows related to pensions (see Note 6).

Net Position: Net Position serves as a useful indicator of an entity's financial position. In the case of the Authority, assets and deferred outflows exceeded liabilities and deferred inflows by $59 million at the close of the most recent fiscal year.

The largest portion of the Authority's net position (approximately 65%) 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.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2016 and 2015

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

The Authority's operations increased its net position by $8,418,427 in 2016. Key elements of these changes are summarized below:

			Change	
	2016	2015	Amount	%
Operating revenues:				
Wharfage, dockage, and storage	$ 1,565,178	$ 2,203,035	$ (637,857)	(29.0%)
Liner service revenue	-	230,361	(230,361)	(100.0%)
Property lease and rentals	1,752,717	1,827,636	(74,919)	(4.1%)
Financing fee income	2,993,592	1,824,793	1,168,799	64.1%
Foreign trade zone fees	80,000	80,375	(375)	(0.5%)
Dredge disposal fees	724,359	746,441	(22,082)	(3.0%)
Parking revenues	123,427	84,877	38,550	45.4%
Contract revenue	-	54,816	(54,816)	(100.0%)
Other	207,495	38,956	168,539	432.6%
Total operating revenues	7,446,768	7,091,290	355,478	5.0%
Operating expenses:				
Salaries and benefits	2,606,251	2,345,496	260,755	11.1%
Cost of liner service	1,758,106	3,056,883	(1,298,777)	(42.5%)
Professional services	1,156,120	744,759	411,361	55.2%
Sustainable infrastructure services	429,901	380,464	49,437	13.0%
Cost of sediment management operation	544,286	412,777	131,509	31.9%
Contractual services	-	82,383	(82,383)	(100.0%)
Facilities lease and maintenance	613,922	551,172	62,750	11.4%
Marketing and communications	323,079	288,080	34,999	12.1%
Depreciation expense	1,884,408	1,772,993	111,415	6.3%
Office expense	85,003	88,868	(3,865)	(4.3%)
Other expense	255,902	166,884	89,018	53.3%
Total operating expenses	9,656,978	9,890,759	(233,781)	(2.4%)
Operating loss	(2,210,210)	(2,799,469)	589,259	21.0%
Nonoperating revenues (expenses):				
Flats East Bank Project grant revenue	-	2,692,633	(2,692,633)	(100.0%)
Flats East Bank Project grant expenses	-	(2,692,633)	2,692,633	(100.0%)
Flats Forward Bike Box Project grant revenue	31,525	-	31,525	100.0%
Flats Forward Bike Box Project grant expenses	(31,525)	-	(31,525)	100.0%
Nonoperating grant revenue	33,227	28,651	4,576	16.0%
Property tax receipts	3,042,766	3,036,749	6,017	0.2%
Income from investments	276,197	272,701	3,496	1.3%
Interest expense	(378,614)	(520,221)	141,607	(27.2%)
Other expense	-	(30,300)	30,300	(100.0%)
Total nonoperating revenues - net	2,973,576	2,787,580	185,996	6.7%
Change in net position before capital grants	763,366	(11,889)	775,255	6,520.8%
Capital grants	7,655,061	3,826,269	3,828,792	100.1%
Change in net position	8,418,427	3,814,380	4,604,047	120.7%
Net position – beginning of year,	59,035,479	55,221,099	3,814,380	6.9%
Net position – end of year	$ 67,453,906	$ 59,035,479	$ 8,418,427	14.3%

Operating Revenues*:* Collectively, total operating revenues increased 5.0% or $355,500, to $7.5 million in 2016, from $7.1 million in 2015. The largest component of this increase was $1.2 million or 64.1% increase in financing fee income countered by a decrease of $638,000 in Wharfage, dockage, and storage revenues.

Wharfage, Dockage, and Storage*:* These revenues are generated from Authority cargo operations and collectively decreased 29.0% from $2,203,000 in 2015 to $1,565,200 in 2016.

Overall tonnage handled by the Port's primary break-bulk terminal operator decreased by 150,164 tons or 29.2% to 363,359 tons. Tonnage for the container and project cargo terminal operator decreased from 32,465 tons in 2015 to 25,024 tons in 2016. This decrease in tonnage resulted in a decrease in wharfage and dockage revenues of $505,400. In 2015, there were nine ships carrying 100,500 tons of pipe cargo which resulted in an increase in wharfage and dockage revenues of approximately $311,000. This special cargo did not reoccur in 2016.

Throughput at the Cleveland Bulk Terminal facility, leased by a private company, decreased by 12.6% for a total of approximately 3.3 million in billable tons of iron ore and limestone. This decreased wharfage revenues at the CBT facility by $100,000 as compared to the previous year.

Other revenue sources such as storage, rail wharfage, and security escort fees decreased by $32,500 due to decreased activity in 2016.

Liner Service Revenue: In April of 2014 the Authority started the Cleveland-Europe Express (CEE) offering shippers the only scheduled service for containerized and break-bulk freight between the Great Lakes, Europe and connecting points worldwide. In 2014, The Spliethoff Group, a large ship owner and operator in the Netherlands, was contracted to manage and operate the CEE service.

In April of 2015, the Service Agreement was restructured to limit the Authority's financial exposure. Under the new agreement, the Authority made a fixed payment of $2,750,000 to Spliethoff while guaranteeing increased port calls to Cleveland for the 2015 shipping season. The Authority had no other financial responsibility for the CEE. Additionally, the Authority received a rebate of 1.25% of gross revenue, up to $250,000, on the first $20 million in revenues collected by the Spliethoff Group, which was offset by a final reconciliation of 2014 amounts.

In March of 2016, the Authority again restructured the Service Agreement for the 2016 and 2017 shipping seasons. The terms of this Agreement provided service similar to the 2015 Agreement but reduced the Port's fixed payment for the 2016 and 2017 shipping seasons to $1,750,000 and $1,000,000 respectively and eliminated the rebate. (see Note 25).

The $230,400 decrease in liner service revenues is the result of the restructured agreement.

Property Lease and Rentals: Property lease and rentals decreased by approximately $75,000 or 4.1% in 2016. The decrease included $127,000 in terminal usage fees as a result of decreased throughput at our primary break-bulk terminal and $49,700 in rental revenue from Dock 20 due to the termination of the tenant lease in April 2015. These decreases were offset by an increase of $99,000 in rental revenue as the result of a January 1, 2016 agreement executed for the use of Dock 22 related to the cargo operations of the CEE.

Financing Fee Income: Financing fee income increased by approximately $1.2 million in 2016, to just under $3.0 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 2016, closing fees increased by $1,338,000 million to $2,003,000 as the Authority assisted in issuing bonds for ten (10) large economic development projects in the region and various refinancing transactions versus six (6) in the previous year.

The Authority also collected approximately $800,000 in bond service fees related to existing projects and $185,000 in application and acceptance fees from seven projects.

Foreign Trade Zone Income: Foreign trade zone fees remained similar at $80,000 in 2016, compared to $80,375 in 2015.

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. Since 2010 the United States Army Corps of Engineers (USACE) has reported critically low capacity at Confined Disposal Facilities (CDF) for the disposal of sediments dredged from the Cuyahoga River Ship Channel. In 2011, the Port initiated its own planning for long term management of dredged sediment. This plan and proposal were presented to the USACE in January of 2013. This plan has not yet been executed by the USACE.

Subsequently, the Port developed an alternative to operating a CDF at lower annual volumes than those provided for in the original plan. In 2015 and 2016, the Port successfully sought $2.4 million in funding from the Ohio Healthy Lake Erie Fund and $56,000 from the Ohio Department of Natural Resources and invested a total of $2.7 million to prepare CDF 12 to receive additional sediment. These investments provided approximately 410,000 cubic yards of additional capacity, of which an estimated 355,000 cubic yards remain as of December 31, 2016.

In 2016, 64,025 cubic yards of dredged sediment were received and stored on CDF 12 compared to 62,918 cubic yards in 2015. While sediment material received increased slightly, Dredge Disposal Fees decreased by $29,000 to $712,000, as the result of pricing fluctuations in various disposal agreements. The Authority also maintains an operating agreement with a private company to process and sell sediments that are processed at the Authority's sediment disposal sites. As a result of these pilot projects, that Authority collected $12,400 and $5,400 in sediment royalty payments for 2016 and 2015 respectively.

Parking Revenues: Parking revenue increased by $38,500 as compared to 2015. A parking agreement was executed between the Authority and the Cleveland Browns in 2012. The agreement was amended in 2016, increasing the number of parking spaces made available for game-day parking by approximately 33%, and increasing the parking fee for the 2016 season to $50,000 compared to $25,000 for the 2015 season.

Additionally, the parking revenue at a lot managed by the Authority increased by $13,000 due to increased activity.

Contract Revenues: In 2012, the Authority entered into a Purchase Agreement with the Ohio Department of Transportation (ODOT) to finance and construct a maintenance garage in Euclid, Ohio. In 2015, Contract Revenues of $54,816 were billed to offset expenses of $82,383 related to change orders to the project for necessary repairs to the maintenance garage. These repairs were completed in 2015 and no activity was recorded in 2016.

Other Revenues: Other operating revenues increased by $168,500 in 2016. This increase is the result of crane rental fees charged to the Port's terminal operators for the rental of the Port's 2 new harbor cranes.

Operating Expenses: Operating expenses decreased by approximately $234,000 or 2.4% in 2016 compared to 2015. The largest component of this decrease was a $1.3 million decrease in costs related to the liner service. This decrease was offset by an increase of $411,400 in professional services fees, $260,800 in salaries and benefits, $131,500 in costs of sediment management operations, and other lesser increases.

Salaries and Benefits: Salary and benefit costs increased by approximately $260,800 or 11.1% from 2015. Salaries increased by approximately $123,000 as the result of the full-year impact of filling two open positions during 2015 as offset by the full-year impact of an eliminated position and partial-year impact of two open positions occurring late in 2016, in addition to performance increases and other personnel costs. Benefit costs increased by approximately $138,000, primarily due to a $93,600 increase in pension expense recorded as a result of implementing GASB 68 and increased healthcare premiums.

Cost of Liner Service: Costs related to the liner service decreased by $1.3 million in 2016. The Liner Service Agreement was restructured in 2015 and again in 2016 to limit the Authority's financial exposure. Under the 2016 service agreement, the Authority made a fixed payment of $1.75 million to toward the liner service versus a $2.75 million fixed payment required under the 2015 Agreement. Additionally, the Authority rented approximately $8,100 in container handling equipment during 2016 as compared to $300,000 in 2015.

Professional Services: Professional services expense increased by $411,400 or 55.2% compared to 2015. During 2016, the Port refinanced its CBT, Port Improvement, and Essroc debt through the issuance of tax-exempt refunding bonds (see Notes 10, 11 & 12). The refinancing was undertaken to take advantage of lower financing costs due to a favorable interest rate environment. In addition, the CBT refinancing allowed the Port to eliminate an underlying LOC and terminate an interest rate swap contract. The Authority incurred $143,700 in cost of issuance fees and paid a $125,300 fee to terminate the CBT interest rate swap agreement which were expensed in 2016 in accordance with GAAP requirements.

The Authority also entered into an agreement with a professional service firm to update the 2010 Strategic Master Plan. The scope of the contract included but was not limited to an update to the Port's economic impact assessment, a market analysis of the competitive position of the cargo facilities, identifying potential market opportunities, identifying development opportunities for marine terminals and infrastructure and evaluating the economic impact of alternative development scenarios and to develop a strategic master development plan. The cost of the Strategic Master Plan update was $185,000.

These increase were offset by a $47,800 decrease in legal fees associated with development finance projects.

Sustainable Infrastructure Services: Investments in sustainable infrastructure service increased by $49,400 in 2016 to $429,900. Increasing for 2016 were expenses related to sediment management in the amount of $87,000 in legal fees related to the litigation between the State of Ohio and the USACE in regards to open-lake dredge disposal (see Note 19). This increase was offset by decreases of $17,300 in expenses associated with the stability of the Franklin Hill area and $20,300 in project expenses related to the Nature Preserve and other projects which were completed in 2015.

Cost of Sediment Management Operation: Costs related to sediment management operations increased by $131,500 or 31.9% in 2016 to $544,300. The primary reason for this increase was a $68,300 increase in the cost of processing sediment placed at the CDF12. In 2015, a cooperative project management agreement was entered into between the Authority and a bulk material company to manage sediment deliveries and process materials received.

During 2016, 23,909 cubic yards of material delivered to the site in 2015 was processed, along with 23,250 cubic yards of material delivered in 2016, at a total cost of $422,000. Approximately 40,775 cubic yards of the material received in 2016, will be processed in 2017, at an approximate cost of $373,100. Other costs related to the sediment management operation included $21,000 for wildlife management, $17,000 for road maintenance, and $10,000 for mowing and water sampling which did not occur in 2015.

In addition, the Authority, in conjunction with the City of Cleveland, commissioned a feasibility study related to the remediation of contaminated legacy sediments in the Old River Channel. The purpose of this study was to determine the most cost effective approach for the remediation of the contaminated sediments. In 2016, $74,000 was spent towards the Old River Channel feasibility study as compared to $59,000 in 2015. The study was completed in 2016.

Contractual Services: Contractual Services expense decreased by $82,400 in 2016. In 2012, the Authority entered into a Purchase Agreement with ODOT to finance and construct a maintenance garage in Euclid, Ohio. Repairs related to the project were completed in 2015.

Facilities Lease and Maintenance: Facilities lease and maintenance expense increase by approximately $62,750 from 2015 to $613,900. This increase was primarily due to a $40,700 increase in property tax expense as compared to 2015. In 2015, the Authority was granted a tax exemption for its headquarters which resulted in a partial real estate tax refund for prior years. Also increasing in 2016, were utility expenses largely due to a new storm water fee instituted by the Sewer District in June of 2016.

Marketing and Communications: Marketing and communication expense increased by $35,000 in 2016 as compared to 2015. In 2016, an increase in professional service fees was incurred primarily related to redesigning the Port's website.

Depreciation Expense: Depreciation Expense increased by approximately $111,400 to $1,884,400 compared to 2015. This increase is due primarily to the depreciation of the $5.8 million mobile harbor cranes and $1.7 million Warehouse which were placed in service during 2016. Additional increases include the full year depreciation of 2015 additions such as Maritime ground equipment. These increases were offset by a decrease in depreciation of the CDF12 sediment processing center which is based on consumption.

Office Expense: Office expense decreased by approximately $4,000 to $85,000 in 2016 due to a decrease in general office supplies.

Business & Other Expense: Other expenses increased by $89,000 to $255,900 in 2016, mainly due to an increase in staff training and education expense.

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 $2,692,633 were recognized in 2015 in relation to this project. There was no activity in 2016 (see Note 22).

- ***Flats Forward Project Revenue and Expense:*** The Authority accepted various grants to purchase and place three bike boxes in the Flats neighborhood. Grant expenditures and corresponding revenues of $31,525 were recognized in 2016 in relation to this project (see Note 16).

- ***Nonoperating Grant Revenue:*** In 2016 the Authority received approximately $33,000 in nonoperating grant revenue primarily related to a feasibility study for determining implementable actions for remediating contaminated sediments in the Old River Channel.

- ***Property Tax Receipts***: A large portion of nonoperating revenues results from the Authority's .13 mill property tax levy. Receipts remained relatively flat with an increase of $6,000 in 2016 to $3,042,800.

- ***Income from Investments:*** Investment income remained relatively flat with an increase of $3,500 from $272,700 in 2015 to $276,200 in 2016.

- ***Interest Expense****:* The $141,600 decrease in interest expense reflects the partial-year interest savings as a result of refinancing the Authority's direct debt obligations in 2016.

- ***Other Revenue (Expense):*** $30,300 in loan commitment fees were expended in 2015 to secure the LDS Loan administered by the State of Ohio (see Note 26). In 2016, the LDS Loan was fully forgiven by the State of Ohio and no further expenses for the project are forthcoming.

- ***Capital Grants and Contributions:*** In 2016, $7,655,000 in capital grants and contributions were recognized. The Authority accepted a $4,900,000 CMAQ grant for the purchase of two mobile harbor cranes, of which $3,500,000 was recognized in 2016. The Authority received a $3 million dollar forgivable loan from the State of Ohio which was partially used as the grant match for the CMAQ funds and also used to fund the construction of a new warehouse (See Note 16). The Authority was awarded a grant in the amount of $1 million dollars from the State of Ohio Healthy Lake Erie Grant program. Approximately $984,000 of this grant was used in 2016 to support the capital costs associated with preparing CDF 12 for future operations. Remaining grant funds from a 2014 security grant of $35,000 were used in 2016 for security improvements to the Port. In addition, $31,000 of a $100,000 Ohio Department of Natural Resources (ODNR) grant was used in 2016 towards the implementation of a National Pollutant Discharge Elimination System (NPDES) permit from the Ohio Environmental Protection Agency (OEPA) at the CDF 12 sediment processing facility. The permit was issued in 2016.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2016 and 2015

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

The Authority's operations increased its net position by $3,814,380 in 2015. Key elements of these changes are summarized below:

	2015	Restated 2014	Change Amount	Change %
Operating revenues:				
Wharfage, dockage, and storage	$ 2,203,035	$ 1,905,361	$ 297,674	15.6%
Liner service revenue	230,361	6,197,409	(5,967,048)	(96.3%)
Property lease and rentals	1,827,636	1,956,233	(128,597)	(6.6%)
Financing fee income	1,824,793	3,442,167	(1,617,374)	(47.0%)
Foreign trade zone fees	80,375	80,932	(557)	(0.7%)
Dredge disposal fees	746,441	417,544	328,897	78.8%
Parking revenues	84,877	280,645	(195,768)	(69.8%)
Contract revenue	54,816	-	54,816	100.0%
Other	38,956	44,099	(5,143)	(11.7%)
Total operating revenues	7,091,290	14,324,390	(7,233,100)	(50.5%)
Operating expenses:				
Salaries and benefits	2,345,496	2,233,546	111,950	5.0%
Cost of liner service	3,056,883	11,881,789	(8,824,906)	(74.3%)
Professional services	744,759	878,531	(133,772)	(15.2%)
Sustainable infrastructure services	380,464	395,987	(15,523)	(3.9%)
Cost of sediment management operation	412,777	-	412,777	100.0%
Contractual services	82,383	-	82,383	100.0%
Facilities lease and maintenance	551,172	707,036	(155,864)	(22.0%)
Marketing and communications	288,080	269,213	18,867	7.0%
Depreciation expense	1,772,993	1,431,026	341,967	23.9%
Office expense	88,868	112,911	(24,043)	(21.3%)
Other expense	166,884	169,224	(2,340)	(1.4%)
Total operating expenses	9,890,759	18,079,263	(8,188,504)	(45.3%)
Operating loss	(2,799,469)	(3,754,873)	955,404	25.4%
Nonoperating revenues (expenses):				
Flats East Bank Project grant revenue	2,692,633	1,078,299	1,614,334	149.7%
Flats East Bank Project grant expenses	(2,692,633)	(1,078,299)	(1,614,334)	(149.7%)
Nonoperating grant revenue	28,651	44,615	(15,964)	(35.8%)
Property tax receipts	3,036,749	3,063,631	(26,882)	(0.9%)
Income from investments	272,701	309,198	(36,497)	(11.8%)
Interest expense	(520,221)	(556,479)	36,258	6.5%
Gain (loss) on disposal of fixed assets	-	96,045	(96,045)	(100.0%)
Other expense	(30,300)	(10,861)	(19,439)	(178.9%)
Total nonoperating revenues - net	2,787,580	2,946,149	(158,569)	(5.4%)
Change in net position before capital grants	(11,889)	(808,724)	796,835	98.5%
Capital grants	3,826,269	110,567	3,715,702	3,360.6%
Change in net position	3,814,380	(698,157)	4,512,537	646.4%
Net position – beginning of year, restated	55,221,099	N/A	N/A	N/A
Net position – end of year	$ 59,035,479	$ 55,221,099	$ 3,814,380	6.9 %

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 operating expenses still include pension expense of $229,842 computed under GASB 27. GASB 27 requires recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution associated with traditional and combined contributions are no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $126,608. Consequently in order to compare 2015 total operating expenses to 2014, the following adjustments are needed:

Total 2015 operating expenses under GASB 68	$ 9,890,759
Pension expense under GASB 68	(126,608)
2015 contractually required contributions	233,184
Adjusted 2015 operating expenses	9,997,335
Total 2014 operating expenses under GASB 27	18,079,263
Decrease in operating expenses not related to pension	$ (8,081,928)

Operating Revenues*:* Collectively, total operating revenues decreased 50.5% or $7.2 million, to $7.1 million in 2015, from $14.3 million in 2014. The largest component of this decrease were a $6.0 million decrease in liner service revenue for 2015 and a decrease in financing fee income of $1.6 million.

Wharfage, Dockage, and Storage*:* These revenues are generated from Authority cargo operations and collectively increased 15.6% from $1,905,000 in 2014 to $2,203,000 in 2015. Overall tonnage handled by our primary break-bulk terminal operator increased by 11,600 tons or 2.3% to 513,523 tons. Tonnage for our container and project cargo terminal operator increased from 5,165 tons in 2014 to 32,465 tons in 2015. This additional tonnage resulted in an increase in wharfage of $31,000. In 2015, there were nine ships carrying pipe cargo that required extended periods of unloading, this was the primary driver of a $272,500 increase in dockage revenues.

Throughput at the Cleveland Bulk Terminal facility, leased by a private company, decreased by 2.2% for a total of approximately 3.8 million in billable tons of iron ore and limestone. This decreased wharfage revenues at the CBT facility by $18,000 as compared to the previous year. Other revenue sources such as storage and rail wharfage charges decreased by $28,500, while security fees increased by $40,000 in 2015.

Liner Service Revenue: In April of 2014 the Authority started the CEE offering shippers the only scheduled service for containerized and break-bulk freight between the Great Lakes, Europe and connecting points worldwide. In 2014, The Spliethoff Group, a large ship owner and operator in the Netherlands, was contracted to manage and operate the CEE service (see Note 25). In April of 2015, the service agreement was restructured to limit the Authority's financial exposure. Under the new agreement, the Authority made a fixed payment to Spliethoff while guaranteeing increased port calls to Cleveland for the 2015 shipping season. The Authority had no other financial responsibility for the CEE. Additionally, the Authority received a rebate of 1.25% of gross revenue, up to $250,000, on the first $20 million in revenues collected by the Spliethoff Group, which was offset by a final reconciliation of 2014 amounts.

The $6 million decrease in liner service revenue is the result of the restructured agreement. In 2014, the CEE generated $7.1 million in gross freight revenue, before commissions.

Property Lease and Rentals: Property lease and rentals decreased by approximately $129,000 or 6.6% in 2015. The decrease includes $99,000 in rental revenue from Dock 20 due to the termination of the tenant lease in April 2015 and a decrease of $72,000 in rental revenue due to the sale of the building the Authority owned which is located at 1906 East 40th Street in May 2014. An additional decrease of $32,000 relates to a decrease in submerged land leases for 2015.

These decreases were offset by an increase of $35,000 in terminal usage fees as a result of increased throughput rates at our primary break-bulk terminal. Additional increases relate to rental revenue with our primary break-bulk terminal and with a tenant at the Authority's building headquarters for $18,000 and $22,000 respectively.

Financing Fee Income: Financing fee income decreased by $1.6 million in 2015, to approximately $1,800,000. 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 2015, closing fees of $665,000 were collected as the Authority assisted in issuing bonds for six (6) transactions. Financing for large economic development projects such as The Cleveland Clinic Holiday Inn Hotel, the Legacy Village hotel and garage, the Forest Hill Park Apartments Project, and the Breakwater Bluffs residential project were the source of the 2015 closing fees. Bond closing fees were down $1,500,000 from 2014 to 2015 as the prior year was a record year for financing closings with seventeen transactions that closed.

The Authority also received $300,000 in application and acceptance fees in 2015 from eight projects, three of which closed in 2015. The increase in activity during 2015 resulted in an additional $100,000 in application and acceptance fees as compared to 2014.

The Authority also collected $860,000 in bond service fees related to existing projects which was a $129,000 decrease from 2014.

Foreign Trade Zone Income: Foreign trade zone fees remained similar at $80,375 in 2015, compared to $80,932 in 2014.

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. Since 2010 the United States Army Corps of Engineers (USACE) has reported critically low capacity at Confined Disposal Facilities (CDF) for the disposal of sediments dredged from the Cuyahoga River Ship Channel. In 2011, the Port initiated its own planning for long term management of dredged sediment. This plan and proposal were presented to the USACE in January of 2013. This plan has not yet been executed by the USACE.

Subsequently, the Port developed an alternative to operating a CDF of lower annual volumes than those provided for in the original plan. The Port successfully sought $1.4 million in funding from the Ohio Healthy Lake Erie Fund and invested a total of $1.7 million to prepare CDF 12 to receive additional sediment. This investment provided approximately 280,000 cubic yards of additional capacity on the site.

In 2015, 63,000 cubic yards of dredged sediment were received and stored on CDF 12 compared to 25,000 cubic yards in 2014; which resulted in increased disposal fees of $324,000. In 2015, the Authority also entered into an operating agreement with a private company to process and sell sediments that were processed at the Authority's two newly constructed sediment disposal sites; CDF 12 and the bedload interceptor. As a result of these pilot projects, the Authority has collected $1,000 in sediment royalty payments from the bedload interceptor and $4,000 in sediment royalty payments from the CDF 12 location for 2015.

Parking Revenues: Parking revenue decreased by $196,000 compared to 2014. A parking agreement was executed between the Authority and the Cleveland Browns in 2012. In 2014, the Authority and the Browns agreed to a flat rate of $187,500 for the season as a result of a reduction in parking capacity due to increased maritime activity. In 2015, the location was needed in order to handle additional pipe cargo further reducing the available parking spaces. As a result the Authority and the Cleveland Browns agreed to a reduced flat rate of $25,000 for the season, a decrease of $162,500 from 2014. Additionally, the parking revenue at a lot managed by the Authority decreased by $33,000 due to the reduced number of parking spaces available.

Contract Revenues: In 2012, the Authority entered into a Purchase Agreement with the Ohio Department of Transportation (ODOT) to finance and construct a maintenance garage in Euclid, Ohio. The 2015 Contract Revenues of $54,816 are offset by Contractual Services of $82,383 which are expenses related to change orders to the project for repairs necessary to be made to the maintenance garage.

Other Revenues: Other operating revenues decreased by $5,000 in 2015. Other revenues include the Authority's office sublease, equipment rentals and other charges.

Operating Expenses: Operating expenses decreased by approximately $8.2 million (45%) in 2015 compared to 2014. The largest component of this decrease was approximately $8.8 million in costs associated with the liner service.

Salaries and Benefits: Salary and benefit costs increased by approximately $112,000 or 5% from 2014. Salaries increased by approximately $94,000 primarily as the result of the partial-year impact of filling two open positions during 2015, in addition to performance increases and other personnel costs. Additionally, benefit costs increased by approximately $50,000, primarily due to increases in healthcare premiums, offset by a $32,000 pension credit realized as a result of implementing GASB 68.

Cost of Liner Service: Costs related to the liner service decreased by $8.8 million in 2015. In 2015, the Agreement was restructured to limit the Authority's financial exposure. Under the new agreement, the Authority made a fixed payment of $2.75 million toward the liner service and was no longer responsible for the direct operating costs of the liner service. The Authority also rented approximately $300,000 in container handling equipment during 2015 in support of the liner service. In 2014, costs related to the operation of the liner service such as the vessel charter, fuel, stevedoring, transshipment, and loading costs totaled $11.9 million.

Professional Services: Professional services expense decreased by $134,000 or 15% compared to 2014. Contracted services decreased by approximately $170,000 in 2015 as various maritime and grant planning initiatives were completed in 2014. Also decreasing in 2015 were government relations expenses by $49,000 due to certain legislative initiatives that were completed in 2014. This decrease was offset by an increase in legal expense from 2014 levels by $57,000, primarily related to finance projects, and contract and lease negotiations. In addition, audit and bank fees increased by $15,000 and $13,000 respectively.

Sustainable Infrastructure Services: Investments in sustainable infrastructure services decreased by $16,000 in 2015 to $380,000. Decreasing for 2015 were expenses associated with the stability assessment of the Franklin Hill area which was completed in early in 2015, resulting in a decrease of $134,000. This was offset primarily by an increase in costs related to sediment management in the amount of $88,000. The increase in sediment management expenses includes $123,000 in legal and professional expenses related to litigation between the State of Ohio and the USACE in regards to open-lake dredge disposal. The Authority is a party to the State's case against the USACE and open lake disposal. Offsetting the increase is $35,000 which relates to a dredge study and plan completed in 2014.

Also increasing for the year include costs related to the management planning of the Cleveland Lakefront Nature Preserve for $16,000, costs associated with a Port observation tower to be located at the end of West 9^{th} Street for $13,000 and insurance costs of $1,200.

Cost of Sediment Management Operation: Costs related to sediment management operations resulted in approximately $413,000 in expenses for the year. In 2015, a cooperative project management agreement was entered into by the Authority for sediment management at the dredge disposal facility at CDF 12. In 2015, a total of 62,918 cubic yards of dredge material was deposited into the sediment processing site at CDF 12. This dredge resulted in a total sediment processing fee of $550,533. Of this amount, $341,330 of work was completed in 2015 with the remaining processing to be completed in 2016. At the same location, $12,000 was spent towards the removal of wildlife hazards.

In addition, the Authority, in conjunction with the City of Cleveland, commissioned a feasibility study related to the remediation of contaminated legacy sediments in the Old River Channel. The purpose of this study is to determine the most cost effective approach for the remediation of the contaminated sediments. In 2015, $59,000 was spent towards the Old River Channel feasibility study and is expected to be completed in 2016.

Contractual Services: In 2012, the Authority entered into a Purchase Agreement with ODOT to finance and construct a maintenance garage in Euclid, Ohio. Contractual Services of $82,383 are offset by Contract Revenues of $54,816. The Contractual Services expenses are change orders to the project for repairs necessary to be made to the facility.

Facilities Lease and Maintenance: Facilities lease and maintenance expense decreased by approximately $156,000 from 2014 to $551,000. This was primarily due to a decrease in maintenance costs at the Port docks by $94,000 and by $8,000 at the Port office building as a number of large maintenance projects were completed in 2014. Additionally, property taxes decrease by $86,000 as compared to 2014. In 2015 the Authority was granted a partial tax exemption for the headquarters located at 1100 West 9^{th} Street. This resulted in a decrease in property tax and a partial refund for the year of 2014. Also decreasing in 2015 were utility expenses at the Port docks and the office building by a total of $4,600.

These decreases were offset by increased Port dock security expenses of $33,000 which were required largely due to increase cargo stored at the docks and also landscaping and snow removal expenses at the office building for $4,000.

Marketing and Communications: Marketing and communication expense increased by $19,000 to $288,000 in 2015 as compared to 2014. In 2015, an increase of $30,000 in advertising and $7,000 in marketing professional services were incurred primarily related to new advertising expenses to market the CEE liner service. This increase was offset by a decrease in business development related expenses of $18,000 for the year.

Depreciation Expense: Depreciation Expense increased by approximately $342,000 to $1,773,000 compared to 2014. This increase is due primarily to the depreciation of the $1.7 million sediment processing center located on CDF 12 and $1.2 million bed load interceptor that were placed in service during 2015.

Office Expense: Office expense decreased by approximately $24,000 to $89,000 in 2015. In January of 2014, the Authority's office lease at the previous office location ended, resulting in a decrease of office lease rental and associated expenses.

Other Expense: Other expenses decreased by $2,000 to $167,000 in 2015, due to decreases in dues and membership costs.

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 $2,692,633 were recognized in 2015 in relation to this project (see Note 22).

- ***Nonoperating Grant Revenue:*** In 2015 the Authority received $28,651 in nonoperating grant revenue related to a feasibility study for determining implementable actions for remediating contaminated sediments in the Old River Channel.

- ***Property Tax Receipts***: A large portion of nonoperating revenues results from the Authority's .13 mill property tax levy. Receipts remained relatively flat with a decrease of $27,000 in 2015 to $3,036,800.

- ***Income from Investments:*** Investment income decreased $36,500 from $309,200 in 2014 to $272,700 in 2015. Approximately $52,600 of this decrease is an unrealized loss resulting from a decrease in the market value of certain investments. In addition, investment income increased by $16,000 in 2015 to $300,100, primarily as a result of interest earned on additional monies invested in the bond fund reserve.

- ***Interest Expense****:* The $36,000 decrease is the result of continued reduction of principal of the Authority's existing direct debt obligations.

- ***Gain on Disposal of Fixed Assets:*** No gains were realized on the disposal of fixed assets in 2015. In February of 2014, the Authority entered into an agreement to sell property located at 1906 East 40th Street. The sale agreement had a purchase price of $1,825,000. From this sale, the Authority recognized a gain of $96,000.

- ***Other Revenue (Expense):*** $30,300 in loan commitment fees were expended in 2015 to secure the LDS Loan administered by the State of Ohio (see Note 26).

- ***Capital Grants and Contributions:*** In 2015, $3,820,000 in capital grants and contributions were recognized. The Authority accepted a $4,900,000 CMAQ grant for the purchase of two mobile harbor cranes, of which $1,100,000 was recognized in 2015. The Authority also received two grants related to sediment management in 2015 in the amount of $1,450,000 for improvements to CDF 12 and $1,200,000 for bedload interception through the State of Ohio Healthy Lake Erie Funds program (see Note 16). Remaining grant funds from a 2014 security grant of $38,000 were used in 2015 for security improvements to the Port. In addition, $25,000 of a $100,000 Ohio Department of Natural Resources (ODNR) grant was used in 2015 towards the implementation of a National Pollutant Discharge Elimination System (NPDES) permit from the Ohio Environmental Protection Agency (OEPA) at the CDF 12 sediment processing facility. The permit process is expected to be completed in 2016

  In 2014, $110,500 in capital grants and contributions were recognized. $90,500 in grant funds were received from the Department of Homeland Security FEMA Grants Program for security enhancements and improvements. The Authority also received a capital contribution of $20,000 from a building tenant toward the installation of a ceiling insulation system for the lower level of the building located at 1100 West 9th Street.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2016 and 2015

The following table details the Authority's net position at December 31, 2016, 2015 and 2014:

	2016	2015	2014
Total	$ 67,453,906	$ 59,035,479	$ 55,221,099*

*As restated

Total net position increased by $8.4 million in 2016, primarily due to the recognition of $7.7 million in capital grants and contributions. The operational results of the liner service continued to improve, due to the restructuring of the liner agreement with Spliethoff. Development finance revenues were strong exceeding 2015 fees by $1.2 million, but were offset by a decline a decline in maritime revenues.

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

The Authority was able to launch an entirely new venture in 2014 with the Cleveland-Europe Express and provide a more sustainable structure with Spliethoff in 2015. While the results of the service are generating operating losses, the improvement in the service is encouraging. Traditional revenue sources remain relatively strong and operating expenses are managed appropriately.

Looking ahead to 2017, as previously reported the Authority restructured the agreement with Spliethoff and will be committing $1.0 million to the service. The Agreement provided for twice the number of port calls, while limiting the Port's financial risk. The capital grants that provided for the purchase of mobile harbor cranes and the installation of a new warehouse should also enhance the liner and traditional service operations.

A strong financing environment continues for development finance, which is expected to generate over $2.0 million in revenues. The "core" operations of maritime are forecasted to increase slightly in 2017, as cargo throughput is expected to normalize and various lease agreements were negotiated with improved economic terms.

As mentioned earlier, the Authority's .13 mill renewal levy was approved by the voters of Cuyahoga County in November of 2013. The levy generates $3 million in tax receipts to the organization through 2018 and is unencumbered and available to fund organizational initiatives.

As described in the Subsequent Events section of this report, on May 11, 2017, the Authority accepted a total of $8.7 million in repurposed grants to be used for maritime infrastructure and capital improvements. These funds are expected to be received and expended over the next several years. Approximately $1.8 million is expected to be recognized in 2017.

The Authority will continue to pursue additional funds from other sources, which has the potential to increase nonoperating revenues. This strategy has been successful in the past and is key to funding our capital plans.

In summary, 2017 is expected to be similar to 2016, with heavy investment in port infrastructure generated from external funds. Underlying all of our initiatives is a strong Statement of Net Position.

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, Carl Naso, Cleveland-Cuyahoga County Port Authority, 1100 West 9th Street - Suite 300, Cleveland, Ohio 44113.

Cleveland-Cuyahoga County Port Authority

Statements of Net Position

December 31, 2016 and 2015

	2016	2015
Assets:		
Current assets:		
Cash and investments	$ 13,700,879	$ 12,401,222
Accounts receivable, less allowance for doubtful accounts of $81,541	556,948	722,678
Loan receivable ODOD	-	101,213
Interest receivable	10,686	8,629
Prepaid expenses	315,525	215,141
Grants receivable	112,529	31,268
Property taxes receivable	3,000,000	3,000,000
Total current assets	17,696,567	16,480,151
Non-current assets:		
Capital assets:		
Construction in progress	10,306	1,521,169
Land and land improvements	19,459,708	19,459,708
Buildings, infrastructures, and leasehold improvements	48,379,234	45,099,191
Equipment	8,680,202	2,358,924
Total	76,529,450	68,438,992
Less: accumulated depreciation	(22,785,192)	(20,900,784)
Net book value of capital assets	53,744,258	47,538,208
Restricted and other assets:		
Restricted cash and investments	8,225,946	8,502,739
Grants and other receivables	-	461,274
Operating lease receivable	10,093	47,398
Net pension asset	45,183	36,017
Other	33,957	50,730
Total restricted and other assets	8,315,179	9,098,158
Deferred outflow of resources		
Derivative instrument	-	203,397
Pension	576,468	211,329
Debt refunding	26,285	-
Total deferred outflow of resources	602,753	414,726
Total assets and deferred outflow of resources	80,358,757	73,531,243

(continued)

The accompanying notes are an integral part of these financial statements.

Cleveland-Cuyahoga County Port Authority

Statements of Net Position (continued)

December 31, 2016 and 2015

	2016	2015
Liabilities:		
Current liabilities:		
Accounts payable	$ 681,037	$ 599,100
Accrued wages and benefits	136,611	149,195
Unearned income	43,049	46,382
Current portion of bonds and loans to be repaid by the Authority:		
Cleveland Bulk Terminal Project	151,784	180,000
Port Capital Improvements (2016B Bonds)	385,000	365,000
Essroc (2016A Bonds)	160,000	130,000
ODOD Logistics Loan	-	837,384
Total current liabilities	1,557,481	2,307,061
Current liabilities payable from restricted assets:		
Retainage payable	-	74,034
Accounts payable	237	450,198
Accrued interest payable	20,901	43,748
Total current liabilities payable from restricted assets	21,138	567,980
Other liabilities - including amounts relating to restricted assets:		
Net pension liability	1,363,357	946,798
Unearned income	54,152	184,692
Long-term bonds and loans, net of current portion and discounts:		
Cleveland Bulk Terminal Project	4,107,451	3,990,000
Port Capital Improvements (2016B Bonds)	632,052	998,765
Essroc (2016A Bonds)	2,122,259	2,269,448
Total other liabilities	8,279,271	8,389,703
Deferred inflow of resources		
Property taxes	3,000,000	3,000,000
Derivative instrument	-	203,397
Pension	46,961	27,623
Total deferred inflow of resources	3,046,961	3,231,020
Total liabilities and deferred inflow of resources	12,904,851	14,495,764
Net position:		
Net investment in capital assets	46,185,712	38,767,611
Restricted for other purposes	8,194,706	8,309,470
Unrestricted	13,073,488	11,958,398
Total net position	$ 67,453,906	$ 59,035,479

The accompanying notes are an integral part of these financial statements.

Cleveland-Cuyahoga County Port Authority

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended December 31, 2016 and 2015

	2016	2015
Operating revenues:		
Wharfage, dockage, and storage	$ 1,565,178	$ 2,203,035
Liner service	-	230,361
Property lease and rentals	1,752,717	1,827,636
Financing fee income	2,993,592	1,824,793
Foreign trade zone fees	80,000	80,375
Sediment management fees	724,359	746,441
Parking revenues	123,427	84,877
Contract revenue	-	54,816
Other	207,495	38,956
Total operating revenues	7,446,768	7,091,290
Operating expenses:		
Salaries and benefits	2,606,251	2,345,496
Cost of liner service	1,758,106	3,056,883
Professional services	1,156,120	744,759
Sustainable infrastructure services	429,901	380,464
Cost of sediment management operation	544,286	412,777
Contractual services	-	82,383
Facilities lease and maintenance	613,922	551,172
Marketing and communications	323,079	288,080
Depreciation expense	1,884,408	1,772,993
Office expense	85,003	88,868
Other expense	255,902	166,884
Total operating expenses	9,656,978	9,890,759
Operating loss	(2,210,210)	(2,799,469)
Nonoperating revenues (expenses):		
Flats East Bank Project grant revenue	-	2,692,633
Flats East Bank Project grant expenses	-	(2,692,633)
Flats Forward Project grant revenue	31,525	-
Flats Forward Project grant expenses	(31,525)	-
Nonoperating grant revenue	33,227	28,651
Property tax receipts	3,042,766	3,036,749
Income from investments	276,197	272,701
Interest expense	(378,614)	(520,221)
Other expense	-	(30,300)
Total nonoperating revenues (expenses)	2,973,576	2,787,580
Change in net position before capital grants	763,366	(11,889)
Capital grants	7,655,061	3,826,269
Change in net position	8,418,427	3,814,380
Net position – beginning of year, restated	59,035,479	55,221,099
Net position – end of year	$ 67,453,906	$ 59,035,479

The accompanying notes are an integral part of these financial statements.

Cleveland-Cuyahoga County Port Authority

Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

	2016	2015
Operating activities:		
Receipts from customers	$ 7,495,429	$ 9,375,521
Payments to suppliers for goods and services	(5,250,141)	(9,409,559)
Payments to employees	(1,894,238)	(1,759,873)
Payments of employee benefits	(663,005)	(618,710)
Net cash used in operating activities	(311,955)	(2,412,621)
Noncapital financing activities:		
Net proceeds from property tax collections	3,042,766	3,036,749
Cash received from non-capital grants	63,192	60,732
Cash advanced pass-through activity	(11,390)	(142)
Net cash provided by noncapital financing activities	3,094,568	3,097,339
Capital and related financing activities:		
Cash received from capital grants	4,601,786	3,795,001
Proceeds from Ohio Logistics Loan	2,263,829	736,171
Ohio Logistics Loan commitment fee	-	(30,300)
Proceeds from bond issuance	7,895,550	-
Principal paid on debt	(8,284,652)	(645,000)
Interest paid on debt	(399,184)	(516,982)
Acquisition and construction of capital assets	(8,113,095)	(5,225,699)
Net cash used in capital and related financing activities	(2,035,766)	(1,886,809)
Investing activities:		
Purchase of investment securities	(8,962,811)	(8,978,744)
Proceeds from sale and maturity of investment securities	9,092,238	8,944,189
Interest on investments	291,903	293,613
Net cash provided by investing activities	421,330	259,058
Net increase (decrease) in cash and cash equivalents	1,168,177	(943,033)
Cash and cash equivalents – beginning of year	13,646,306	14,589,339
Cash and cash equivalents – end of year	$ 14,814,483	$ 13,646,306

(continued)

The accompanying notes are an integral part of these financial statements.

Cleveland-Cuyahoga County Port Authority

Statements of Cash Flows (continued)

December 31, 2016 and 2015

	2016	2015
Reconciliation of operating loss to net cash (used in) provided by operating activities:		
Operating loss	$ (2,210,210)	$ (2,799,469)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Depreciation	1,884,408	1,772,993
Changes in assets and liabilities:		
Accounts receivable	163,604	2,409,617
Net pension asset	(9,166)	(26,201)
Operating lease receivables	37,305	37,307
Prepaid expenses and other assets	(100,384)	87,127
Deferred outflow, pension	(365,139)	(54,812)
Accounts payable	90,596	(3,724,416)
Unearned income and other	(152,248)	(162,693)
Retainage payable	(74,034)	-
Accrued wages and benefits	(12,584)	(1,082)
Pension liability	416,559	21,385
Deferred inflow, pension	19,338	27,623
Net cash used in operating activities	$ (311,955)	$ (2,412,621)
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	13,700,879	$ 12,401,222
Included in restricted and other assets	8,225,946	8,502,739
Total	21,926,825	20,903,961
Investments included in the balances above that are not cash equivalents	(7,112,342)	(7,257,655)
Cash and cash equivalents reported in the Statement of Cash Flows	$ 14,814,483	$ 13,646,306
Supplemental schedule of non-cash investing, capital and related financing activities:		
Increase in capital assets due to accounts payable	$ 90,723	$ 113,361
Increase in noncapital financing activities due to accounts receivable	$ 13,583	$ 7,919
Increase in noncapital financing activities due to accounts payable	$ 13,978	$ -

The accompanying notes are an integral part of these financial statements.

Cleveland-Cuyahoga County Port Authority

Statements of Fiduciary Net Position
Fiduciary Funds (in thousands)

December 31, 2016 and 2015

	2016	2015
Assets:		
Cash and cash equivalents	$ 70,871	$ 158,673
Notes and loans receivable	771,714	690,376
Financing lease receivable	1,070,222	820,336
Capital assets, net of accumulated depreciation	335,401	334,264
Total assets	$ 2,248,208	$ 2,003,649
Liabilities:		
Revenue bonds and notes payable	$ 2,248,208	$ 2,003,649

The accompanying notes are an integral part of these financial statements.

Note 1: Summary of Significant Accounting Policies

Reporting Entity – The Cleveland-Cuyahoga County Port Authority (the "Authority," the "Port Authority," or the "Port") 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 4582.02, 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.

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. Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include property taxes, interest rate swap agreements, grants, entitlements and donations. Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

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 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.

From time to time, the Authority also acts as a conduit borrower to other public and private entities for certain federal, state and local loan programs in order to promote economic development in the region. These amounts are not reflected in the Statement of Fiduciary Net Position as the funds are not obligations issued by the Authority, are often secured by different forms of collateral and not always on deposit with a trustee. The Authority has no obligation to repay these loans in the event the recipient (obligor) is unable to make payments.

Cash Equivalents and Investments – For the purposes of the Statement of Net Position and Statement of 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	3-30 years

Debt Issuance Costs – The costs associated with the issuance of the revenue bonds, where the Authority is obligated for the outstanding debt are expensed in accordance with GASB Statement No. 65.

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.

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.

Note 1: Summary of Significant Accounting Policies (continued)

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 unearned 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, as well as investing activities.

Statement 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, Board actions and other agreements require portions of debt proceeds as well as other internal 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.

Pensions **–** For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension revenue and pension expense, information about the fiduciary net position of the pension plans and additions to and/or deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. The pension system reports investments at fair value.

Note 1: Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources – In addition to assets, the financial statements may report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Authority, deferred outflows of resources include a deferred outflow related to pensions (see Note 6) and a deferred outflow related to debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the financial statements may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Authority, deferred inflows of resources include property taxes and a deferred inflow related to pensions, (see Note 6). Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance fiscal year 2017 operations.

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 2016, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application,* GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures and* GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*.

GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement was implemented in 2016, and re-evaluated for the 2015 statements and disclosures. The implementation of this statement did not result in any changes in the Authority's financial statements.

GASB Statement No. 76 establishes the hierarchy of GAAP for state and local governments. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. The implementation of this statement did not result in any changes in the Authority's financial statements.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The Authority implemented this statement in 2016.

Note 1: Summary of Significant Accounting Policies (continued)

GASB Statement No. 78 establishes requirements for recognition and measurement of pension expenses, expenditures, and liabilities; note disclosures' and required supplementary information for pensions that are (1) not a state or local governmental pension plan, (2) provides defined benefit pensions to employees of governmental employers and employees of employers that are not governmental employers, and (3) has no predominant state or local governmental employers. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Authority.

Note 2: Change in Accounting Principle and Restatement of Net Position

For 2015, the Authority implemented GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure.

The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

Net Position December 31, 2014	$ 55,980,179
Adjustments:	
Net Pension Asset	9,816
Deferred Outflow – Payments Subsequent to Measurement Date	156,517
Net Pension Liability	(925,413)
Restated Net Position December 31, 2014	$ 55,221,099

Other than employer contributions subsequent to the measurement date, the Authority made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 3: Deposits and Investments

Deposits – The Authority's depository requirements are governed by state statutes and require that deposits be placed in eligible banks or savings and loans located in Ohio. Any public depository in which the Authority places deposits must pledge as collateral eligible securities of aggregate market value at least equal to 102.0% of 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.

Note 3: Deposits and Investments (continued)

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, 2016 the carrying amounts of the Authority's deposits were $11,590,581 and the related bank balances were $11,645,531, of which $250,237 was covered by federal depository insurance and $11,395,294 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 unless an investment is matched to a specific obligation, which is in accordance with Ohio law. All of the Authority's investments at December 31, 2016 have effective maturity dates of less than five years, with the exception of $286,491, which was deposited with a trustee in 2014 as an additional reserve for the Common Bond Fund (See Note 17).

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.

Note 3: Deposits and Investments (continued)

Approximately $4.2 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, 2016:

	Fair value	Rating*	Less than one year	One to five years	More than five years	Percentage of investments
Money market fund	$ 3,155,048	AAA	$ 3,155,048	$ -	$ -	30.5%
First American Treasury	328	AAA	328	-	-	0.0%
Certificates of Deposit	993,766	N/A		993,766	-	9.6%
Federal National Mortgage Association	1,092,881	AAA	160,141	932,740	-	10.6%
Federal Farm Credit Banks	244,086	AAA		244,086	-	2.4 %
Guaranteed Investment Contract	4,230,800	N/A	4,230,800	-	-	40.9%
Federal Home Loan Mortgage Corporation	619,334	AAA	-	382,843	236,491	6.0%
Total	$ 10,336,243		$ 7,546,317	$ 2,553,435	$ 236,491	100.0%

*Moody's Investor Service

Deposits and investments at December 31, 2016 and 2015 relating to the conduit debt were held by trustees and other third parties and were approximately $70,871,000 and $158,673,000, respectively.

The following table presents fair value, length of maturity and the credit ratings of the Authority's investments at December 31, 2015:

	Fair value	Rating*	Less than one year	One to five years	More than five years	Percentage of investments
Money market fund	$ 3,035,972	AAA	$ 3,035,972	$ -	$ -	29.1%
Federated Government Obligations	74,034	AAA	74,034	-	-	0.7%
First American Treasury	4,994	AAA	4,994	-	-	0.1%
Certificates of Deposit	981,696	N/A		981,696		9.4%
Federal National Mortgage Association	1,352,026	AAA	299,636	557,002	495,388	13.0%
Guaranteed Investment Contract	4,363,928	N/A	4,363,928	-	-	42.0%
Federal Home Loan Mortgage Corporation	589,509	AAA	99,866	489,643	-	5.7%
Total	$ 10,402,159		$ 7,878,430	$ 2,028,341	$ 495,388	100.0%

*Moody's Investor Service

Deposits and investments at December 31, 2015 and 2014 relating to the conduit debt were held by trustees and other third parties and were approximately $158,673,000 and $309,973,000, respectively.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 4: Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy based on the valuation inputs used to measure the fair value of the asset, as follows:

Level 1: inputs are quoted prices in active markets for identical assets.
Level 2: inputs are significant other observable inputs other than quoted prices.
Level 3: inputs are significant unobservable inputs.

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

The Authority has the following recurring fair value measurements as of December 31, 2016 and December 31, 2015.

Assets and Liabilities Measured at Fair Value on a Recurring Basis:

	Balance at 12/31/2016	Fair Value Measurements Using Level 1	Level 2	Level 3
Money market mutual funds	$ 3,155,376	$ 3,155,376	$ -	$ -
U.S. Agencies	1,956,301	-	1,956,301	-
Certificates of Deposit	993,766	-	993,766	-
Total investments by fair value level	$ 6,105,443	$ 3,155,376	$ 2,950,067	$ -

	Balance at 12/31/2015	Fair Value Measurements Using Level 1	Level 2	Level 3
Money market mutual funds	$ 3,115,000	$ 3,115,000	$ -	$ -
U.S. Agencies	1,941,535	-	1,941,535	-
Certificates of Deposit	981,696	-	981,696	-
Total investments by fair value level	$ 6,038,231	$ 3,115,000	$ 2,923,231	$ -

*The Authority's investments of $4,230,800 and $4,363,928 at December 31, 2016 and 2015, respectively, are invested in a Nonparticipating Guaranteed Investment Contract which is not subject to fair value measurement.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2016 and 2015

Note 5: Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance at January 1, 2016	Additions	Deletions	Balance at December 31, 2016
Capital assets not being depreciated:				
Land and land improvements	$ 19,459,708	$ -	$ -	$ 19,459,708
Construction in progress	1,521,169	10,306	(1,521,169)	10,306
Total capital assets not being depreciated	20,980,877	10,306	(1,521,169)	19,470,014
Capital assets being depreciated:				
Buildings, infrastructures, and leasehold improvements	45,099,191	3,280,043	-	48,379,234
Equipment	2,358,924	6,321,277	-	8,680,202
Total capital assets being depreciated	47,458,115	9,601,320	-	57,059,436
Less accumulated depreciation:				
Buildings, infrastructures, and leasehold improvements	19,852,627	1,516,211	-	21,368,839
Equipment	1,048,157	368,196	-	1,416,353
Total accumulated depreciation	20,900,784	1,884,408	-	22,785,192
Total capital assets being depreciated, net	26,557,331	7,716,913	-	34,274,244
Capital assets, net	$ 47,538,208	$ 7,727,219	$ (1,521,169)	$ 53,744,258

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance at January 1, 2015	Additions	Deletions	Balance at December 31, 2015
Capital assets not being depreciated:				
Land and land improvements	$ 19,459,708	$ -	$ -	$ 19,459,708
Construction in progress	50,083	1,521,169	(50,083)	1,521,169
Total capital assets not being depreciated	19,509,791	1,521,169	(50,083)	20,980,877
Capital assets being depreciated:				
Buildings, infrastructures, and leasehold improvements	41,769,506	3,329,685	-	45,099,191
Equipment	1,897,276	513,263	(51,615)	2,358,924
Total capital assets being depreciated	43,666,782	3,842,948	(51,615)	47,458,115
Less accumulated depreciation:				
Buildings, infrastructures, and leasehold improvements	18,227,629	1,624,998	-	19,852,627
Equipment	951,777	147,995	(51,615)	1,048,157
Total accumulated depreciation	19,179,406	1,772,993	(51,615)	20,900,784
Total capital assets being depreciated, net	24,487,376	2,069,955	-	26,557,331
Capital assets, net	$ 43,997,167	$ 3,591,124	$ (50,083)	$ 47,538,208

Note 6: Defined Benefit Pension Plans

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – Port Authority employees participate 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 20.0 percent 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.

Note 6: Defined Benefit Pension Plans (continued)

Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. All Port Authority employees are members of OPERS. As members, they are provided 180 days from the first day of employment to elect the retirement plan of their choice.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional and Combined plans. The Member-Directed plan does not provide 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 includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, or by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

For retirement calculation purposes, members are divided into three groups. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan:

Group A	**Group B**	**Group C**
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local Age and Service Requirements:	**State and Local Age and Service Requirements:**	**State and Local Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 62 with 60 months of service credit or Age 57 with 25 years of service credit
Formula:	**Formula:**	**Formula:**
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final Average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate note to exceed 14.0 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code are not to exceed 10.0 percent of covered payroll. For the fiscal years ended December 31, 2016 and 2015, contributions were made at the statutory maximums and were consistent across all three plans.

The Authority's required contributions for pension obligations to the Traditional, Combined, and Member-Directed Plans (excluding the amount relating to post-retirement benefits) for the fiscal years ending December 31, 2016, 2015 and 2014 were $213,855, $198,867 and $196,236 respectively. As of December 31, 2016; 94.5 percent has been contributed with the balance being reported as an accrued liability. The full amount has been contributed for fiscal years 2015 and 2014.

Pension Liabilities, Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability (asset) for OPERS was measured as of December 31, 2015, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability (asset) was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense at December 31, 2016:

	OPERS Traditional	OPERS Combined	Total
Proportionate share of the net pension liability (asset)	$ 1,363,357	$ (45,183)	$ 1,318,174
Proportion of the net pension liability (asset)	0.007871%	0.092850%	
Pension expense	$ 193,078	$ 24,733	$ 217,811

Following is information related to the proportionate share and pension expense at December 31, 2015:

	OPERS Traditional	OPERS Combined	Total
Proportionate share of the net pension liability (asset)	$ 946,798	$ (36,017)	$ 910,781
Proportion of the net pension liability (asset)	0.007850%	0.093545%	
Pension expense	$ 102,984	$ 23,624	$ 126,608

Note 6: Defined Benefit Pension Plans (continued)

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

	OPERS Traditional	OPERS Combined	Total
Deferred outflow of resources			
Port contributions subsequent to the measurement date	$ 126,155	$ 30,064	$ 156,219
Net difference between projected and actual earnings on pension plan investments	400,741	19,508	420,249
Total deferred outflow of resources	$ 526,896	$ 49,572	$ 576,468
Deferred inflow of resources			
Differences between expected and actual experience	$ 26,343	$ 20,618	$ 46,961
Total deferred inflow of resources	$ 26,343	$ 20,618	$ 46,961

At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional	OPERS Combined	Total
Deferred outflow of resources			
Port contributions subsequent to the measurement date	$ 117,032	$ 41,581	$ 158,613
Net difference between projected and actual earnings on pension plan investments	50,518	2,198	52,716
Total deferred outflow of resources	$ 167,550	$ 43,779	$ 211,329
Deferred inflow of resources			
Differences between expected and actual experience	$ 16,633	$ 10,990	$ 27,623
Total deferred inflow of resources	$ 16,633	$ 10,990	$ 27,623

Note 6: Defined Benefit Pension Plans (continued)

The $156,219 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional	OPERS Combined	Total
Fiscal Year Ending December 31:			
2017	87,769	2,401	90,170
2018	94,024	2,401	96,425
2019	101,977	2,401	104,378
2020	90,628	1,852	92,480
2021	-	(2,616)	(2,616)
2022-2025	-	(7,549)	(7,549)
	$ 374,398	$ (1,110)	$ 373,288

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations:

Actuarial Information:	OPERS Traditional Plan	OPERS Combined Plan
Valuation Date	12/31/2015	12/31/ 2015
Experience Study	5 year period ended 12/31/2010	5 year period ended 12/31/2010
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Changes Between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes are not known, the impact to the Authority's net pension liability is expected to be significant.

Note 6: Defined Benefit Pension Plans (continued)

Actuarial Assumptions:		
Wage Inflation	3.75%	3.75%
Future Salary Increases, including Inflation at 3.75%	4.25 to 10.05 percent	4.25 to 8.05 percent
COLA or Ad Hoc COLA		
Pre 1/7/13 Retirees	3.00%	3.00%
Post 1/7/13 Retirees – through 2018	3.00%	3.00%
Post 1/7/13 Retirees after 2018	2.80%	2.80%
Investment Rate of Return	8.00%	8.00%

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Discount Rate – The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401 (h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the Member-Directed retiree medical accounts funded through the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4% percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans.

Note 6: Defined Benefit Pension Plans (continued)

The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.31%
Domestic Equities	20.70%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	18.30%	7.40%
Other Investments	18.00%	4.59%
Total	100.00%	

The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 8 percent, as well as what the Authority's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Discount Rate (8%)	1% Increase (9%)
Authority's proportionate share of the net pension liability – Traditional	$ 2,172,160	$ 1,363,357	$ 681,156
Authority's proportionate share of the net pension liability (asset) – Combined	$ (929)	$ (45,183)	$ (80,780)

Note 7: Retirement and Post-Employment Benefit Plans

Plan Description – As described above, the Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan.

Note 7: Retirement and Post-Employment Benefit Plans (continued)

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 ORC.

OPERS issues a stand-alone financial report that may be obtained by visiting https://www.opers.org/financial/reports.shtml#CAFR, or by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member employer contributions. For 2016 and 2015, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2016 and 2015, the members of all three plans were required to contribute 10% of their annual earnable salary to fund pension obligations. The Authority contributed 14% of earnable salary.

Post-Employment Benefits – 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-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The ORC permits, but does not require, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC. OPERS issues a stand-alone financial report that may be obtained by visiting https://www.opers.org/financial/reports.shtml#CAFR. or by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The ORC 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 earnable salary of active members. In 2016, the Authority contributed at a rate of 14% of earnable salary. The ORC currently limits the employer contribution to a rate not to exceed 14% of earnable salary for state and local employer units. Active members do not make contributions to the OPEB plan.

Note 7: Retirement and Post-Employment Benefit Plans (continued)

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code section 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 post-employment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar years 2016 and 2015. Effective January 1, 2017, the portion of employer contributions allocated to health care was decreased to 1.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Authority's contributions for health care to the Traditional and Combined Plans for the years ended December 31, 2016, 2015, and 2014 were $35,626, $33,129, and $32,691; 94.5% of the required contributions have been contributed, with the balance being reported as an accrued liability, for 2016 and 100% of the required contributions have been contributed for 2015 and 2014.

Note 8: 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 2015 levy (collected in 2016) and the 2014 levy (collected in 2015) were both based upon assessed valuations of approximately $27.6 billion.

In November of 2013, the voters of Cuyahoga County approved a renewal of the Authority's .13 mill property tax levy. The levy was effective commencing in 2013 and first due for collection in calendar year 2014, continuing for five years through 2017 for collection in calendar year 2018.

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 tangible personal property currently is assessed at varying percentages of true value.

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 9: Long-Term Obligations

In 2016, the Authority issued $4,313,887 in Tax-Exempt Refunding Revenue Bonds, Series 2016 to refinance the Cleveland Bulk Terminal Project Multi-Mode Variable Rate Refunding Revenue Bonds, Series 2007 Bonds. The Authority also issued $2,330,000 and $1,180,000 in Tax-Exempt Development Revenue Bonds, Series 2016A and 2016B respectively, the proceeds of which were used to refund the Essroc, Series 1997A Bonds and the Port Improvement 1999A Bonds. Further information can be found in Notes 10, 11 and 12.

Changes in the Authority's long-term obligations for the year ended December 31, 2016 are as follows:

	Balance January 1, 2016	Increase	Decrease	Balance December 31, 2016	Due Within One Year
Cleveland Bulk Terminal Project	$ 4,170,000	$ 4,313,887	$ (4,224,652)	$ 4,259,235	$ 151,784
Essroc	2,399,448	2,387,811	(2,505,000)	2,282,259	160,000
Port Improvements	1,363,765	1,208,287	(1,555,000)	1,017,052	385,000
Total	$ 7,933,213	$ 7,909,985	$ (8,284,652)	$ 7,558,546	$ 696,784

The 2016 Increases above include unamortized premiums, discounts and deferred outflows due to refunding relating to the Essroc and Port Improvements issuances of $57,811 and $28,287 respectively.

Changes in the Authority's long-term obligations for the year ended December 31, 2015 are as follows

	Balance January 1, 2015	Increase	Decrease	Balance December 31, 2015	Due Within One Year
Cleveland Bulk Terminal Project	$ 4,350,000	$ -	$ (180,000)	$ 4,170,000	$ 180,000
Essroc	2,515,222	4,226	(120,000)	2,399,448	130,000
Port Improvements	1,708,074	691	(345,000)	1,363,765	365,000
Total	$ 8,573,296	$ 4,917	$ (645,000)	$ 7,933,213	$ 675,000

Note 10: Port Improvements - Series 2016B Bonds

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, scheduled to mature on May 15, 2019 and bore 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 related to improvements being made on property that is not owned by the Authority and for which the Authority is not responsible for ongoing maintenance were expensed as incurred.

Note 10: Port Improvements – Series 2016B Bonds (continued)

On May 2, 2016, the Authority issued $1,180,000 in Development Revenue Bonds, Series 2016B (1999 Port Maritime Facilities Refinancing Project) through its Bond Fund; the proceeds of which were used to fully refund the Series 1999A bonds and pay costs of issuance. The Series 2016B bonds were issued tax-exempt, mature on May 15, 2019 and bear interest at a rate of 3.660% per annum.

The Series 2016B Bonds (1999 Port Maritime Facilities Refinancing Project) were sold at a premium of $41,536. The Authority decreased its aggregated debt service payments by $73,597 over the next 3 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $72,374.

The Series 2016B Bonds are secured by non-tax revenues of the Authority.

The bonds outstanding at December 31, 2016 are payable as follows:

Year	Principal	Interest	Total
2017	385,000	32,757	417,757
2018	400,000	18,483	418,483
2019	205,000	3,752	208,752
Total payments	990,000	$ 54,992	$ 1,044,992
Unamortized premium	27,052		
Total	$ 1,017,052		

The debt service on the Series 2016B Bonds is paid by the Authority directly to the Bond Fund trustee.

Note 11: Cleveland Bulk Terminal

In March 1997, the Authority purchased a working dock facility, composed of approximately 45 acres of lakefront property and improvements, from Consolidated Rail Corporation 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 (ONC), 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 (2007 Refunding Bonds), in connection with the Cleveland Bulk Terminal project.

The proceeds of the Series 2007 bonds were used to refund the Authority's Taxable Variable Rate Refunding Bonds, Series 2001. The 2007 Refunding Bonds were payable in quarterly installments through 2031 and were not general obligations of, or secured by, the full faith and credit of the Authority.

Note 11: Cleveland Bulk Terminal (continued)

The 2007 Refunding Bonds enabled the holders of the bonds to demand payment prior to their maturity in 2031 under certain circumstances. As a result the Authority executed a remarketing agreement and letter of credit with a financial institution which required the financial institution to use its best efforts to resell any portion of the bonds presented before their schedule maturity. Since both the 2001 Bonds and 2007 Refunding Bonds were variable-rate issuances the Authority also entered into a Swap Agreement to synthetically fix the rate of the bonds.

On June 29, 2016, the Authority issued $4,313,887 of Tax-Exempt Refunding Revenue Bonds, Series 2016 (2016 Refunding Bonds) the proceeds of which were used to 1) fully refund the $5,470,000 Multi-Mode Variable Rate Refunding Bonds, Series 2007, 2) pay accrued fees, including without limitation, SWAP termination fees, in connection with the 2007 Refunding Bonds, and 3) fund costs of issuance up to a maximum amount equal to 2% of the amount of the Tax-Exempt Refunding Revenue Bonds, Series 2016.

The Series 2016 Bonds are payable from; (1) rental payments or operating payments made from the Cleveland Bulk Terminal facility pursuant to Leases or Operating Agreements between Issuer, as lessor or owner, and Lessee or operator (including any extensions, modifications, restatements, amendments and/or replacements therefor and/or thereto, the “Lease” or “Operating Agreement” as the case may be, and (2) from non-tax revenues of the Issuer. To secure the payment of the Series 2016 Bonds the Issuer has executed an Assignment of Leases and Rents in favor of the Bond Purchaser respecting the existing Lease or subsequent lease.

The principal resulting from the 2016 refunding includes the original principal outstanding of the Multi-Mode Rate Refunding Revenue Bonds, Series 2007 in the amount of $4,080,000 plus the debt issuance costs (including swap termination fees) related to the refunding of $233,887. The current refunding extended the term of the bond agreement for 5 additional years and decreased the interest rate of the life of the bonds from 4.83% to 3.65%. The refunding also terminated the swap agreement the Authority had with the bank.

The bonds outstanding at December 31, 2016, are payable as follows:

Year	Principal	Interest	Total
2017	151,784	152,940	304,724
2018	157,417	147,306	304,723
2019	163,260	141,463	304,723
2020	169,320	135,403	304,723
2021	175,604	129,119	304,723
2022 – 2026	980,766	542,850	1,523,616
2027 – 2031	1,176,803	346,813	1,523,616
2032 – 2036	1,284,281	112,366	1,396,647
Total payments	$ 4,259,235	$ 1,708,260	$ 5,967,495

Note 11: Cleveland Bulk Terminal (continued)

On April 1, 2017, the Authority entered into an operating agreement for the facility with Logistec USA Inc., a subsidiary of Logistec Corporation. The initial term of the agreement is for ten years with an option to extend for an additional ten year period (the "Operating Agreement").

The Operating Agreement provides for base fee payments along with certain additional fees dependent upon the annual tonnage of freight handled at the facility. The Operator has the option to cancel the agreement, with thirty days written notice, in the event Arcelor Mittal, USA, LLC permanently ceases steel making activities in Cleveland, Ohio or chooses an alternate supply chain for its cargo, subject to commercially feasible joint efforts to retain current movement of cargo through CBT. A pro rata rent reduction would be applied should Arcelor temporarily shut down, except for routine maintenance.

The future base fee payments required under the Operating Agreement are as follows:

Year	Amount
2017	$ 360,814
2018	400,000
2019	400,000
2020	400,000
2021	400,000
2022-2026	2,000,000
2027	100,000
Total	$ 4,060,814

The Authority recorded $378,782 of rental income (on a straight-line basis) under the Lease for the years ended December 31, 2016 and 2015. In addition, the cost and carrying amount of the Authority's property subject to this Lease was $13.8 million and $10.4 million, respectively, at December 31, 2016.

Note 12: Essroc Project - Series 2016A 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, scheduled to mature on May 15, 2027 and bore 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.

On May 2, 2016, the Authority issued $2,330,000 in Development Revenue Bonds, Series 2016A (1997 Port Maritime Facilities Refinancing Project); the proceeds of which were used to fully refund the series 1997A bonds and to pay costs of issuance. The 2016A bonds were issued tax-exempt, mature on May 15, 2027 and bear interest at a rate of 3.510% per annum.

The Series 2016A (1997 Port Maritime Facilities Refinancing Project) Bonds were sold at a premium of $30,127. The Authority decreased its aggregated debt service payments by $529,113 over the next 10 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $435,183.

Note 12: Essroc Project - Series 2016A Bonds (continued)

Debt service under the bonds is secured by non-tax revenues of the Authority, being paid primarily from the rental payments made 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) fees from an Operating Lease, dated November 6, 1997, and amended in 2011. The Lease also contains a provision for wharfage and dockage fees if tonnage exceeds 100,000 tons in a given Lease year.

As additional security for the Series 2016A Bonds, the Authority has agreed that the amount of "Available Moneys" (as defined in the Bond indenture) can be used for the payment of principal and interest on the bonds due in any year. 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 2016A Bonds.

The bonds outstanding at December 31, 2016 are payable as follows:

Year	Principal	Interest	Total
2017	160,000	$ 77,747	$ 237,747
2018	165,000	72,131	237,131
2019	175,000	66,251	241,251
2020	185,000	60,021	245,021
2021	180,000	53,527	233,527
2022 – 2026	1,030,000	165,321	1,195,321
2027	360,000	6,318	366,318
Total payments	$ 2,255,000	$ 501,316	$ 2,756,316
Unamortized premium	27,259		
Total	$ 2,282,259		

The property at Dock 20 had a cost and carrying amount of $3.5 million and $1.6 million, respectively, at December 31, 2016.

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 was no longer utilized by Essroc and was made 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.

Note 12: Essroc Project - Series 2016A Bonds (continued)

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
2017	$	366,390
2018		363,728
2019		364,754
2020		365,171
2021		359,945
2022 – 2026		1,865,982
2027		146,059
Total	$	3,832,029

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 year ended December 31, 2016 and 2015. The Authority recognized additional rental income attributable to the Land Rental portion of the Ground Lease and Operating Agreement of $106,634 and $106,568 the years ended December 31, 2016 and 2015 respectively.

Note 13: 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. 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, to which the Authority relocated its administrative offices in September of 2013. The building is fully-leased, with different financial terms, lease expirations, and renewal options for all of the tenants.

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

Year		Amount
2017	$	209,259
2018		137,264
2019		68,694
2020		30,000
2021		10,000
Total	$	455,217

The Authority recorded $207,082 rental income (on a straight-line basis) under the various leases for the years ended December 31, 2016 and 2015, respectively.

Note 13: 1100 West 9th Street (continued)

As defined in tenant lease agreements the Authority is entitled to collect additional rent, both as a proportion of certain increases in tenant revenues and to cover increases in the operating costs of the building. These additional rents are subject to various caps and base years. The Authority recorded $43,300 and $53,800 in additional rent in 2016 and 2015, respectively.

In addition, the cost and carrying amount of the Authority's property subject to this Lease was $4.3 million and $3.8 million, respectively.

Note 14: Other Leases

Authority as Lessee

City of Cleveland

The Authority leases various docks from the City of Cleveland (the "City"). Under a third amendment to the lease, executed on October 1, 2012, the Authority leases certain City-owned docks, referred to as Docks 24, 26 and 28A. The lease expires in 2058 and calls for an annual lease payment of $250,000 to be made.

Also on October 1, 2012, a cooperative agreement between the City and the Authority was executed. This agreement assigns certain navigation, harbor and maritime inspection and reporting responsibilities to the Authority. The agreement further provides annual rent abatement on the remaining dock rental of $250,000 provided these duties are performed. These services were fully performed by the Authority and full rent abatement was realized for 2016 and no rental expense was recognized.

Authority as Lessor

General Cargo Docks (22 - 26)

The Authority entered into a Lease Agreement 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 term of the Lease Agreement is April through March and is concurrent with the Authority's annual shipping season. The economic terms of these Agreements are described below.

The Agreement, effective April 1, 2015 through March 31, 2016, had a base rental of $420,000 per year and a Tonnage Assessment Schedule with the following rates: $0.15 per ton on the first 100,000 tons; $0.25 per ton on tons between 101,001 and 200,000; $0.75 per ton on tons between 200,001 and 350,000; $0.85 on tons between 350,001 and 500,000; and $1.00 per ton above 500,001 tons.

The Agreement, effective April 1, 2016 through March 31, 2017, had a base rental of $426,300 per year and a Tonnage Assessment Schedule with the following rates: $0.15 per ton on the first 100,000 tons; $0.25 per ton on tons between 101,001 and 200,000; $0.725 per ton on tons between 200,001 and 350,000; $0.85 on tons between 350,001 and 500,000; and $1.00 per ton above 500,001 tons.

Note 14: Other Leases (continued)

The Authority recognized $424,725 and $414,470 in base rental income from the Lease Agreements for the years ended December 31, 2016 and 2015, respectively. The Authority also recognized $164,823 in 2016 and $291,797 in 2015 in income associated with the Tonnage Assessment Schedule.

In total, the Authority recognized $589,548 and $706,267, respectively, in rental income from property leased or subleased to the Terminal Operator for the years ended December 31, 2016 and 2015. 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 $106,575, all of which is due in 2017.

Dock 22

On September 1, 2014, the Authority entered into a Lease Agreement with C-Port for the use of Dock 22 to handle cargo operations related to the CEE at the Port of Cleveland. The Agreement, effective September 1, 2014 through March 31, 2015, had a base rental of $100 per month. On April 1, 2015, the Authority entered into a new Agreement from April 1, 2015 through December 31, 2015, on substantially the same economic terms as the prior Agreement.

On January 1, 2016, the Authority again entered into a Lease Agreement with C-Port for the use of Dock 22. The Agreement, effective January 1, 2016 through December 31, 2016, had an annual base rental of $100,000 per year; $100.00 per month for the first three months of the Agreement and $11,078 per month for the remainder of 2016. This agreement was not renewed in 2017.

On April 1, 2017, the terms of the Lease Agreement between the Authority and the Terminal Operator of the Authority's general cargo operations extended the right to use Dock 22 in connection with CEE cargo operations services which resulted in a $20,000 increase to the annual base rent.

The Authority recognized $100,000 and $1,200 in rental income from the Lease Agreements for the years ended December 31, 2016 and 2015, respectively.

Parking

In July of 2012, the Authority entered into a five-year Operating Agreement with the Cleveland Browns (the "Browns") to provide for parking on property owned or leased by the Authority for each NFL game hosted at First Energy Stadium 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 terms also provide for a reduction in the annual fee if there is a material change in the amount of spots available, based on port operational needs.

In 2014, the Operating Agreement between the Authority and the Browns was amended. As a result of increased operational needs, certain parking spaces previously available for game-day parking were no longer available. Parking capacity was reduced by approximately 16.5%, resulting in a prorated parking fee of $187,500 for the 2014 season.

Note 14: Other Leases (continued)

In 2015, the Operating Agreement between the Authority and the Browns was amended. As a result of increased operational needs, certain parking spaces previously available for game-day parking were no longer available. Parking capacity was reduced by approximately 87%, resulting in a prorated parking fee of $25,000 for the 2015 season.

On August 1, 2016, the Operating Agreement between the Authority and the Browns was again amended for a term of one year. The Amendment increases the number of parking spaces made available for game-day parking by approximately 33.0%, resulting in an adjusted parking fee of $50,000 for the 2016 season.

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

In 2016 and 2015, the Authority recognized $123,427 and $84,877 respectively, in parking revenues. $50,000 and $25,000 of which related to the operating agreement with the Browns.

Note 15: Risk Management

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

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

Note 16: Capital and Operating Grant and Contribution Activity

In 2015, the Authority accepted a $4,900,000 federal CMAQ grant for the purchase of two mobile harbor cranes of which approximately $1,100,000 was recognized in 2015 and the remaining funds of approximately $3,500,000 were expended in 2016. The grant required a 20% match for which the Authority secured a forgivable ODSA loan through the State of Ohio to serve as a portion of the matching funds (see Note 26).

In April of 2016, the Authority received a grant in the amount of $1 million dollars from the State of Ohio Healthy Lake Erie Grant program. Approximately $982,000 of this grant was used in 2016 to support the capital costs associated with preparing CDF 12 for 2016 operations.

In December of 2015, the Authority received a $100,000 grant from the Ohio Department of Natural Resources to be used towards the securing of a National Pollutant Discharge Elimination System permit with the Ohio Environmental Protection Agency. The Authority expended approximately $33,000 with respect to this grant in 2016.

Note 16: Capital and Operating Grant and Contribution Activity (continued)

The Authority received a grant of $74,250 from the Department of Homeland Security in 2014 which had a required match of $24,750. The grant was to be used for security improvements to the Port and approximately $38,000 of the federal grant funds were expended in 2015 to improve fencing security at the Port. The remaining funds of $35,982 were used in 2016 for additional port security improvements.

Flats Forward Inc. ("FFI") is a not-for-profit organization dedicated to enhancing the quality of life and economic well-being of all Flats stakeholders. In collaboration with neighborhood based organizations, industry, maritime, residential, business, and recreational interests, FFI advocates for and promotes Cleveland's Cuyahoga Riverfront and first neighborhood. On Behalf of FFI, the Port applied for a grant through the Northeast Ohio Areawide Coordinating Agency ("NOACA") to purchase and place three bike boxes in the Flats neighborhood. NOACA and the Ohio Department of Transportation ("ODOT") require a public agency to be the Local Public Agency ("LPA") of the project. The Port received and expended the $24,000 grant in 2016 for the bike boxes and FFI provided the 20% grant match of approximately $7,000.

The City of Cleveland provided approximately $21,000 as a contribution towards an old river channel contamination study.

Note 17: 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 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 ORC and a Trust Indenture dated November 1, 1997 between the Authority and a local financial institution, as amended and supplemented. The Bond Fund is managed by the Authority; however, these obligations are not secured by the full faith and credit of the Authority. The Bond Fund is rated 'BBB+' by Standard & Poor's.

The 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 2016A and 2016B bonds issued through the Program are reflected on the Authority's Statement of Net Position as the Authority is ultimately liable for both bond issuances. Additionally, approximately $7.6 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.

Note 17: 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. The Auxiliary Reserve is Board-restricted and is not part of the Trust Indenture that governs the Program. In December of 2013, in order to enhance the Program's financial strength, the Board approved a resolution to implement the 35th Supplemental Indenture to the Common Bond Fund Program, effective January 1, 2014. In this resolution, the Board of Directors authorized that the $547,781 balance in the Auxiliary Reserve be deposited into the Program Reserve with the Common Bond Fund's trustee; as an additional reserve. This reserve is available as a Common Bond Fund Reserve as of January 2014 when it was received by the Common Bond Fund's trustee and is reflected in the reserve balances as of December 31, 2016.

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.

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 $7.3 million at December 31, 2016, 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 Ohio Manufacturing Association, at December 31, 2016 were composed of a $7.6 million cash reserve and a $9 million irrevocable, nonrecourse letter of credit from a financial institution, which expires on December 1, 2018, 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 2016A and 2016B bonds.

As noted above, the Authority executed the 35th Supplemental Indenture to the Program, effective January 1, 2014. The 35th Supplemental Indenture modifies the Program Development Fund with respect to the way that administrative amount's consisting of the Authority's annual administrative fees are handled for 2014 and on a go-forward basis. Fees will be routed to the Program Development Fund to the Common Bond Fund trustee and held until December 1 each year.

Note 17: No-Commitment Debt (continued)

Fees will be released to the Authority on December 1 of each year if: (1) the aggregate amount on deposit in the Primary Reserve Fund and Program Reserve Fund is at least 25% of the then outstanding principal amount of bonds; (2) the Authority is in compliance with its agreements and obligations under the Trust, Indenture; and (3) the amount of any such transfer is to be reduced by an amount equal to the then amount of any deficiency in the Primary Reserve Fund.

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 Bond Fund 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 Bond Fund was $63,340,000 (excluding the 2016A and 2016B bonds that are obligations of the Authority) and Stand Alone Financing Obligations were $2,184,868,156 as of December 31, 2016. The aggregate amount of outstanding debt for the Bond Fund was $63,410,000 (excluding 1997A and 1999B bonds that are obligations of the Authority) and Stand Alone Financing Obligations were $1,940,238,743 as of December 31, 2015. See the schedule of Common Bond Funds and Stand Alone Issuances starting on page 85

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 18: New Market Tax Credit Program

On September 29, 2003, the Authority entered into a Cooperative Agreement with certain third parties, including Northeast Ohio Development Fund LLC (NEODF), setting forth various understandings with respect to NEODF obtaining an allocation of tax credits from the federal government under the "New Market Tax Credits Program." The Cooperative Agreement sets forth the procedures for administering the credits and providing project loans with respect to that program. With the assistance of the Authority, NEODF (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, 2011, and 2016. These credits are to be deployed as investments in qualifying low income community businesses.

Note 18: New Market Tax Credit Program (continued)

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 program but receives certain fees and other monies from investments made by NEODF and related organizations under the program.

The Authority recognized fees of $747,000 in 2013 and $697,500 in 2016 from tax credit investments made by Northeast Ohio Development Fund (NEODF) and related subsidiary LLC's. No fees were recognized in 2014 or 2015. 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 $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 any other receivable on the statement of net position for these amounts, due to the uncertainty of the underlying transactions and compliance issues. In 2016 NEODF was awarded 45,000,000 in New Market Tax Credits.

Note 19: 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.

In 2015, the Port Authority intervened in federal litigation brought by the State of Ohio to force the United States Army Corps of Engineers (USACE) to fully dredge the Cuyahoga River component of Cleveland Harbor and dispose of that dredged material in upland locations. USACE in 2015 had announced that it intended to dispose of material in the open lake, and if the State of Ohio did not permit that disposal method, it would not dredge portions of the River unless a non-federal sponsor paid the cost differential. Judge Nugent entered an order enjoining the USACE to dredge at federal expense, which it did, and ordering the State of Ohio to hold funds available should the State not prevail after a decision on the merits. The Port intervened with the goal of reaching a long term solution for maintaining navigation in Cleveland Harbor and eliminating future federal threats to not dredge. On May 5, 2017, the Court granted the motion for summary judgment filed jointly by Plaintiffs State of Ohio and Cleveland-Cuyahoga Port Authority. It is unclear if any further court action regarding 2015 dredging will occur.

A separate action was filed by the State of Ohio and Cleveland-Cuyahoga County Port Authority in 2016 to compel the USACE to dredge Cleveland Harbor. By agreement of the parties without resolving ultimate legal responsibility, dredging commenced in fall of 2016, was suspended during the winter and restarted in 2017. No schedule for resolution of the 2016 lawsuit has been set.

Note 20: 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 "City"). 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 have been levied, which are to be collected if PILOTS are not sufficient to pay 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 court did appoint a receiver. 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, which continues today.

The Receiver and the Board of Education of Garfield Heights City Schools subsequently entered into a settlement of tax values as a result of a pending property valuation contest. The settlement resulted in reduced assessed valuations for the properties, owned by CityView Center, LLC, subject to payment of PILOTS for the bonds. Other property owned by other parties is also subject to PILOTS.

During the pendency of the Receivership, there have been sufficient PILOT payments to (1) pay debt service (except as noted below) (2) fund an additional reserve required by the Indenture; and (3) specially redeem $840,000 in bonds in May of 2012.

In 2011, the case was reassigned to a new judge and the plaintiff in the case filed an amended complaint in December 2011 which included a claim for foreclosure on the CityView Center, LLC owned 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 Stipulation and Consent to Entry of Judgement as to the Authority and the Development Finance Authority of Summit County, which recognizes that the obligation imposed on any owner of the property to pay PILOTS and Special Assessments will survive any foreclosure sale.

On May 31, 2012 a default judgment was entered against CityView Center LLC granting the request for foreclosure (Foreclosure Order).

The receiver has not yet executed on the Foreclosure Order and the court docket shows the last receiver's report being made on March 11, 2013.

On November 21, 2014, the Authority disclosed to the Electronic Municipal Market Access (EMMA) that the 2014 real estate tax and PILOTS collected by the Cuyahoga County Treasurer (the "Treasurer") office fell below expected levels on certain parcels within the development as a result of reductions of the values of those parcels and refunds from the Treasurer to parcel owners. As a result of the refunds from the Treasurer to parcel owners, a shortfall in PILOTS received by the Trustee resulted in a draw on the Additional Reserve in the amount of $54,668 on November 15, 2014.

Note 20: City of Garfield Heights/CityView Center Project (continued)

The City certified a special assessment of $244,910 against the parcels for collection in 2015, for debt service payments on the Bonds.

On May 28, 2015, the Authority disclosed on EMMA that 2014 real estate tax and PILOTS collected by the Treasurer, again fell below expected levels on certain parcels within the development as a result of reductions of the values of those parcels and refunds from the Treasurer to parcel owners. This disclosure was a result of a draw on May 15, 2015 in the amount of $341,574 which was made from the Additional Reserve in order to pay principal and interest due on the bonds. The balance of the Additional Reserve was about $376,177 after the May 15, 2015 draw.

As a result of the delinquencies in both PILOTS and Special Assessments, and the refunds paid by the Treasurer, all as described above, the City certified that Special Assessments of $480,000 were required to be placed on the 2015 tax duplicate for collection in 2016. The Special Assessment coupled with PILOTS were sufficient to pay debt service on the bonds in 2016. In May of 2016, the outstanding Bonds were refinanced resulting in a lower interest rate and smaller debt service payments. The Bonds retain the same collateral and are now referred to as the 2016D Garfield Heights bonds in the Common Bond Fund. No Special Assessment was required for collection in 2017.

Although the litigation case is still pending in the U.S. District Court for the Northern District of Ohio, the last entry on the Court docket was to deny the City of Garfield Height's motion to intervene on February 1, 2016.

Note 21: ODOT Euclid Facility Project

In April of 2012, the Authority entered into a Purchase Agreement and Easement Agreement with ODOT to finance and construct a maintenance garage in Euclid, Ohio. Upon completion in the fourth quarter of 2013, ODOT purchased the facility from the Authority under the terms outlined in the Purchase Agreement. The Authority was reimbursed for its costs of construction plus a development fee per the Purchase Agreement. The Authority recognized the revenue and expenses for the project using the percentage of completion method of accounting. As of December 31, 2013 the Authority had recognized contract revenues and expenses of $7,573,801 and $7,038,471 respectively. At December 31, 2014 and 2015, $74,033 remained in escrow pending the resolution of some outstanding items. Contract revenue of $54,816 was recognized in 2015 with an associated expense of $82,383 for building improvements made to the facility as a result of change orders approved by the Authority's Board in 2015. In 2016, upon receiving confirmation that the previously aforementioned outstanding issues had been resolved, the Authority authorized release of the $74,033 held in escrow to the contractor.

Note 22: 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 (the "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 first phase of 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.

Financing for the second phase of the Project, including the bonds issued by the Authority, occurred in 2014. The bonds issued in 2014 provided partial funding for the second phase of the Project and involved, in total, approximately $147 million in funding and equity, including a 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. Grant funds in the amount of approximately $3.6 million were awarded for the design and improvement of bulkheading on the Project. Grant funds of approximately $1.7 million were 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 bulkhead project was completed in the second quarter of 2013. The riverwalk project was completed during the third quarter of 2015.

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 requests 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 2015 for infrastructure improvements to the Project totaled $1,079,497.

The project was completed in 2015 and associated revenues and expenses were recognized at that time. In 2016, final receivables and payables outstanding at December 31, 2015 were recorded.

Note 23: University Square 2001 Revenue Bonds

The Port Authority issued its $40,500,000 Senior Special Assessment/Tax Increment Revenue Bonds, Series 2001A (University Heights, Ohio – Public Parking Garage Project) (the “Senior Bonds”) and its $100,000 Taxable Tax Increment Revenue Bonds, Series 2001B (University Heights, Ohio – Public Parking Garage Project) (the “Subordinate Bonds,” and together with the Senior Bonds, the “Bonds”), pursuant to the terms of a Trust Indenture, dated as of December 1, 2001, between the Authority and UMB Bank, N.A. (successor trustee to The Bank of New York Mellon Trust Company, N.A., formerly J.P. Morgan Trust Company, National Association) (the “Trustee”).

The Bonds were issued to fund the costs of acquiring and constructing a five-level parking garage with approximately 2,260 parking spaces, which serves the adjacent property located at the southeast corner of Cedar and Warrensville Center Roads in University Heights, Ohio (the “Development Site”). Starwood Wasserman University Heights Holding LLC (Wasserman) constructed on the Development Site a multi-level retail center consisting of a 164,684 square foot retail facility that has been sold to Kaufman’s (now Macy’s), a 164,590 square foot retail facility that has been sold to Target and approximately 291,726 square feet of additional leasable space (the “Shopping Center”).

Wasserman and the City of University Heights (the “City”) established a Tax Increment Financing District (the “TIF District”) covering approximately 15 acres, including the Development Site, in order to finance the Project. Under Ohio law, improvements made to property in the TIF District are exempt from real property taxes for a period of thirty years. Owners of properties in the TIF District make service payments in lieu of taxes (the “Service Payments”) in amounts equal to the taxes that would have been paid had no such exemption been granted.

The Bonds are special, limited obligations of the Authority, which are payable solely from (a) the Service Payments to be collected by the City; (b) special assessments that were levied by the City and are to be collected only to the extent that the Service Payments are insufficient to cover the debt service and administrative expenses on the Bonds (the “Special Assessments”, and together with the Service Payments, the “Financing Payments”); and (c) monies in certain funds and accounts held by the Trustee.

Wasserman sold the Shopping Center to Inland Western University Heights University Square, LLC (the “Developer”) on May 2, 2005.

Pursuant to (i) the Cooperative Agreement by and among the School District, the City of University Heights, Ohio (the “City”), and Wasserman, (ii) the Tax Increment Financing Agreement by and among the Authority, the City and Wasserman, the Developer, as successor to Wasserman, agreed to make Service Payments and Special Assessments (as such terms are defined in the agreements) to pay annual debt service charges on the Bonds.

The Developer failed to pay the Service Payments and Special Assessments when due on July 26, 2013. The Developer sold the Shopping Center at auction on October 10, 2013 to University Heights Holding 4, LLC (the “Owner”), at a purchase price of $175,000.

Note 23: University Square 2001 Revenue Bonds (continued)

On October 14, 2013, the Authority provided a Voluntary Disclosure regarding such non-payment and Shopping Center sale to EMMA of the Municipal Securities Rulemaking Board.

On December 9, 2013, the Authority disclosed on EMMA that the Developer's failure to make such payments resulted in a draw on the Primary Reserve Fund of $1,026,168 in order to pay debt service charges on the Senior Bonds on December 1, 2013. The balance in the Primary Reserve Fund after such draw was $2,708,387, which is below the Reserve Requirement of $3,633,442. The Trustee was unable to make the debt service payment of $6,000 due on the Subordinate Bonds on December 1, 2013.

The Owner's continued failure to make such Service Payments and Special Assessment payments resulted in a draw on the Primary Reserve Fund of $849,528 in order to pay debt service charges on the Senior Bonds on June 2, 2014. The balance in the Primary Reserve Fund after such draw was $1,933,950, which is below the Reserve Requirement of $3,633,442. The Trustee was unable to make the debt service payment of $6,000 due on the Subordinate Bonds on June 2, 2014. The June 2, 2014 draw on the Primary Reserve Fund was disclosed on EMMA on June 9, 2014.

In addition, as a result of prior non-payments, the Trustee had insufficient funds to pay debt service charges on the Bonds when due on December 1, 2014. Therefore, bondholders did not receive any payment on the Bonds on December 1, 2014.

On February 4, 2015, a Complaint for Breach of Contract, Foreclosure, and Appointment of Receiver (the "Complaint"), was filed in the Court of Common Pleas, Cuyahoga County, Ohio as Case No. 15-839988.

The Complaint was filed with respect to property given permanent parcel numbers 721-01-001 and 721-01-003 by the Cuyahoga County, Ohio, Fiscal Officer. The Complaint was initiated by the Plaintiffs: UMB Bank, N.A. as successor Trustee of the Bonds and the City. The Complaint was filed against the following defendants: the Owner and University Square Parking, LLC (the "Delinquent Parcel Owners") and the Cuyahoga County Fiscal Officer.

The matter involved the foreclosure of certain parcels within the TIF District that encompasses the University Square Shopping Center in University Heights, Ohio. The Complaint alleges the Delinquent Parcel Owners have breached agreements by failing to make Service Payments and Special Assessment payments and failing to cure these defaults following notice.

A hearing on the motion to appoint a receiver was held on March 3, 2015, and on March 25, 2015, the Court entered an order appointing Visconsi Realty Advisors, Inc. and its President, Bradley A. Goldberg, as receiver to take charge of and manage the TIF Parcels. On February 23, 2015, the Trustee and City filed an amended complaint (the "Amended Complaint") adding counts for avoidance of fraudulent transfers against the Delinquent Parcel Owners.

Note 23: University Square 2001 Revenue Bonds (continued)

On March 27, 2015, the Defendants filed a motion to dismiss (the "Motion to Dismiss") the Amended Complaint on the grounds that it fails to state a claim for which relief may be granted. The Trustee and the City each filed timely responses in opposition to the Motion to Dismiss, and on May 13, 2015, a Magistrate's Order denying the Motion to Dismiss was issued. In addition, the Trustee has served discovery requests on the Defendants and issued subpoenas to other parties who might have information or documents related to the Foreclosure Litigation.

On June 1, 2015 the Trustee disclosed on EMMA that a partial interest payment was made to bondholders. The payment was made pursuant to a direction and indemnity from the holder of a majority in principal amount of the outstanding bonds. The Trustee made a payment of approximately $617,011 from the Primary Reserve Fund on June 1, 2015 which consisted of interest that had accrued in the ninety days prior to June 1, 2015.

On November 23, 2015, the Trustee and the Defendants, entered into a Settlement and Mutual Release Agreement whereby (i) fee simple title to parcels numbered 721-01-001 and 721-01-147 was transferred to University Square Real Estate Holdings LLC (the "Trustee's Designee"), of which the Trustee is the sole member, by deed recorded on December 17, 2015; and (ii) the majority owner of University Square Parking, LLC, owner of parcel number 721-01-003, transferred its majority membership to the Trustee's Designee.

The settlement does not release, waive or discharge any unpaid property taxes, Service Payments or Special Assessments associated with or assessed against parcels numbered 721-01-001, 721-01-003 and 721-01-147.

On December 16, 2015 an order approving settlement was entered among the Trustee and Defendants, with a notice that this is a final order being filed January 6, 2016. No appeal was taken.

A partial interest payment of $250,000 was made on June 1, 2016 to Bondholders and no debt service payments were made for the December 1, 2016 debt service payment date.

Note 24: Cleveland Christian Home 2002C Bonds

The Authority issued its $5,130,000 Bond Fund Program Development Revenue Bonds, Series 2002C (Cleveland Christian Home Incorporated Project) (the "Series 2002C Bonds") on August 7, 2002.

On November 15, 2013, the Authority authorized the Trustee to make an unscheduled draw on the Primary Reserve Fund for the Series 2002C Bonds in the amount of $215,655. The unscheduled draw was authorized for the purpose of paying the November 15, 2013 principal and interest payments due on the Series 2002C Bonds. An EMMA disclosure was made to the bond market regarding this draw.

On April 11, 2014, the Cleveland Christian Home (CCH) completed the sale of a non-essential piece of real property. The $90,934 in proceeds from the property sale were forwarded to a Collateral Fund Reserve, held at the Trustee, to be utilized to pay debt service for the Bonds.

Note 24: Cleveland Christian Home 2002C Bonds (continued)

On May 15, 2014, the Authority authorized the Trustee to make an unscheduled draw in the amount of $90,934 and $126,571 on the Collateral Fund Reserve and Primary Reserve Fund, respectively, for the Series 2002C Bonds. The unscheduled draw was authorized for the purpose of paying the May 15, 2014 principal and interest payments due. An EMMA disclosure was made to the bond market regarding this draw.

CCH made a payment of $350,000 to the Trustee in October of 2014 which was used for the November 15, 2014 principal and interest payment on the bonds and to partially replenish prior draws on the Primary Reserve Fund.

On November 15, 2015, the Authority authorized the Trustee to make an unscheduled draw in the amount of $110,857 on the Primary Reserve Fund for the purpose of paying the November 15, 2015 principal and interest payments due on the Series 2002C Bonds. An EMMA disclosure was made to the bond market regarding this draw.

The unscheduled draws were necessary because CCH failed to make timely payments to the Trustee under the Loan Agreement between the Authority and CCH and the corresponding Note executed by CCH. The obligations of CCH under the Loan Agreement and Note are secured by a Mortgage on real property owned by CCH.

After the November 15, 2015 draw, the balance of the Primary Reserve Fund as of December 31, 2015 was approximately $198,350.

On May 16, 2016, the Authority authorized the Trustee to make an unscheduled draw in the amount of $178,322 on the Primary Reserve Fund for the purpose of paying the May 15, 2016 principal and interest payments due on the Series 2002C Bonds. An EMMA disclosure was made to the bond market regarding this draw. After the May 16, 2016 draw, the balance of the Primary Reserve Fund was approximately $20,200. No further draws have been made on the Primary Reserve since that time.

Note 25: Cleveland-Europe Express Liner Service

In January of 2012, the Authority’s Board of Directors approved a consulting engagement which provided technical and analytical support for the development of a direct scheduled ocean freight service between Cleveland and Europe (the “Liner Service”). The resultant feasibility analysis indicated that sufficient market demand existed and that a custom-designed Liner Service appeared feasible based on projected costs and rates. The primary objective of the Liner Service initiative is to increase international cargo flows between the Cleveland region and worldwide locations, especially Northern Europe, in order to grow general cargo volumes. The service also represents a major economic development tool for the region and state by providing Ohio importers and exporters with a more cost-effective, efficient, and environmentally sustainable alternative to East Coast freight routings.

Note 25: Cleveland-Europe Express Liner Service (continued)

The Authority determined that the best opportunity for a Liner Service to commence was to look for potential partners in the service and to provide funds to cover the initial costs of the service. The Authority solicited interest directly from ocean carriers in the trans-Atlantic trade best positioned to partner with the Port to launch the service. The Authority identified The Spliethoff Group as the most qualified and interested vessel owner. The Spliethoff Group is a large ship owner and operator in the Netherlands with a fleet of more than 100 ships moving virtually all cargo types.

On November 21, 2013, the Authority's Board of Directors approved a Time Charter Agreement (the "Agreement") between the Authority and Spliethoff which provides for the establishment of a regularly scheduled Liner Service. On April 1, 2014, a Time Charter Agreement was entered into between the Authority (Charterer) and Spliethoff (Owner) under the following terms: (1) the Owner provides the vessel and crew, including certain management and operating expenses, at a cost of $550,000 per month plus actual fuel costs. The Authority does not pay for the Time Charter when the Seaway is closed; (2) the term of the Agreement is 12 months, with an option if mutually agreeable to extend for an additional 12 months. The Agreement also contains a 30 day cancellation clause; (3) The Authority is to receive all revenues per the Agreement for both breakbulk and container cargo on vessels; (4) the Authority has an option to add a second vessel from The Spliethoff Group to service.

On April 4, 2014, a Liner Service (the "Cleveland-Europe Express") commenced operation and sailed from Antwerp, Belgium to the Port of Cleveland on its maiden voyage. The CEE is the first regularly scheduled container service on the Great Lakes.

On September 17, 2014, the Authority's Board of Directors approved and ratified an Administrative and Management Services Agreement between the Authority and Spliethoff to provide for certain management and administrative services relating to the CEE.

Under the terms of the Agreement Spliethoff would be responsible for: (1) provide marketing and sales activities in both the U.S. and Europe specifically dedicated to the Cleveland-Europe Express; (2) establish and operate a designated account segregated on Spliethoff's books; (3) provide Port staff access to the booking information system (Multi-modal system); (4) provide credit checks when necessary for bookings done on credit; (5) generate bills of lading, waybills, and manifests upon request from the Port; (6) generate invoices for bookings; (7) collect and deposit payments from customers into the designated account; (8) convert payments made in currencies other than USD, to USD, and provide backup for the conversion rate; (9) submit payments, via wire transfer, on a monthly basis to the Port; (10) Maintain all financial records involving the CEE and allow the Port to inspect and audit the records for the Services mentioned in (1) through (9).

The Agreement further provides that Spliethoff would be responsible for the operational, technical, crewing and commercial management of the CEE.

Note 25: Cleveland-Europe Express Liner Service (continued)

In exchange for the above mentioned Administrative and Management services, Spliethoff would be paid, retroactive to April 1, 2014: (1) a $25,000 monthly management fee; (2) a monthly commission of 7.5% for all gross freight revenues, independent of any other standard commissions paid to companies, third party logistics providers or other divisions of Spliethoff; (3) a one-time payment for certain startup expenses incurred since the execution of the charter agreement in an amount not to exceed $145,000. Commissions and monthly payments would be made only when the vessel was under hire.

As required under the Management Services Agreement, Spliethoff collected all revenues and paid all direct expenses on behalf of the Authority for the CEE service. At December 31, 2014, the Authority recorded a $2,747,000 receivable from Spliethoff for revenues collected but not yet remitted to the Authority. This receivable balance was offset on the Authority's Statement of Net Position by a liability of $3,566,000 to Spliethoff for CEE expenses that were paid by Spliethoff but not reimbursed by the Authority as of December 31, 2014. On January 6, 2015, the Authority remitted payment to Spliethoff in the amount of $778,500 reducing the net liability to Spliethoff to approximately $40,000.

In June of 2015, a final settlement for the 2014 shipping season was prepared and approved by both parties and final settlement was remitted to Spliethoff on June 18, 2015.

On April 9, 2015, the Authority's Board of Directors approved and ratified a Service Agreement between the Authority and Spliethoff to provide for certain services relating to the CEE for the 2015 shipping Season. Under the terms of the Agreement Spliethoff would: (1) provide a minimum of two ships suitable for the trade in the Service to make eighteen port calls to Cleveland during the 2015 Great Lakes/St. Lawrence Seaway shipping season; (2) Provide full operational and commercial control over and responsibility for the Service; (3) Refer to the service to the shipping public as the CEE operated by Spliethoff and to refer to the Port of Cleveland as the Great Lakes Hub Port of the Service; (4) Provide sole responsibility for all aspects of the administration and payment of related expenses of the CEE; (5) Provide Port staff with information relating to cargo bookings, revenues, expenses, and other requested information; including the right to audit results on an annual basis.

In exchange for the above mentioned Administrative and Management services, Spliethoff would be paid supplemental funding for the Service of $2,750,000 for the Season, paid by the Authority in equal installments of $916,666 on March 31, 2015, June 30, 2015 and September 30, 2015. The Authority would be entitled to a rebate of 1.25% of the first $20,000,000 in gross revenue from bookings on the CEE for the 2015 shipping season.

In 2015 the Authority received $250,000 from the agreement, which was partially offset by a 2014 settlement between the Authority and Spliethoff for $19,648.

Note 25: Cleveland-Europe Express Liner Service (continued)

On March 10, 2016, the Authority's Board of Directors approved a Service Agreement between the Authority and Spliethoff to provide services similar to the 2015 Agreement relating to the CEE for the 2016 and 2017 shipping seasons. The terms of the Agreement include the following (1) The Authority would pay Spliethoff $1,750,000 for the 2016 shipping season and $1,000,000 for the 2017 shipping season to manage and operate the liner service; (2) Spliethoff would be responsible for all expenses of the liner service and; (3) the Authority would have no further financial obligation to Spliethoff for the liner service following the 2017 payment. Per the Agreement, the Authority made the scheduled $1,750,000 payment to Spliethoff during 2016 and remitted payment for the 2017 shipping season on March 24, 2017.

Note 26: Development Services Agency Logistics and Distribution Stimulus Loan

In 2015, the Authority was awarded and the Board of Directors approved a $3.0 million forgivable LDS Loan which is administered through the State of Ohio's Development Services Agency. The LDS Loan was used as the matching contribution for the CMAQ grant (see Note 16), to construct a warehouse on the Port and to purchase capital equipment. The LDS Loan and associated accrued interest was forgiven in 2016 when the job creation requirements and other conditions of Loan forgiveness were met.

Note 27: Tax Abatement

GASB 77 requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. For purposes of this disclosure, a tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Authority does not enter into abatement agreements, but the Authority does have reduced revenues as a result of other governments entering into abatement agreements. The Cuyahoga County Fiscal Officer has provided the Authority with the foregone tax dollars that affect the Authority as a result of other governments entering into abatement agreements. The 2015 and 2016 foregone tax dollars are $136,597 and $114,623 respectively.

The nature, amount, and duration of tax abatement agreements affecting the Authority are not known by the Authority. More information can be obtained by contacting the Cuyahoga County Fiscal Officer.

Note 28: Subsequent Events

International Facility Main Gate Enhancement Project – In May of 2017, the Board of Directors ratified the acceptance of repurposed grant earmarks in the amount of $2,278,356 for the purposes of making improvements to the Port Authority's main gate. The Authority is expected to enter into a Local-Let Project Administration (LPA) agreement with ODOT to allow the Port Authority to serve as lead agency for the coordination, administration, and responsibilities of the project.

Cleveland Bulk Terminal Maritime Infrastructure Rehabilitation Project – In May of 2017, the Board of Directors ratified the acceptance of repurposed grant earmarks in the amount of $6,384,126 for the purposes of making improvements to the surface transportation elements of the Cleveland Bulk Terminal including the rehabilitation of the bulkhead. The Authority is expected to enter into a Local-Let Project Administration (LPA) agreement with ODOT to allow the Port Authority to serve as lead agency for the coordination, administration, and responsibilities of the project.

CMAQ Cleveland Bulk Terminal Tunnel Extension Project Grant Application & Local Match Commitment – In May of 2017, the Board of Directors approved a resolution to encumber and restrict $1,180,000 from the Port Authority's unrestricted cash and investment balances as a cost share contribution for a CMAQ application. The funds will remain restricted until the Authority is notified if the grant is to be awarded or denied. Notification is expected to be received during the fourth quarter of 2017.

Cleveland-Cuyahoga County Port Authority

Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employee Retirement System – Traditional Plan

For the Last Three Years (1)

	2015	2014	2013
Port Authority's proportion of the net pension liability	0.007871%	0.00785%	0.00785 %
Port Authority's proportionate share of the net pension liability	$ 1,363,357	$ 946,798	$ 925,413
Port Authority's covered-employee payroll	$ 1,144,717	$ 1,129,574	$ 1,090,033
Port Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	119.10%	83.82%	84.90%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%

(1) Information prior to 2013 is not available.

Cleveland-Cuyahoga County Port Authority

Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employee Retirement System – Combined Plan

For the Last Three Years (1)

	2015	2014	2013
Port Authority's proportion of the net pension asset	0.09285%	0.093545%	0.093545%
Port Authority's proportionate share of the net pension asset	$ 45,183	$ 36,017	$ 9,816
Port Authority's covered-employee payroll	$ 394,208	$ 388,993	$ 375,377
Port Authority's proportionate share of the net pension asset as a percentage of its covered-employee payroll	11.46%	9.26%	2.61%
Plan fiduciary net position as a percentage of the total pension asset	116.09%	114.83%	104.33%

(1) Information prior to 2013 is not available.

Cleveland-Cuyahoga County Port Authority

Required Supplementary Information
Schedule of Port Authority Contributions
Ohio Public Employee Retirement System – Traditional Plan

For The Last Ten Years

	2016	2015	2014	2013	2012
Contractually-required contribution	$ 126,155	$ 137,366	$ 135,549	$ 141,704	$ 141,647
Contributions in relation to the contractually-required contribution	(126,155)	(137,366)	(135,549)	(141,704)	(141,647)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 1,051,292	$ 1,144,717	$ 1,129,574	$ 1,090,033	$ 1,416,475
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%	10.00%

	2011	2010	2009	2008	2007
Contractually-required contribution	$ 135,239	$ 107,547	$ 190,566	$ 156,450	$ 151,274
Contributions in relation to the contractually-required contribution	(135,239)	(107,547)	(190,566)	(156,450)	(151,274)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 1,352,389	$ 1,193,971	$ 2,241,957	$ 2,235,003	$ 1,811,670
Contributions as a percentage of covered-employee payroll	10.00%	9.00%	8.50%	7.00%	8.35%

Cleveland-Cuyahoga County Port Authority

Required Supplementary Information
Schedule of Port Authority Contributions
Ohio Public Employee Retirement System – Combined Plan

For The Last Ten Years

	2016	2015	2014	2013	2012
Contractually-required contribution	$ 40,632	$ 47,305	$ 46,679	$ 48,799	$ 48,779
Contributions in relation to the contractually-required contribution	(40,632)	(47,305)	(46,679)	(48,799)	(48,779)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 338,604	$ 394,208	$ 388,993	$ 375,377	$ 487,794
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%	10.00%

	2011	2010	2009	2008	2007
Contractually-required contribution	$ 46,572	$ 37,005	$ 65,626	$ 53,877	$ 52,095
Contributions in relation to the contractually-required contribution	(46,572)	(37,005)	(65,626)	(53,877)	(52,095)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 465,725	$ 411,170	$ 772,067	$ 769,672	$ 623,888
Contributions as a percentage of covered-employee payroll	10.0%	9.00%	8.50%	7.00%	8.35%

Cleveland-Cuyahoga County Port Authority

Common Bond Funds

December 31, 2016

The following are the approximate balances held and the principal amount of outstanding Common Bond Fund bonds as of December 31, 2016:

SERIES	Contracting Party	Original Bond Amount	Outstanding Principal Balance	Required Primary Reserve Balance	Final Maturity
1997A	Essroc /Port Authority (1)	$ 3,795,000	$ -	$ -	5/02/16
1999A	Port Authority (1)	5,230,000	-	-	5/02/16
2001A	Council for Economic Opportunities in Greater Cleveland	4,440,000	-	-	5/15/16
2002C	Cleveland Christian Home, Inc. (4)	5,130,000	2,380,000	513,000	5/15/22
2004C	Tru-Fab Technology, Inc.	1,060,000	-	-	8/30/16
2004D	City of Garfield Heights (6)	8,850,000	-	-	5/02/16
2005B	Fairmount Montessori Associates (6)	3,375,000	-	-	5/02/16
2006A	Cavaliers Practice Facility	9,500,000	6,295,000	950,000	5/15/26
2008A	Brush Wellman, Inc.	5,155,000	3,160,000	515,500	5/15/23
2009A	Eaton World Headquarters	2,000,000	1,355,000	200,000	11/15/20
2010A	City of Cleveland - Forest Bay Tower	2,520,000	-	-	1/5/16
2010B	Flats East Development	8,800,000	8,505,000	880,000	5/15/40
2011A	University Circle Marriott	2,000,000	1,850,000	200,000	11/15/45
2013A	OMNOVA Solutions	7,500,000	7,100,000	750,000	11/15/33
2014A	Flats Phase II	7,000,000	6,835,000	700,000	11/15/40
2014B	Shoppes at Parma	10,000,000	10,000,000	1,000,000	11/15/43
2014C	OneCommunity (5)	9,305,000	-	-	11/15/26
2014D	Babcock & Wilcox	4,500,000	2,965,000	450,000	11/15/19
2016A	Essroc /Port Authority (1)	2,330,000	2,255,000	233,000	05/15/27
2016B	Port Authority (1)	1,180,000	990,000	118,000	05/15/19
2016C	Fairmount Montessori Associates (6)	2,200,000	2,110,000	220,000	05/15/25
2016D	City of Garfield Heights (6)	3,785,000	3,785,000	378,500	11/15/23
2016E	Foundry	7,000,000	7,000,000	700,000	11/15/31
Total		$ 116,655,000	$ 66,585,000	$ 7,808,000	

Summary of Reserves:	
Primary Reserve Funds	$ 7,808,000
LESS: Draw on CCH Primary Reserve (4)	(493,537)
Program Development Fund (2,3)	622,420
Program Reserve (3)	4,583,998
Program Reserve - Ohio Manufacturers Association (3)	2,483,332
Program Reserve LOC	9,000,000
Total Reserve Funds	$ 24,004,213
Total Reserves/Outstanding Bonds	36.05%

(1) Assets and liabilities associated with these issuances are reflected on the Port Authority's Balance Sheet.

(2) One-half of the monies in the Program Development Fund, excluding administrative fees, are transferred to the Authority for its general purposes in June and December of each year as long as no deficiency in the required primary reserve exists. Administrative fees in the Program Development Fund are transferred to the Authority for its general purposes in December of each year as long as no deficiency in the required primary reserve 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) CCH drew on the primary reserve fund in the amount of $215,655 to make the 11/15/13 debt service payments and $126,571 to make the 5/15/14 debt service payments. CCH made a $350,000 payment on 10/30/14 which was used for the 11/15/14 debt service payment of $214,223.75 and the balance of $135,776.25 was applied to the reserve fund. CCH drew on the primary reserve fund in the amount of $110,857 to make the 11/15/15 debt service payments on the bonds and $178,322 to make the 5/16/16 debt service payment on the bonds. A shortfall of $493,537 remains on the primary reserve. See Note 24.

(5) The One Community Bonds were defeased on 10/30/15. The Trustee holds an escrow account which will provide for payment of Principal and Interest due on the bonds up to and including 11/15/2020, when they will be called for optional redemption.

(6) The 2005B Fairmount bonds were refinanced in 2016 and are now reflected as 2016C. The 2004D Garfield Heights bonds were refinanced in 2016 and are now reflected as 2016D.

Cleveland-Cuyahoga County Port Authority

Stand Alone Issuances

December 31, 2016

The following are Stand Alone debt issuances undertaken by the Authority for which there is still principal outstanding as of December 31, 2016:

	Stand Alone Debt Issuances	Year	Type of Debt Issued	Original Issuance	Principal Outstanding
1	University Square	2001	Revenue Bonds (Special Assessment)	40,600,000	33,880,000
2	Carnegie/96th Research Building LLC	2003	Revenue Bonds	32,000,000	27,800,000
3	RITA	2004	Development Revenue Bonds	20,990,000	3,975,000
4	Avery Dennison Corp.	2005	Taxable Development Lease Revenue Bonds	39,785,000	-
5	Cleveland Museum of Art	2005	Cultural Facility Revenue Bonds	90,000,000	90,000,000
6	Park Synagogue	2006	Multi-Mode Variable Rate Revenue Bonds	9,995,000	-
7	Carnegie/89th Garage and Service Center, LLC	2007	Revenue Bonds	156,920,000	131,690,000
8	SPC Buildings 1 & 3, LLC	2007	Revenue Bonds	34,590,000	29,965,000
9	Science Park Cleveland, LLC	2007	Taxable Convertible Revenue Bonds	45,700,000	38,800,000
10	Laurel School	2008	Variable Rate Educational Facility Revenue Bonds	16,000,000	-
11	Veterans Development Office/Parking	2009	Revenue Bonds	115,000,000	100,305,000
12	Eaton World Headquarters	2009	Capital Lease Bonds	143,338,610	143,338,610
13	Cleveland Museum of Art	2010	Cultural Facility Revenue Bonds	70,430,000	70,430,000
14	Independence Research Park - Cleveland Clinic	2010	Development Revenue Refunding Bonds	46,000,000	33,875,000
15	Hospice of Western Reserve, Inc.	2010	Refunding Bonds	21,565,000	19,267,500
16	Oriana Services, Inc.	2010	Tax-Exempt Revenue Refunding Bonds	2,505,000	-
17	City of Cleveland - Flats East Bank	2010	City Appropriation Bonds	11,000,000	9,745,000
18	Flats East Development	2010	First Mortgage Lease Revenue Bonds	74,742,776	45,000,000
19	Medical Center Company	2011	Revenue Bonds	77,470,000	71,615,000
20	St. Johns Medical	2011	Revenue Bonds	40,000,000	-
21	Magnificat	2012	Revenue Bonds	7,565,000	6,615,000
22	Cuyahoga County Headquarters	2013	Development Lease Revenue Bonds	75,465,000	74,595,000
23	Beaumont	2013	Revenue Bonds	8,160,000	6,115,638
24	Judson	2013	Development Revenue Refunding Bonds	32,700,000	28,929,388
25	OneCommunity	2014	Revenue Bonds	6,500,000	-
26	Maltz Museum	2014	Cultural Facilities Revenue Refunding Bond	6,300,000	6,300,000
27	Crocker Park TIF	2014	Public Improvement Revenue Bonds	6,435,000	6,435,000
28	Crocker Park	2014	Mortgage Revenue Bonds	111,077,000	111,077,000
29	American Greetings	2014	Lease Revenue Bonds	95,000,000	-
30	The 9	2014	First Mortgage Lease Revenue Bonds	41,750,000	41,750,000
31	Cuyahoga County Convention Hotel	2014	Certificates of Participation	230,885,000	230,885,000
32	Flats East Bank Phase 2	2014	First Mortgage Lease Revenue Bonds	85,060,000	85,060,000
33	Constellation Schools	2014	Community School Lease Revenue Bonds	30,790,000	30,305,000
34	Optima Sage Hotel	2014	First Mortgage Lease Revenue Bonds	36,000,000	36,000,000
35	Euclid Avenue	2014	Development Revenue Bonds	88,945,000	85,990,000
36	Emerald Village	2014	Senior Housing Revenue Refunding Bonds	15,000,000	14,278,543
37	Playhouse Square	2014	Cultural Facility Revenue and Refunding Bonds	28,000,000	25,759,984
38	Cleveland Clinic Hotel - Holiday Inn	2015	Taxable Capital Lease Revenue Bonds	38,000,000	37,455,340
39	Legacy Village TIF	2015	Tax-Exempt Revenue Bonds	13,630,000	13,630,000
40	Legacy Village - Revenue Bonds	2015	Taxable Lease Revenue Bonds	15,150,000	15,150,000
41	Laurel	2015	Revenue Bonds	16,000,000	16,000,000
42	Avery	2015	Lease Revenue Refunding Bonds	39,470,000	34,256,153

Cleveland-Cuyahoga County Port Authority

Stand Alone Issuances

December 31, 2016

43	Forest Hill	2015	Revenue Bonds	5,940,000	5,885,000
44	Breakwater Bluffs	2015	Lease Revenue Bonds	45,000,000	45,000,000
45	American Greetings Tech West	2015	Lease Revenue Bonds	10,900,000	-
46	Jennings	2016	Revenue Bonds	15,710,000	15,710,000
47	One University Circle	2016	Taxable Lease Revenue Bonds	73,600,000	73,600,000
48	Mercy Medical	2016	Revenue Bonds	60,000,000	60,000,000
49	Snavely W 25th	2016	Taxable Lease Revenue Bonds	25,900,000	25,900,000
50	Flats 2016 Additional Bonds	2016	Taxable Lease Revenue Bonds	7,000,000	7,000,000
51	MetroHealth System	2016	Revenue Bonds	38,000,000	38,000,000
52	Standard Building	2016	Taxable Lease Revenue Bonds	40,500,000	40,500,000
53	Centric (Intesa)	2016	Taxable Lease Revenue Bonds	49,500,000	49,500,000
54	Worthington Yards	2016	Taxable Lease Revenue Bonds	15,500,000	15,500,000
55	Van Aken	2016	Taxable Lease Revenue Bonds	52,000,000	52,000,000
	Total			2,556,063,386	2,184,868,156

Cleveland-Cuyahoga County Port Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Grantor Pass-Through Grantor Program Title	Grant Number	Federal CFDA Number	Expenditures
U.S. Department of Transportation:			
FEDERAL HIGHWAY ADMINISTRATION			
Passed Through Ohio Department of Transportation:			
Highway Planning and Construction Grant			
CMAQ - Mobile Harbor Cranes	99005	20.205	3,508,573
CLE-Flats Bike Box Project	100303	20.205	24,000
Total U.S. Department of Transportation			3,532,573
U.S. Department of Homeland Security:			
Port Security Grant Program	EMW-2014-PU-00177-S01	97.056	35,981
Total U.S. Department of Homeland Security			35,981
Total Federal Awards Expenditures			3,568,554

See accompanying notes to the federal awards expenditures schedule.

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY
CUYAHOGA COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Cleveland-Cuyahoga County Port Authority (the Authority) under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require the Authority to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Authority has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Cleveland-Cuyahoga County Port Authority
Cuyahoga County
1100 West 9th Street, Suite 300
Cleveland, Ohio 44113

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activity and the aggregate remaining fund information of the Cleveland-Cuyahoga County Port Authority, Cuyahoga County, (the Authority) as of and for the year ended December 31, 2016, 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 27, 2017, wherein we noted other auditors audited the basic financial statements of the Authority as of and for the year ended December 31, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

June 27, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Cleveland-Cuyahoga County Port Authority
Cuyahoga County
1100 West 9th Street, Suite 300
Cleveland, Ohio 44113

To the Board of Directors:

Report on Compliance for* the *Major Federal Program

We have audited the Cleveland-Cuyahoga County Port Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Cleveland-Cuyahoga County Port Authority's major federal program for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal program.

Management's Responsibility

The Authority's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the Authority's major program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Cleveland-Cuyahoga County Port Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. 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 federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

June 27, 2017

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control 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 weaknesses in internal control 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 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	CFDA #20.205 – Highway Planning and Construction
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

CLEVELAND-CUYAHOGA 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 11, 2017

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