

**CLEVELAND-CUYAHOGA COUNTY PORT
AUTHORITY**

CUYAHOGA COUNTY

SINGLE AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

Board of Directors
Cleveland-Cuyahoga County Port Authority
1100 W. 9th St. Suite 300
Cleveland, OH 44113

We have reviewed the *Independent Auditor's Report* of the Cleveland-Cuyahoga County Port Authority, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2023 through December 31, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

The Auditor of State completed limited audit work for select items that were requested by a Board Member of the Cleveland-Cuyahoga County Port Authority. The result of that work is that we recommend the Board of Directors consider revisions to their Rules and Regulations, Employee Handbook, Personal Services Agreements, and other agreements or governing documents to clearly and consistently define the authority and duties the Board intends to delegate to and expect of the new President and CEO and those duties reserved for the Board.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 06, 2025

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Cleveland-Cuyahoga County Port Authority

**Basic Financial Statements
December 31, 2023**

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Cleveland-Cuyahoga County Port Authority

For the Year Ended December 31, 2023

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis | 4 |
| Basic Financial Statements: | |
| Statement of Net Position..... | 14 |
| Statement of Revenues, Expenses, and Changes in Net Position..... | 16 |
| Statement of Cash Flows..... | 17 |
| Notes to Financial Statements | 19 |
| Required Supplementary Information: | |
| Schedule of the Authority's Proportionate Share of the Net Pension Liability Ohio Public Employee Retirement System – Traditional Plan. | 81 |
| Schedule of the Authority's Proportionate Share of the Net Pension Asset Ohio Public Employee Retirement System – Combined Plan | 82 |
| Schedule of Port Authority Contributions - Pension Ohio Public Employee Retirement System – Traditional Plan | 83 |
| Schedule of Port Authority Contributions - Pension Ohio Public Employee Retirement System – Combined Plan | 84 |
| Schedule of the Authority's Proportionate Share of the Net OPEB (Asset) Liability Ohio Public Employee Retirement System. | 85 |
| Schedule of Port Authority OPEB Contributions Ohio Public Employee Retirement System | 86 |
| Notes to Required Supplementary Information | 87 |
| Supplemental Schedules as of December 31, 2023: | |
| Supplemental Schedule - Common Bond Funds..... | 92 |
| Supplemental Schedule - Stand Alone Issuances | 93 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 95 |
| Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance..... | 97 |
| Schedule of Expenditures of Federal Awards | 100 |
| Notes to the Schedule of Expenditures of Federal Awards | 101 |

Cleveland-Cuyahoga County Port Authority

For the Year Ended December 31, 2023

| <u>Table of Contents</u> | <u>Page</u> |
|---|--------------------|
| Schedule of Findings and Questioned Costs | 102 |
| Schedule of Prior Audit Findings and Questioned Costs | 103 |

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Cleveland-Cuyahoga County Port Authority (the "Authority"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Implementation of New Accounting Standard

As described in Note 1 to the financial statements, during 2023, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

25201 Chagrin Boulevard
Cleveland, Ohio 44122-5683
p. 216.831.7171
f. 216.831.3020

www.cp-advisors.com

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required schedules on pensions and other postemployment benefits as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplemental schedules on pages 92 through 94 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements 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, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Ciuni + Panichi, Inc.

Cleveland, Ohio
June 27, 2024

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2023

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, 2023. Please read this information in conjunction with the Authority’s basic financial statements and footnotes beginning on pages 14 and 19, respectively.

The Authority is a body corporate and politic and an independent political subdivision of the State of Ohio. It has two core 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. 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 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 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).

The Authority’s development finance function issues bonds and notes for projects in order to assist private industry, non-profits and governments in the creation and retention of jobs, primarily within northeastern Ohio. 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 issues 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 13.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2023

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. The 1997 Port Maritime Facilities Refinancing Project (2016A), (Maritime Facilities Project) financed through the Authority's Bond Fund Program, relates to the Authority's maritime activities and is 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.

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 \$7.25 million in restricted funds, which includes approximately \$197,446 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 non-Bond Fund issuances 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 13.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2023

The Port Authority accounts for pensions in accordance with Governmental Accounting Standards Board (GASB) Statement 68, “*Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*.” The Port Authority accounts for other postemployment benefits (OPEB) in accordance with GASB Statement 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.”

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability or net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio’s statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability (asset) and the net OPEB liability (asset) to equal the Port Authority’s proportionate share of each plan’s collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. *In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan 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 retirement system is responsible for the administration of the pension and OPEB plans.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2023

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities 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 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 and the net OPEB liability are satisfied, these liabilities (assets) are separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASB 68 and GASB 75, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability (asset) and net OPEB liability (asset), respectively, not accounted for as deferred inflows/outflows.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2023

Condensed Statement of Net Position Information

The tables below provide a summary of the Authority's financial position and operations for 2023 and 2022, respectively.

Comparison of 2023 vs. 2022 Results:

| | 2023 | 2022 | Change | |
|---|-----------------------|-----------------------|----------------------|----------------|
| | | | Amount | Percent |
| Assets and deferred outflows of resources: | | | | |
| Current assets | \$ 27,824,974 | \$ 25,519,493 | \$ 2,305,481 | 9.0% |
| Capital assets – net | 105,014,887 | 90,188,944 | 14,825,943 | 16.4% |
| Restricted and other assets | 35,506,884 | 27,078,735 | 8,428,149 | 31.1% |
| Deferred outflows of resources | <u>1,777,824</u> | <u>622,694</u> | <u>1,155,130</u> | <u>185.5%</u> |
| Total assets and deferred outflows of resources | <u>170,124,569</u> | <u>143,409,866</u> | <u>26,714,703</u> | <u>18.6%</u> |
| Liabilities and deferred inflows of resources: | | | | |
| Current liabilities | 8,682,182 | 4,589,116 | 4,093,066 | 89.2% |
| Current liabilities payable from restricted assets | 10,123 | 10,223 | (100) | (1.0%) |
| Other liabilities – including amounts relating to restricted assets | 16,946,979 | 5,168,225 | 11,778,754 | 227.9% |
| Deferred inflows of resources | <u>11,445,763</u> | <u>13,341,354</u> | <u>(1,895,591)</u> | <u>(14.2%)</u> |
| Total liabilities and deferred inflows of resources | <u>37,085,047</u> | <u>23,108,918</u> | <u>13,976,129</u> | <u>60.5%</u> |
| Net position: | | | | |
| Net investment in capital assets | 100,648,768 | 85,442,650 | 15,206,118 | 17.8% |
| Restricted for other purposes | 17,068,239 | 17,607,465 | (539,226) | (3.1%) |
| Unrestricted | <u>15,322,515</u> | <u>17,250,833</u> | <u>(1,928,318)</u> | <u>(11.2%)</u> |
| Total net position | <u>\$ 133,039,522</u> | <u>\$ 120,300,948</u> | <u>\$ 12,738,574</u> | <u>10.6%</u> |

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 \$133.0 million at the close of the most recent fiscal year

The largest portion of the Authority's net position (approximately 75.7%) 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 first 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 Year Ended December 31, 2023

For the year ended December 31, 2023, assets and deferred outflows of resources increased by \$26.71 million and liabilities and deferred inflows of resources increased by \$13.98 million increasing total net position by \$12.74 million.

Assets & deferred outflows of resources increased by \$26.71 million as compared to December 31, 2022. Current assets increased by \$2.31 million as compared to December 31, 2022. The primary reasons for this increase was an increase of \$4.36 million in grants receivable as offset by a decrease of \$2.01 million in unrestricted cash and investments. At December 31, 2023, \$4.61 million in grants receivable was due from various funding partners for the ITB Project (see Note 12). Unrestricted cash and investments decreased primarily due to increased net capital acquisition costs.

The Authority's capital assets increased by \$17.66 million before accumulated depreciation and \$14.83 million net of accumulated depreciation. During 2023, the most significant investments include the completion of Dock 24, a component of the Dock 24 and 26 Master Modernization and Rehabilitation Project, at a cost of \$12.22 million, \$9.93 million of which was construction in progress at December 31, 2022. Construction of the USCBP Facilities Project was also completed at a cost of \$2.41 million, \$57,626 of which was construction in progress at December 31, 2022. Finally, the Port expended an additional \$6.18 million for the ITB Project, \$2.72 million for the Dock 20N Project and \$2.16 million for the CHEERS Project all of which are construction in progress at December 31, 2023 (see Note 12).

Restricted and other assets increased by \$8.43 million as compared to December 31, 2022. The primary reason for this increase was an increase of \$9.96 million in restricted cash and investments related to the ITB Project (See Note 12) as offset by decreases of \$465,908 in the net OPEB asset (see note 6) and \$406,106 in the non-current portion of loan and lease receivables (see Note 8).

Deferred outflows of resources increased by \$1.16 million as compared to December 31, 2022, primarily as the result of a \$900,423 increase related to pension (see Note 5), and a \$256,802 increase related to OPEB (see Note 6).

Liabilities and deferred inflows of resources: Liabilities and deferred inflows of resources increased by \$13.98 million as compared to December 31, 2022. Current liabilities increased by \$4.09 million as compared to December 31, 2022. Accounts payable increased by \$4.04 million primarily due to invoices for the ITB Project that were invoiced late in the year and outstanding at December 31, 2023.

Other Liabilities – including amounts relating to restricted assets increased by \$11.78 million as compared to December 31, 2022. Deferred grant revenue increased by \$9.99 million reflecting the liability for the \$9.96 million in restricted cash and \$25,183 in related interest receivable for the ITB Project (see Note 12). Net pension liability also increased by \$2.09 million (see Note 5).

Deferred inflows of resources decreased by \$1.9 million primarily due to a decrease of \$1.07 million in deferred inflows related to pension (see Note 5), \$449,824 in deferred inflows related to OPEB (see Note 6), and \$431,491 related to deferred inflows related to leases (see Note 8).

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2023

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

The Authority's operations increased its net position by \$12,738,574 in 2023. Key elements of these changes are summarized below:

| | 2023 | 2022 | Amount | Change |
|---|------------------------------|------------------------------|-----------------------------|-----------------------|
| | | | | Percent |
| Operating revenues: | | | | |
| Wharfage, dockage, and storage | \$ 2,486,388 | \$ 1,869,697 | \$ 616,691 | 33.0% |
| Property lease and rentals | 2,134,852 | 2,038,569 | 96,283 | 4.7% |
| Financing fee income | 1,841,367 | 1,506,441 | 334,926 | 22.2% |
| Foreign trade zone fees | 147,292 | 82,500 | 64,792 | 78.5% |
| Sediment management fees | 4,433,680 | 3,790,107 | 643,573 | 17.0% |
| Parking revenues | 145,785 | 140,441 | 5,344 | 3.8% |
| Other | 286,872 | 415,819 | (128,947) | (31.0%) |
| Total operating revenues | <u>11,476,236</u> | <u>9,843,574</u> | <u>1,632,662</u> | <u>16.6%</u> |
| Operating expenses: | | | | |
| Salaries and benefits | 4,063,589 | 2,989,620 | 1,073,969 | 35.9% |
| Community investment fund | 105,000 | 175,000 | (70,000) | (40.0%) |
| Professional services | 1,348,446 | 1,134,465 | 213,981 | 18.9% |
| Sustainable infrastructure services | 801,121 | 2,134,205 | (1,333,084) | (62.5%) |
| Cost of sediment management operation | 2,001,225 | 1,372,710 | 628,515 | 45.8% |
| Facilities lease and maintenance | 1,129,845 | 1,263,795 | (133,950) | (10.6%) |
| Marketing and communications | 606,596 | 533,933 | 72,663 | 13.6% |
| Depreciation expense | 3,241,821 | 2,847,419 | 394,402 | 13.9% |
| Office expense | 75,661 | 89,852 | (14,191) | (15.8%) |
| Other expense | 172,242 | 166,415 | 5,827 | 3.5% |
| Total operating expenses | <u>13,545,546</u> | <u>12,707,414</u> | <u>838,132</u> | <u>6.6%</u> |
| Operating loss | <u>(2,069,310)</u> | <u>(2,863,840)</u> | <u>794,530</u> | <u>(27.7%)</u> |
| Nonoperating revenues (expenses): | | | | |
| Property tax receipts, net of \$163,379 expense | 2,838,827 | 2,891,657 | (52,830) | (1.8%) |
| Intergovernmental revenue | 312,499 | 305,282 | 7,217 | 2.4% |
| Income from investments | 953,812 | 193,699 | 760,113 | 392.4% |
| Interest expense | (156,708) | (169,377) | 12,669 | (7.5%) |
| Loss on disposal of capital assets | (114,432) | (113,872) | (560) | 0.5% |
| Gain on insurance recovery | 219,782 | - | 219,782 | 100.0% |
| Contributions to CHEERS Project | - | (150,000) | 150,000 | (100.0%) |
| Pass-Through grants - in | 1,221,917 | 752,598 | 469,319 | 62.4% |
| Pass-Through grants - out | (1,221,917) | (752,598) | (469,319) | 62.4% |
| Total nonoperating revenues (expenses) | <u>4,053,780</u> | <u>2,957,389</u> | <u>1,096,391</u> | <u>37.1%</u> |
| Change in net position before capital grants | <u>1,984,470</u> | <u>93,549</u> | <u>1,890,921</u> | <u>2021.3%</u> |
| Capital grants and contributions | <u>10,754,104</u> | <u>14,867,821</u> | <u>(4,113,717)</u> | <u>(27.7%)</u> |
| Change in net position | <u>12,738,574</u> | <u>14,961,370</u> | <u>(2,222,796)</u> | <u>(14.9%)</u> |
| Net position – beginning of year | <u>120,300,948</u> | <u>105,339,578</u> | <u>14,961,370</u> | <u>14.2%</u> |
| Net position – end of year | <u>\$ 133,039,522</u> | <u>\$ 120,300,948</u> | <u>\$ 12,738,574</u> | <u>10.6 %</u> |

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2023

During 2023, net position increased by \$12.74 million or 10.6 % as compared to 2022.

Total operating revenues increased by \$1.63 million to \$11.48 million in 2023 compared to 2022. Wharfage, dockage and storage fees, revenues generated from Authority cargo operations, increased by \$616,691 primarily due to a 1.65 million metric ton increase in iron ore throughput at the CBT facility as compared to 2022. Sediment Management fees also increased by \$643,573 primarily due to higher volumes and rates for material received at the CDF12 disposal facility. Financing fee income also increased by \$334,926 as compared to 2022 primarily due to the receipt of \$450,000 in New Market Tax Credit fees (see Note 14) as offset by somewhat lower closing fees.

Total operating expenses increased by \$838,132 in 2023 as compared to 2022. Salaries and benefits increased by \$1,073,969 primarily due to the increases of non-cash pension and OPEB adjustments as required by GASB 68 and 75 as compared to 2022 (See Notes 5 and 6). Cost of Sediment management also increased by \$628,515 due to increased processing of 21,247 cubic yards of material and increases in the per cubic yard processing cost. Depreciation expense increased by \$394,402 as a result of the Authority's continued investments in capital assets. These increases were offset by a decrease of \$1.33 million in Sustainable infrastructure services. Legal fees related to the ITB Project decreased by \$793,000 (see Note 20) and the \$500,000 contribution for the Hulett's was fully expensed in 2022 (see Note 10)

Nonoperating revenue increased by \$1.10 million in 2023 as compared to 2022, primarily due to an increase in Investment income of \$760,113. Interest and investment income is up on the full year impact due to the increasing interest rate environment that began during 2022.

As described in the Capital Grants section of this report, over the last several years the Authority has been awarded approximately \$35.07 million in third party funding in support of an estimated \$42.00 million investment in various infrastructure and capital improvement projects. During 2023, \$10.75 million was recognized in grant and contribution revenue on \$16.16 million in related infrastructure and capital improvement projects as compared to 14.87 million and \$15.33 million in capital improvements in 2022. Remaining third party funds of approximately \$75.26 million and expenditures of \$82.39 million primarily related to the ITB Project and Warehouse A Project will be recognized in future periods.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2023

A summary of the activity in the Authority's capital assets during the year ended December 31, 2023, is as follows:

| | Balance at Beginning of Year | Additions | Reductions | Balance at End of Year |
|---|------------------------------------|---------------|-----------------|------------------------------|
| Land and land improvements | \$ 19,445,817 | \$ - | \$ - | \$ 19,445,817 |
| Construction in progress | 10,400,199 | 11,745,229 | (10,052,612) | 12,092,816 |
| Buildings, infrastructures, and leasehold improvements | 83,531,878 | 16,326,843 | (480,815) | 99,377,906 |
| Equipment | 12,037,778 | 120,036 | (47,801) | 12,110,013 |
| Right-to-use asset – property and Equipment | 285,206 | 4 | (1,491) | 283,719 |
| Right-to-use asset – SBITA | - | 49,984 | - | 49,984 |
| | 125,700,878 | 28,242,096 | (10,582,719) | 143,360,255 |
| Less accumulated depreciation | (35,495,834) | (3,223,054) | 408,387 | (38,310,501) |
| Less accumulated depreciation Right-to-use asset | (16,100) | (18,767) | - | (34,867) |
| Total accumulated depreciation | (35,511,934) | (3,241,821) | 408,387 | (38,345,368) |
| Capital assets, net | \$ 90,188,944 | \$ 25,000,275 | \$ (10,174,332) | \$ 105,014,887 |

The activity in the Authority's long-term debt obligations outstanding during the year ended December 31, 2023 is summarized below (unamortized premiums and discounts have been combined into the appropriate increase/decrease columns). Please see Note 10 for additional information:

| | Balance January 1, 2023 | Increase | Decrease | Balance December 31, 2023 | Due Within One Year |
|--------------------------------------|-------------------------------|-----------|--------------|---------------------------------|---------------------------|
| Direct Placement: | | | | | |
| Cleveland Bulk Terminal Project | \$ 3,259,734 | \$ - | \$ (188,882) | \$ 3,070,852 | \$ 195,893 |
| Maritime Facilities Project (2016A) | 1,206,615 | - | (202,190) | 1,004,425 | 205,000 |
| Total Direct Placement | 4,466,349 | - | (391,072) | 4,075,277 | 400,893 |
| Other noncurrent obligations: | | | | | |
| Lease payable | 279,945 | - | (20,602) | 259,343 | 16,857 |
| Subscription payable | - | 49,984 | (18,485) | 31,499 | 6,974 |
| Total long-term obligations | \$ 4,746,294 | \$ 49,984 | \$ (430,159) | \$ 4,366,119 | \$ 424,724 |

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2023

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

Looking ahead to 2024, Operating revenue is forecast to increase approximately \$539,491 with Sediment management fees up \$1,813,570 on higher volumes. In 2024 we are forecasting the receipt of 150,000 cubic yards of mechanical dredge for a revenue impact of \$2,101,500. In 2023 we received no mechanical dredge. The Sediment fees income will be offset by lower volumes of hydraulic and private dredge. Financing fee income is lower by \$769,358. In 2023 we received \$450,000 in New Market Tax Credit (NMTC) income. We do not anticipate any NMTC fee income in 2024. Operating expenses are forecast to increase by approximately \$1,778,647, primarily due to increased depreciation related to the receipt of mechanical volumes, Hulett clean up and removal costs offset by lower legal expenses relate to Irish Town Bend Project.

Nonoperating revenues are forecast to decrease by \$202,239 primarily due to lower income from investments on lower cash deposits.

As described in the grant and subsequent event sections of this report, the Authority has been awarded \$75.26 million in third party funds that will be received and expended over the next several years in support of an estimated \$82.39 million of various capital improvement projects. The largest of these projects include the ITB Project and Warehouse A Project (see Note 12).

In summary, 2024 is expected to be similar to 2023, with heavy investment in port infrastructure generated by external funds.

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

Statement of Net Position

December 31, 2023

Assets:

Current assets:

| | |
|------------------------------|-------------------|
| Cash and investments | \$ 15,778,214 |
| Accounts receivable | 1,040,601 |
| Loan receivable | 248,891 |
| Interest receivable | 45,321 |
| Leases receivable | 675,855 |
| Prepaid expenses | 430,315 |
| Intergovernmental receivable | 156,500 |
| Property tax receivable | 2,971,730 |
| Grants receivable | <u>6,477,547</u> |
| Total current assets | <u>27,824,974</u> |

Non-current assets:

Capital assets:

| | |
|--|--------------------|
| Land and land improvements | 19,445,817 |
| Construction in progress | 12,092,816 |
| Buildings, infrastructures, and leasehold improvements | 99,377,906 |
| Equipment | 12,110,013 |
| Right-to-use lease and Subscription assets | <u>333,703</u> |
| Total capital assets | <u>143,360,255</u> |
| Less accumulated depreciation, excluding right-to-use assets | (38,310,501) |
| Less accumulated depreciation, right-to-use assets | <u>(34,867)</u> |
| Net book value of capital assets | <u>105,014,887</u> |

Restricted and other assets:

| | |
|-----------------------------------|-------------------|
| Restricted cash and investments | 27,008,919 |
| Loan receivable, noncurrent | 240,464 |
| Leases receivable, noncurrent | 7,973,204 |
| Net pension asset | 254,288 |
| Other | <u>30,009</u> |
| Total restricted and other assets | <u>35,506,884</u> |

Deferred outflows of resources:

| | |
|--------------------------------------|------------------|
| Pension | 1,439,432 |
| Other postemployment benefits | 334,298 |
| Debt refunding | <u>4,094</u> |
| Total deferred outflows of resources | <u>1,777,824</u> |

| | |
|---|-----------------------|
| Total assets and deferred outflows of resources | \$ <u>170,124,569</u> |
|---|-----------------------|

(continued)

Cleveland-Cuyahoga County Port Authority

Statement of Net Position (continued)

December 31, 2023

Liabilities:

Current liabilities:

| | |
|---|------------------|
| Accounts payable | \$ 7,532,594 |
| Accrued wages and benefits | 661,224 |
| Unearned income | 63,640 |
| Lease liabilities | 16,857 |
| Subscription liabilities | 6,974 |
| Current portion of bonds and loans to be repaid by the Authority: | |
| Cleveland Bulk Terminal Project | 195,893 |
| Maritime Facilities Project (2016A Bonds) | <u>205,000</u> |
| Total current liabilities | <u>8,682,182</u> |

Current liabilities payable from

restricted assets:

| | |
|--|---------------|
| Accrued interest payable | <u>10,123</u> |
| Total current liabilities payable from restricted assets | <u>10,123</u> |

Other liabilities - including amounts relating to

restricted assets:

| | |
|--|-------------------|
| Net pension liability | 2,924,168 |
| Other postemployment benefits liability | 95,667 |
| Lease liabilities, noncurrent | 242,486 |
| Subscription liabilities, noncurrent | 24,525 |
| Deferred grant revenue, Irishtown Bend | 9,985,749 |
| Long-term bonds and loans, net of current portion: | |
| Cleveland Bulk Terminal Project | 2,874,959 |
| Maritime Facilities Project (2016A Bonds) | <u>799,425</u> |
| Total other liabilities | <u>16,946,979</u> |

Deferred inflows of resources:

| | |
|-------------------------------------|-------------------|
| Property taxes | 2,971,730 |
| Pension | 85,990 |
| Other postemployment benefits | 31,552 |
| Leases | <u>8,356,491</u> |
| Total deferred inflows of resources | <u>11,445,763</u> |

| | |
|---|-------------------|
| Total liabilities and deferred inflows of resources | <u>37,085,047</u> |
|---|-------------------|

Net position:

| | |
|----------------------------------|-----------------------|
| Net investment in capital assets | 100,648,768 |
| Restricted for other purposes | 17,068,239 |
| Unrestricted | <u>15,322,515</u> |
| Total net position | <u>\$ 133,039,522</u> |

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

Cleveland-Cuyahoga County Port Authority

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended December 31, 2023

| | |
|--|-----------------------|
| Operating revenues: | |
| Wharfage, dockage, and storage | \$ 2,486,388 |
| Property lease and rentals | 2,134,852 |
| Financing fee income | 1,841,367 |
| Foreign trade zone fees | 147,292 |
| Sediment management fees | 4,433,680 |
| Parking revenues | 145,785 |
| Other | <u>286,872</u> |
| Total operating revenues | <u>11,476,236</u> |
| Operating expenses: | |
| Salaries and benefits | 4,063,589 |
| Community investment fund | 105,000 |
| Professional services | 1,348,446 |
| Sustainable infrastructure services | 801,121 |
| Cost of sediment management operation | 2,001,225 |
| Facilities lease and maintenance | 1,129,845 |
| Marketing and communications | 606,596 |
| Depreciation expense | 3,241,821 |
| Office expense | 75,661 |
| Other expense | <u>172,242</u> |
| Total operating expenses | <u>13,545,546</u> |
| Operating loss | (2,069,310) |
| Nonoperating revenues (expenses): | |
| Property tax receipts, net of \$163,379 expense | 2,838,827 |
| Intergovernmental revenue | 312,499 |
| Income from investments | 953,812 |
| Interest expense | (156,708) |
| Loss on disposal of capital assets | (114,432) |
| Gain on insurance recovery | 219,782 |
| Pass-thru grants - in | 1,221,917 |
| Pass-thru grants - out | <u>(1,221,917)</u> |
| Total nonoperating revenues (expenses) | <u>4,053,780</u> |
| Change in net position before capital grants and contributions | 1,984,470 |
| Capital grants and contributions | <u>10,754,104</u> |
| Change in net position | 12,738,574 |
| Net position – beginning of year | <u>120,300,948</u> |
| Net position – end of year | \$ <u>133,039,522</u> |

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

Cleveland-Cuyahoga County Port Authority

Statement of Cash Flows

For the Year Ended December 31, 2023

Operating activities:

| | |
|--|--------------------|
| Receipts from customers | \$ 11,661,461 |
| Payments to suppliers for goods and services | (6,176,635) |
| Payments to employees | (2,883,674) |
| Payments of employee benefits | <u>(1,031,545)</u> |
| Net cash used by operating activities | <u>1,569,607</u> |

Noncapital financing activities:

| | |
|--|------------------|
| Net proceeds from property tax collections | 2,838,827 |
| Net proceeds from governments | 312,499 |
| Cash received from insurance recovery | 209,339 |
| Cash proceeds payable to OMA | 61,644 |
| Cash proceeds from pass-through grant activity | <u>59,738</u> |
| Net cash provided by noncapital financing activities | <u>3,482,047</u> |

Capital and related financing activities:

| | |
|---|---------------------|
| Cash received from capital grants and contributions | 6,682,533 |
| Cash received from unearned capital grants and contributions | 9,960,566 |
| Principal paid on debt | (388,882) |
| Interest paid on debt | (156,206) |
| Principal paid on right-to-use leases and subscriptions | (19,377) |
| Interest paid on right-to-use leases and subscriptions | (697) |
| Acquisition and construction of capital assets | <u>(14,281,393)</u> |
| Net cash provided by capital and related financing activities | <u>1,796,544</u> |

Investing activities:

| | |
|--|----------------|
| Purchase of investment securities | (12,695,042) |
| Proceeds from sale and maturity of investment securities | 12,693,711 |
| Interest on investments | <u>850,042</u> |
| Net cash provided by investing activities | <u>848,711</u> |

Net increase in cash and cash equivalents 7,696,909

Cash and cash equivalents – beginning of year 28,485,677

Cash and cash equivalents – end of year \$ 36,182,586

(continued)

Cleveland-Cuyahoga County Port Authority

Statement of Cash Flows (continued)

For the Year Ended December 31, 2023

Reconciliation of operating loss to net cash used by operating activities:

Operating loss \$ (2,069,310)

Adjustments to reconcile operating loss to net cash used by operating activities:

Depreciation 3,241,821

Changes in assets and liabilities:

| | |
|---|---------------------|
| Accounts receivable | 201,191 |
| Leases receivable | 174,059 |
| Loan receivable | 254,656 |
| Net pension asset | 121,077 |
| Prepaid expenses and other assets | 289,827 |
| Net other postemployment benefit asset | 465,908 |
| Deferred outflow, pension | (900,423) |
| Deferred outflow, other postemployment benefits | (256,802) |
| Accounts payable | (226,326) |
| Unearned income and other | (13,190) |
| Accrued wages and benefits | 52,490 |
| Pension liability | 2,088,666 |
| Other postemployment benefit liability | 95,667 |
| Deferred inflow, pension | (1,068,389) |
| Deferred inflow, other post-employment benefits | (449,824) |
| Deferred inflow, leases | (431,491) |
| Net cash used by operating activities | \$ <u>1,569,607</u> |

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 | \$ 15,778,214 |
| Included in restricted and other assets | <u>27,008,919</u> |
| Total | 42,787,133 |

Investments included in the balances above that

are not cash equivalents (6,604,547)

Cash and cash equivalents reported in the Statement of Cash Flows \$ 36,182,586

Supplemental schedule of non-cash investing,

capital and related financing activities:

| | |
|---|---------------------|
| Increase in capital assets due to accounts payable | \$ <u>6,401,109</u> |
| Increase in pass-through grant expense due to accounts payable | \$ <u>345,357</u> |
| Increase in noncapital financing activities due to accounts payable | \$ <u>61,664</u> |
| Increase in capital contribution revenue due to accounts receivable | \$ <u>49,938</u> |
| Increase in pass-through grant revenue due to accounts receivable | \$ <u>444,278</u> |

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

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 and Section 4582.60. As authorized by Ohio Revised Code section 4852.02, the City of Cleveland and Cuyahoga County, Ohio created the Authority in 1968.

The Authority’s authorized purposes include the following: (1) activities that enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, government operations, culture, or research within the jurisdiction of the Authority, and (2) activities authorized by Section 13 and 16 of Article VIII of the Ohio Constitution. The Authority is given broad powers pursuant to Ohio Revised Code Sections 4582.01 through 4582.20 and Section 4582.60 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.

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, grants, entitlements and donations. Unearned revenue represents amounts under the 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.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

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, and Statement of Cash Flows. The Authority uses a single enterprise 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.

Measurement Focus – The financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Port are included on the Statement of Net Position.

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.

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. 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 equivalents 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 with the exception of a Nonparticipating Guaranteed Investment Contract (GIC) which collateralizes bonds issued under the Common Bond Fund Program and is recorded at cost (see Note 3).

Accounts Receivable – Accounts receivable are obligations due to the Authority under terms requiring payment that have not been received at year-end. The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all delinquent accounts receivable and based on an assessment of current creditworthiness estimates the portion, if any, of the balance that will not be collected. At December 31, 2023, no allowance was deemed recordable.

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 nonoperating revenue (expense). 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.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 1: Summary of Significant Accounting Policies (continued)

Assets that are capitalized must be tangible in nature, have an initial useful life extending beyond a single reporting period, and have a cost equal to or exceeding \$5,000. The general ranges of estimated useful lives by type of capital asset are as follows:

| | |
|---|-------------|
| Buildings, infrastructure, and leasehold improvements | 10-40 years |
| Equipment | 3-30 years |

The Authority is reporting right-to-use assets related to Subscription-Based Information Technology Arrangements (SBITA) and leased property and equipment. These assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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 before the end of a construction period is recognized as expense in the period the cost is incurred in accordance with GASB Statement No. 89. 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 consists of capital assets and right to use assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and the lease and Subscription-based information technology arrangements liability associated with the right to use 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.

Lease Accounting – The Authority classifies leases at the inception of each lease in accordance with GASB Statement No. 87, except for leases that are not recognized for accounting purposes under GASB Statement No. 91, *Conduit Debt Obligations*, because they secure the repayment of conduit debt.

As lessee, the Authority recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceed \$5,000. Short-term lease payments are expensed when incurred. At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 1: Summary of Significant Accounting Policies (continued)

The Authority uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the Authority's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

As lessor, the Authority recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceed \$5,000. At the commencement of the lease, the Authority records a receivable and deferred inflow of the net present value of future expected payments using a discount rate explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the Authority's incremental borrowing rate at start of the lease for a similar term length to the contract. Short-term lease receipts and variable lease receipts not included in the measurement of the lease receivable are recognized as income when earned.

Subscription Accounting - The Authority recognizes subscription-based information technology arrangements that have a term exceeding one year and future payments on the contract exceed \$5,000. Short-term subscriptions are expensed as incurred. At the commencement of the subscription arrangement, the Authority initially measures the subscription liability at the present value of payments expected to be made during the term. The Authority uses a discount rate that is determined using the Authority's incremental borrowing rate at start of the subscription arrangement for a similar asset type and term length to the contract. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Financing Fee Income – Fees associated with conduit debt transactions are recognized in operating revenues 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.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 1: Summary of Significant Accounting Policies (continued)

Pensions / Other Postemployment (OPEB) Liabilities (Assets) – For purposes of measuring net pension/OPEB liability (asset), deferred outflow of resources and deferred inflow of resources related to pension/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the state pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value. Additional details on the pension/OPEB systems are provided in Note 5 and Note 6, respectively.

Deferred Outflows/Inflows of Resources – In addition to assets, the financial statements 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 charge for debt refunding and future pension and OPEB obligations. The deferred outflows of resources related to pensions and OPEB plans are explained respectively in Note 5 and Note 6, respectively.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets 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, net pension, net OPEB obligations and leases. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2023, but which were levied to finance fiscal year 2024 operations. The deferred inflows of resources related to pensions and OPEB are explained respectively in Note 5 and Note 6. Deferred inflows of resources related to leases are explained in Note 8.

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. The Board is given quarterly updates on the financial performance of the Authority throughout the fiscal year.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 1: Summary of Significant Accounting Policies (continued)

Newly Adopted Accounting Pronouncements - For the year ended December 31, 2023, the Authority implemented the following Governmental Accounting Standards issued by the GASB:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in March, 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Implementation of this standard had no effect on the Authority's financial statements or notes disclosures.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May, 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The provisions of this statement are to be applied retroactivity by restating financial statements, if practical, for all prior fiscal years presented and if not practicable, allows for restatement as of the implementation date. Implementation of this standard did not require restatement as the single agreement meeting the requirements of a SBITA agreement occurred in May of 2023. These changes were incorporated into the Authority's 2023 financial statements (see Notes 7 and 10).

GASB Statement No. 99, *Omnibus 2022*, was issued in April of 2022. The primary objective is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement have varying effective dates but begin with reporting periods beginning after June 15, 2022. These changes were incorporated into the Authority's 2023 financial statements and did not materially impact the financial statements or disclosures.

Newly Issued Accounting Pronouncements, Not Yet Adopted

GASB Statement No. 100, *Accounting Changes and Error Corrections* – An Amendment of GASB Statement No. 62, was issued in June of 2022. The primary objective is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, was issued in June of 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 1: Summary of Significant Accounting Policies (continued)

Newly Issued Accounting Pronouncements, Not Yet Adopted (continued)

GASB Statement No. 102, *Certain Risk Disclosures*, was issued in December of 2023. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

The Authority has not yet determined the impact that these Statements will have on its financial statements and disclosures.

Note 2: Deposits and Investments

Deposits – The Authority's depository requirements are governed by state statute and require that deposits be placed in eligible banks or savings and loans located in Ohio. In 2017, the Ohio Treasurer's Office created the Ohio Pooled Collateral System (OPCS) as required by House Bill 64 of the 131st General Assembly. The OPCS allows an eligible public depository to pledge collateral to the Treasurer's Office to secure local government deposits. Under OPCS, the Treasurer's Office monitors participating financial institutions pledge of collateral securities and establishes and maintains a perfected security interest in the pledge of collateral securities. OPCS allows for greater efficiency and seeks to reduce the costs for participating public units and financial institutions. OPCS is one of two options available to financial institutions to collateralize public deposits in Ohio.

Financial institutions chose to 1) participate in the pooling method (OPCS) collateralizing at 102% or a rate set by the Treasurer's Office and approved by the public entity or 2) not participate in OPCS and collateralize with a specific pledge method at 105%. The Authority's depository accounts are held at a financial institution that chose to participate in the OPCS program and are currently collateralized at a market value at least equal to 102% of the amount of deposits not insured by the Federal Deposit Insurance Corporation.

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, 2023 the carrying amounts of the Authority's deposits were \$32,566,644 and the related bank balances were \$32,925,400, of which \$250,000 was covered by federal depository insurance and \$32,675,400 was uninsured and collateralized under the OPCS program.

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.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 2: Deposits and Investments (continued)

Investments (continued) - 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, 2023 have effective maturity dates of less than five years.

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Authority's investment policies provide that investments be diversified to reduce the risk of loss from over-concentration in a single issuer, specifying that no more than 50% of the Authority's total investment portfolio will be invested in a single security type, with the exception of obligations of the U.S. Treasury and STAROhio.

Approximately \$4.2 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.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 2: Deposits and Investments (continued)

The following table presents fair value, length of maturity and the credit ratings of the Authority's investments at December 31, 2023:

| | <u>Fair value</u> | <u>Rating*</u> | <u>Less than one year</u> | <u>One to five years</u> | <u>Percentage of investments</u> |
|--|----------------------|----------------|---------------------------|--------------------------|----------------------------------|
| Federated Government Obligations | \$ 3,321,365 | AAA | \$ 3,321,365 | \$ - | 32.5% |
| First American Treasury | 36,281 | AAA | 36,281 | - | 0.4% |
| Certificates of Deposit | 693,754 | N/A | 47,538 | 646,216 | 6.8% |
| Commercial Paper | 441,023 | - (1) | 441,023 | - | 4.3% |
| Federal National Mortgage Association | 195,916 | AAA | 195,916 | - | 1.9% |
| Guaranteed Investment Contract | 4,232,865 | N/A | 4,232,865 | - | 41.4% |
| United States Treasury Notes | 163,355 | AAA | 163,355 | - | 1.6% |
| United States Treasury Bill | 133,858 | AAA | 133,858 | - | 1.3% |
| Federal Home Loan Mortgage Corporation | 657,127 | AAA | 96,273 | 560,854 | 6.4% |
| Federal Farm Credit Banks | 344,945 | AAA | 173,368 | 171,577 | 3.4% |
| Total | \$ <u>10,220,489</u> | | \$ <u>8,841,842</u> | \$ <u>1,378,647</u> | <u>100.0%</u> |

• Moody's Investor Service

(1) S & P (A-1 to A-1+)

Note 3: Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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, 2023.

| | <u>12/31/2023</u> | <u>Fair Value Measurements Using</u> | | |
|---------------------------------------|---------------------|--------------------------------------|---------------------|----------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Money Market Mutual Funds | \$ 3,357,646 | \$ 3,357,646 | \$ - | \$ - |
| U.S. Agencies | 1,197,988 | - | 1,197,988 | - |
| Negotiable Certificates of Deposit | 693,754 | - | 693,754 | - |
| Commercial Paper | 441,023 | - | 441,023 | - |
| U.S. Treasury Notes | 163,355 | - | 163,355 | - |
| U.S. Treasury Bill | 133,858 | - | 133,858 | - |
| Total investments by fair value level | \$ <u>5,987,624</u> | \$ <u>3,357,646</u> | \$ <u>2,629,978</u> | \$ <u>-</u> |

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 3: Fair Value Measurements (continued)

The Authority's investment of \$4,232,865 at December 31, 2023, is invested in a Nonparticipating GIC which is not subject to fair value measurement.

Level 1 investments include money market investments that are valued at cost plus accrued interest, which approximates fair value.

Level 2 investments include U.S. Agencies, U.S. Treasury Notes, U.S. Treasury Bills, Commercial Paper and Negotiable Certificates of Deposit. The evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities.

Note 4: 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 2022 levy (collected in 2023) was based upon assessed valuations of approximately \$35.07 billion.

In November of 2017, the voters of Cuyahoga County approved a renewal of the Authority's .13 mill property tax levy. The levy was effective commencing in 2018 and first due for collection in calendar year 2019, continuing for five years through 2022 for collection in calendar year 2023. In November of 2022, the voters of Cuyahoga County approved a renewal of the Authority's .13 mill property tax levy. The levy is effective commencing in 2023 and first due for collection in calendar year 2024, continuing for five years through 2027 for collection in calendar year 2028.

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 5: Defined Benefit Pension Plans

Net Pension/OPEB Liability (Asset)

The net pension/OPEB liability (asset) reported on the Statement of Net Position represents a liability (asset) to employees for pensions/OPEB. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/OPEB 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/OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 5: Defined Benefit Pension Plans

Net Pension/OPEB Liability (Asset)

The net pension/OPEB liabilities (asset) represents the Authority's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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/OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation, including pension and OPEB

GASB 68 and 75 assumes the liability (asset) 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). The retirement systems may allocate a portion of the employer contributions to provide for OPEB benefits including primarily health care. In most cases, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium.

State statute requires the retirement systems to amortize unfunded pension/OPEB liabilities within 30 years. If the pension/OPEB amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability on the accrual basis of accounting. Funded benefits are presented as an other net pension/OPEB asset. Any liability for the contractually-required contribution outstanding at the end of the year is included in *accrued wages and benefits* on the accrual basis of accounting. The remainder of this note includes the required pension disclosures. See Note 6 for the required OPEB disclosures.

Plan Description – Authority employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer public employee retirement system comprised of three separate pension plans: the traditional pension plan, a defined benefit plan; the combined plan, a hybrid defined benefit/defined contribution plan; and the member-directed plan, a defined contribution plan. Effective January 1, 2022 the combined plan is no longer available for member selection. While members (e.g., Authority employees) may elect the member-directed plan, substantially all employee members are in OPERS' traditional or combined plans; therefore, the following disclosure focuses on the traditional and combined plans.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 5: Defined Benefit Pension Plans (continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Final average salary (FAS) represents the average of the three highest years of earnings over the member's career for Groups A and B. Group C is based on the average of the five highest years of earning 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.

The Traditional plan is a defined benefit plan in which a member's retirement benefits are calculated on a formula that considers years of service and FAS. Pension benefits are funded by both member and employer contributions and investment earnings on those contributions.

The following table provides age and service requirements for retirement and the retirement formula applied to the FAS for the three member groups under the Traditional plan (see OPERS ACFR referenced above for additional information):

| Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Group C Members not in other Groups and members hired on or after January 7, 2013 |
|--|--|--|
| State and Local Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit | State and Local Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit | State and Local Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| 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 | 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 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

When a benefit recipient retiring under the traditional pension plan has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided on the member's base benefit. 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, the COLA will continue to be a 3% simple annual COLA. For those retiring on or after 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%.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 5: Defined Benefit Pension Plans (continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

Additionally, a death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the traditional pension plan.

The combined plan is a hybrid defined benefit/defined contribution plan. Members earn a formula benefit similar to, but at a factor less than the traditional pension plan benefit. This defined benefit is funded by employer contributions and associated investment earnings. Member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement, the member may choose a defined contribution distribution that is equal to the member's contributions to the plan and investment earnings (or losses). Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS. Effective January 1, 2022, new members may no longer select this plan.

Benefits in the combined plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the combined plan is the same as the traditional pension plan.

Members retiring under the combined plan receive a 3% COLA on the defined benefit portion of their benefit. 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, the COLA will continue to be a 3% simple annual COLA. For those retiring on or after 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%.

Additionally, a death benefit of \$500 – \$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Combined plan.

The subsequent table provides age and service requirements for retirement and the retirement formula applied to the FAS for the three member groups under the Combined plan (see OPERS ACFR referenced above for additional information):

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 5: Defined Benefit Pension Plans (continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

| 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: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit | State and Local Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit | State and Local Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | Formula: 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | Formula: 1.0% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 |

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS Board. Both member-directed plan and combined plan members who have met the eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans.

Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year.

At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of their benefit account (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance (net of taxes withheld), or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14% 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% of covered payroll for members in the state and local classifications.

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0% for 2023 for the traditional plan. For the combined plan, the portion of the employer contributions allocated to health care was 2% for 2023. The portion of the employer contributions allocated to health care for members in the member-directed plan was 4% for 2023.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 5: Defined Benefit Pension Plans (continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. In 2023, the Authority's contractually required contribution, net of postemployment health care benefits, for the traditional plan was \$238,975 and \$64,105 for the combined plan. For 2023, contractually required contributions of \$48,602 are reported as accrued wages and benefits at December 31, 2023.

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 active member population which consists of members in the Traditional and Combined plans is assumed to remain constant. For purposes of financing the unfunded actuarial accrued liabilities, total payroll is assumed to grow at the wage inflation rate indicated below.

| | OPERS <u>Traditional Plan</u> | OPERS <u>Combined Plan</u> |
|---|--|--|
| Valuation date | December 31, 2022 | December 31, 2022 |
| Experience study | 5-year period ended December 31, 2020 | 5-year period ended December 31, 2020 |
| Actuarial cost method | Individual entry age | Individual entry age |
| Actuarial assumptions: | | |
| Investment rate of return | 6.90% | 6.90% |
| Wage inflation | 2.75% | 2.75% |
| Projected salary increases, including 2.75% wage inflation | 2.75 to 10.75% | 2.75 to 8.25% |
| COLA or Ad Hoc COLA: | | |
| Pre-Jan 7, 2013 retirees | 3.00% Simple | 3.00% Simple |
| Post-Jan 7, 2013 retirees | 3.00% Simple through 2023 then 2.05% Simple | 3.00% Simple through 2023 then 2.05% Simple |

OPERS conducts an experience study every five years in accordance with Ohio Revised Code Section 145.22. The study for the five-year period ended December 31, 2020 and methods and assumptions were approved and adopted by the OPERS Board of Trustees.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 5: Defined Benefit Pension Plans (continued)

Actuarial Assumptions – OPERS (continued)

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females). Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the traditional plan, the defined benefit component of the combined plan and the annuitized accounts of the member-directed plan. The money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for changing amounts actually invested for the Defined Benefit portfolio was a loss of 12.1% for 2022.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected 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. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. The table below displays the Board-approved asset allocation policy and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Geometric) |
|------------------------|-------------------|---|
| Fixed income | 22.00% | 2.62% |
| Domestic equities | 22.00 | 4.60 |
| REITs | 13.00 | 3.27 |
| Private equity | 15.00 | 7.53 |
| International equities | 21.00 | 5.51 |
| Risky parity | 2.00 | 4.37 |
| Other investments | 5.00 | 3.27 |
| Total | <u>100.00%</u> | |

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 5: Defined Benefit Pension Plans (continued)

Actuarial Assumptions – OPERS (continued)

Discount Rate The discount rate used to measure the total pension liability was 6.9%. 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, as actuarially determined. 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 (Asset) 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, 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 or one-percentage-point higher than the current rate:

Authority's proportionate share of net pension liability (asset) at December 31, 2023:

| | 1% Decrease (5.9%) | Discount Rate (6.9%) | 1% Increase (7.9%) |
|--|-----------------------|-------------------------|-----------------------|
| Authority's proportionate share of the net pension liability – traditional | \$ 4,380,308 | \$ 2,924,168 | \$ 1,712,923 |
| Authority's proportionate share of the net pension asset – combined | \$ (132,706) | \$ (254,288) | \$ (350,646) |

Net Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability (asset) for OPERS as of December 31, 2023, were measured as of December 31, 2022. The total pension liability 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.

Subsequent payments made during the current fiscal year are accounted for as deferred outflows. The following table reflects the proportionate share of pension expense for the current and prior years for all plans and thus the Authority, in total. The related deferred outflows and deferred inflows of resources associated with the net pension liability (asset) are presented below.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 5: Defined Benefit Pension Plans (continued)

Net Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

| | OPERS Traditional | OPERS Combined | Total |
|--|----------------------|-------------------|--------------|
| Proportion of the net pension liability/asset prior measurement date | 0.009603% | 0.095269% | |
| Proportion of the net pension liability/asset current measurement date | 0.009899% | 0.107891% | |
| Change in proportionate share | 0.000296% | 0.012622% | |
| Proportionate share of the net pension asset | \$ - | \$ 254,288 | \$ 254,288 |
| Proportionate share of the net pension liability | \$ 2,924,168 | \$ - | \$ 2,924,168 |
| Pension expense | \$ 517,794 | \$ 26,218 | \$ 544,012 |

The 2023 pension expense for the member-directed defined contribution plan was \$48,299. The aggregate pension expense for all pension plans was \$592,311 for 2023.

At December 31, 2023, 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: | | | |
| Difference between expected and actual experience | \$ 97,129 | \$ 15,633 | \$ 112,762 |
| Change in assumptions | 30,892 | 16,835 | 47,727 |
| Differences between projected and actual earnings on pension plan investments | 833,480 | 92,673 | 926,153 |
| Differences in employer contributions and change in proportionate share | 46,525 | 3,185 | 49,710 |
| Contributions subsequent to the measurement date | 238,975 | 64,105 | 303,080 |
| Total deferred outflow of resources | \$ 1,247,001 | \$ 192,431 | \$ 1,439,432 |

Deferred inflow of resources:

| | | | |
|---|------|-----------|-----------|
| Difference between expected and actual experience | \$ - | \$ 36,334 | \$ 36,334 |
| Differences in employer contributions and change in proportionate share | \$ - | \$ 49,656 | \$ 49,656 |
| Total deferred inflow of resources | \$ - | \$ 85,990 | \$ 85,990 |

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 5: Defined Benefit Pension Plans (continued)

Net Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The \$303,080 reported as deferred outflows of resources related to pension resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. 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: | | | |
| 2024 | \$ 149,513 | \$ (2,622) | \$ 146,891 |
| 2025 | 204,883 | 10,648 | 215,531 |
| 2026 | 245,334 | 17,054 | 262,388 |
| 2027 | 408,296 | 33,224 | 441,520 |
| 2028 | - | (7,213) | (7,213) |
| 2029-2031 | - | (8,755) | (8,755) |
| | <u>\$ 1,008,026</u> | <u>\$ 42,336</u> | <u>\$ 1,050,362</u> |

Note 6: Defined Benefit, Postemployment Benefits Other Than Pensions

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – OPERS administers three separate pension plans: the traditional pension plan, a defined benefit plan; the combined plan, a hybrid defined benefit/defined contribution plan; and the member-directed plan, a defined contribution plan. Effective January 1, 2022 the combined plan is no longer available for member selection. While members (e.g., Authority employees) may elect the member-directed plan, substantially all employee members are in OPERS' traditional or combined plans; therefore, the following disclosure focuses on the traditional and combined plans.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 OPEB as described in GASB Statement No. 75. See OPERS' ACFR referenced below for additional information.

The Ohio Revised Code permits but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 6: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the traditional pension plan was 0% during fiscal year 2023. For the combined plan, the portion of the employer contributions allocated to health care was 2% during fiscal year 2023.

The portion of employer contributions allocated to health care for members in the member-direct plan was 4% during fiscal year 2023. The OPERS Board 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.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contributions to OPERS health care plans was \$30,004 for 2023.

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB asset was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 6: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions – OPERS (continued)

| | <u>Assumptions</u> |
|---|---|
| Valuation date | December 31, 2021 |
| Rolled-forward measurement date | December 31, 2022 |
| Experience study | 5-year period ended December 31, 2020 |
| Actuarial cost method | Individual entry age normal |
| Projected salary increases, including 2.75% wage inflation | 2.75% to 10.75% |
| Investment rate of return | 6.00% |
| Municipal bond rate | 4.05% |
| Single discount rate of return | 5.22% |
| Health care cost trend | Initial 5.50% to 3.50% ultimate in 2036 |

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality Tables (males and females). Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional pension plan, Combined plan and Member-Directed plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 15.6% for 2022.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care 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.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 6: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions – OPERS (continued)

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

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Geometric) |
|------------------------|-------------------|---|
| Fixed income | 34.00% | 2.56% |
| Domestic equities | 26.00 | 4.60 |
| REITs | 7.00 | 4.70 |
| International equities | 25.00 | 5.51 |
| Risk parity | 2.00 | 4.37 |
| Other investments | 6.00 | 1.84 |
| Total | <u>100.00%</u> | |

Discount rate A single discount rate of 5.22% was used to measure the total OPEB liability on the measurement date of December 31, 2022. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 4.05% for 2022. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2054. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2054, the duration of the projection period through which projected health care payments are fully funded.

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

| | 1% Decrease (4.22%) | Discount Rate (5.22%) | 1% Increase (6.22%) |
|---|------------------------|--------------------------|------------------------|
| Authority's proportionate share of the net OPEB liability (asset) | \$ 325,613 | \$ 95,668 | \$ (94,073) |

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 6: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions – OPERS (continued)

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

| | Health Care Cost | | |
|---|------------------|--------------------|----------------------|
| | Current | <u>1% Decrease</u> | <u>Discount Rate</u> |
| | | | <u>1% Increase</u> |
| Authority's proportionate share of the net OPEB liability | | \$ 89,672 | \$ 95,668 |
| | | | \$ 102,418 |

Assumption Changes Since the Prior Measurement Date Municipal bond rate increased from 1.84% to 4.05%. The health care cost trend rate changed from 5.50% initial, 3.50% ultimate in 2034 to 5.50% initial, 3.50% ultimate in 2036.

Net OPEB Liability, Deferred Outflows, Deferred Inflows and OPEB Expense – OPERS

The net OPEB liability for OPERS as of December 31, 2023, was measured as of December 31, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31 of the year prior and rolled forward to the measurement date by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the OPEB plan relative to the contributions of all participating entities. Subsequent payments made during the current fiscal year are accounted for as deferred outflows. The following table reflects the proportionate share of OPEB expense for the current and prior years. The related deferred outflows and deferred inflows of resources associated with the OPEB liability are presented below.

| | <u>OPERS</u> |
|---|------------------|
| Proportion of the net OPEB liability prior measurement date | 0.014875% |
| Proportion of the net OPEB asset current measurement date | <u>0.015173%</u> |
| Change in proportionate share | 0.000298% |
| Proportionate share of the net OPEB liability | \$ 95,668 |
| Reduction of OPEB expense | \$ 115,046 |

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 6: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

Net OPEB Liability, Deferred Outflows, Deferred Inflows and OPEB Expense – OPERS (continued)

At December 31, 2023, the Authority reported deferred outflow and inflow of resources related to the net OPEB liability from OPERS OPEB plan, based on December 31, 2022 measurement, as indicated in the table below:

| | <u>OPERS</u> |
|---|-------------------|
| Deferred outflow of resources: | |
| Change in assumptions | \$ 93,442 |
| Difference between projected and actual earnings on OPEB plan investments | 190,001 |
| Differences in employer contributions and change in proportionate share | 20,851 |
| Contributions subsequent to the measurement date | <u>30,004</u> |
| Total deferred outflow of resources | <u>\$ 334,298</u> |
| Deferred inflow of resources: | |
| Difference between expected and actual experience | \$ 23,863 |
| Change in assumptions | <u>7,689</u> |
| Total deferred inflow of resources | <u>\$ 31,552</u> |

The \$30,004 reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | <u>Total</u> |
|--|-------------------|
| Fiscal year ending December 31: | |
| 2024 | \$ 47,283 |
| 2025 | 74,424 |
| 2026 | 59,249 |
| 2027 | <u>91,786</u> |
| | <u>\$ 272,742</u> |

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 7: Capital Assets

Capital asset activity for the year ended December 31, 2023 is as follows:

| | Balance at January 1, 2023 | Additions | Deletions | Balance at December 31, 2023 |
|---|----------------------------------|----------------------|------------------------|------------------------------------|
| Capital assets not being depreciated: | | | | |
| Land and land improvements | \$ 19,445,817 | \$ - | \$ - | \$ 19,445,817 |
| Construction in progress | <u>10,400,199</u> | <u>11,745,229</u> | <u>(10,052,612)</u> | <u>12,092,816</u> |
| Total capital assets not being depreciated | <u>29,846,016</u> | <u>11,745,229</u> | <u>(10,052,612)</u> | <u>31,538,633</u> |
| Capital assets being depreciated: | | | | |
| Buildings, infrastructures, and leasehold improvements | 83,531,878 | 16,326,843 | (480,815) | 99,377,906 |
| Equipment | 12,037,778 | 120,036 | (47,801) | 12,110,013 |
| Right-to-use asset– property and equipment | 285,206 | 4 | (1,491) | 283,719 |
| Right-to-use asset– SBITA | - | 49,984 | - | 49,984 |
| Total capital assets being depreciated | <u>95,854,862</u> | <u>16,496,867</u> | <u>(530,107)</u> | <u>111,821,622</u> |
| Less accumulated depreciation: | | | | |
| Buildings, infrastructures, and leasehold improvements | 32,012,484 | 2,519,314 | (371,781) | 34,160,017 |
| Equipment | 3,483,350 | 703,740 | (36,606) | 4,150,484 |
| Right-to-use asset– property and equipment | 16,100 | 11,626 | - | 27,726 |
| Right-to-use asset– SBITA | - | 7,141 | - | 7,141 |
| Total accumulated depreciation | <u>35,511,934</u> | <u>3,241,821</u> | <u>(408,387)</u> | <u>38,345,368</u> |
| Total capital assets being depreciated, net | <u>60,342,928</u> | <u>13,255,046</u> | <u>(121,720)</u> | <u>73,476,254</u> |
| Capital assets, net | <u>\$ 90,188,944</u> | <u>\$ 25,000,275</u> | <u>\$ (10,174,332)</u> | <u>\$ 105,014,887</u> |

Note 8: Lease and Loan Receivables

For 2023, the Authority recognized lease revenue of \$924,529 and interest revenue of \$393,608 related to lease payments received. Leases meeting the criteria established by GASB statement No. 87 for which the Authority is the Lessor are described below:

Logistec USA Inc. (CBT Facility)

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 (see Note 10). On April 1, 2017, the Authority entered into a lease agreement for the facility with Logistec USA Inc., a subsidiary of Logistec Corporation. The initial term of the agreement was for ten years with an option to extend for an additional ten-year period (the “Operating Agreement”). The Operating Agreement provided for annual base fee payments in the amount of \$400,000 along with certain additional fees dependent upon the annual tonnage of freight handled at the facility.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 8: Lease and Loan Receivables (continued)

Logistec USA Inc. (CBT Facility) (continued)

On August 27, 2020, the parties entered into an addendum to the operating agreement extending the initial term of the operating agreement for ten years through March 31, 2037 and amending the base fee and certain additional fees. The addendum maintains the annual base of \$400,000 for the first seven years of the initial term. After the seventh year, the initial annualized base fee will increase by 1.5% per year. The iron ore special tonnage assessment was reduced to \$0.08 per ton from \$0.25 per ton.

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 Authority recognized \$506,753 in lease revenue under the Operating Agreement for the year ended December 31, 2023

The Authority also recognized \$1,677,927 in additional revenue based on fees dependent upon the annual tonnage of freight handled at the facility.

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

| <u>Year</u> | <u>Amount</u> |
|----------------|---------------------|
| 2024 | \$ 404,500 |
| 2025 | 410,568 |
| 2026 | 416,726 |
| 2027 | 422,977 |
| 2028 | 429,322 |
| 2029 – 2033 | 2,245,158 |
| 2034 – 2037 | <u>1,550,904</u> |
| Total payments | \$ <u>5,880,155</u> |

On September 9, 2021, the Board authorized the execution and delivery of a Permanent Shared Access Easement and Temporary Construction Easement to the Northeast Ohio Regional Sewer District (NEORSD) for the purposes of construction of the expansion of the Westerly Wastewater Treatment Center (WWTC) over a portion of the property at 5400 Whiskey Island Drive, known as the Cleveland Bulk Terminal, located at 5400 Whiskey Island Drive. The Port Authority recorded a pro-rata reduction of the land asset and gain on sale on its financial statements in 2021.

The Temporary Construction Easement is for a period of 42 months beginning with the commencement of construction on September 12, 2022. At December 31, 2023 and 2022, \$36,585 and \$10,950 was recognized as lease revenue, respectively and \$80,215 was recorded as deferred inflow of resources - leases on the Authority's financial statements.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 8: Lease and Loan Receivables (continued)

Heidelberg Materials US Cement LLC, formerly LeHigh Hanson ECC, Inc. (Dock 20)

In November of 1997, the Authority entered into a lease agreement with Heidelberg Materials US Cement LLC, formerly LeHigh Hanson ECC, Inc., in connection with a Ground Lease and Operating Agreement (Lease), pursuant to which Lehigh Hanson ECC, leases 6.45 acres of certain real property and bulkheading located on Dock 20 from the Authority. Lease payments are broken into two components: (1) Land Rental, which was \$106,800 at the inception of the lease and is subject to an annual CPI increase and (2) Improvement Rental, equal to the annual debt service of the initial bond issuance plus a small administrative fee. The Lease is set to expire in May of 2027 with an option to extend the Land Rental component of the lease for two additional ten year terms. The Lease also contains a provision for wharfage and dockage fees if tonnage exceeds 100,000 tons in a given Lease year. No wharfage or dockage fees were earned or recognized for the year ended December 31, 2023.

In March of 2011, the Authority amended the Lease. Under the terms of the amendment, 3.07 of the total 6.45 acres included in the original Lease was no longer utilized by the tenant and was made available for alternative uses, effective August 1, 2011. In exchange for removing the acreage from the Lease, the annual Land Rental was reduced by 30%. The Improvement Rental, which pays principal and interest on the Series 2016A (formerly 1997A) bonds issued by the Authority, remained unchanged (see Note 10).

The Authority recognized \$465,656 in revenue under the Lease for the year ended December 31, 2023.

The future minimum rental payments to be received under the Land and Improvement Agreement are as follows (assuming no annual CPI increase):

| <u>Year</u> | <u>Amount</u> |
|----------------|---------------------|
| 2024 | \$ 361,064 |
| 2025 | 359,189 |
| 2026 | 423,193 |
| 2027 | 146,060 |
| 2028 | 101,193 |
| 2029-2033 | 505,964 |
| 2034-2038 | 505,964 |
| 2039-2043 | 505,964 |
| 2044-2047 | 404,771 |
| Total payments | \$ <u>3,313,362</u> |

Erie International Group, LLC - Liquid Bulk Terminal (Dock 20)

During 2021, the Authority and Erie Tropical Resources, LLC (Erie) and its affiliated entities worked to develop a solution to move liquid bulk cargo through the Port to the Erie International Group facility. The liquid bulk cargo will be transloaded directly from vessel to rail cars. The transload process requires the manufacture and installation of a pumping manifold system (Manifold Project) on Dock 20. The Port Authority and Erie determined that it was in their collective interest to collaborate on the design and construction of the Manifold Project.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 8: Lease and Loan Receivables (continued)

Erie International Group, LLC - Liquid Bulk Terminal (Dock 20)

On May 24, 2021, the Port Authority and MIG Acquisition LLC, DBA Erie International Group, LLC entered into a Bulk Liquid Palm Oil and OleoChemical Products Pumping Manifold System Cost Sharing Agreement (the, May 2021 Cost Sharing Agreement) to set forth the parties responsibilities for payment of anticipated costs and ownership of the Manifold Project. On November 30, 2021, the Port Authority and Erie executed an Amended and Restated Bulk Liquid Palm Oil and OleoChemical Products Cost Sharing Agreement (the, November 2021 Restated Cost Sharing Agreement) amending and restating the May 2021 Cost Sharing Agreement and transferred the same from MIG Acquisition LLC, DBA Erie International Group, LLC to Erie.

The economic terms of the November 2021 Restated Cost Sharing Agreement provides that: (1) the design, bidding and construction of the Manifold Project will be managed by the Port Authority; (2) the Port Authority agrees to advance and Erie agrees to reimburse the Authority for the costs of design, construction, inspection, permitting and other ancillary costs including legal fees and public advertisement costs for the Manifold Project in the total amount of \$1,597,165 payable by Erie by way of the following payments to the Port Authority: (a) an initial payment of \$700,000 to be paid within fourteen (14) days of execution of the agreement; (b) payment of \$97,165 on the first day of the month after construction of the Manifold Project is complete; and (c) the remaining \$800,000 to be paid in thirty-six (36) equal successive and consecutive monthly installments of \$22,222 plus interest at 5.5% per annum; (3) the Port Authority and Erie would negotiate and enter into a mutually acceptable License Agreement for the use of Dock 20 and related facilities to be approved by the Port Authority's Board; and (4) Erie agreed to provide the Port Authority a corporate guarantee in an aggregate amount of the estimated construction costs.

On February 21, 2023, the Port Authority and Erie Industrial Group, LLC executed a Second Amended and Restated Bulk Liquid Palm Oil and OleoChemical Products Pumping Manifold System Cost Sharing Agreement (the, Second Amended Cost Sharing Agreement) to amend party to Erie Industrial Group LLC (EIG). The Second Amended Cost Sharing Agreement also revised the costs advanced by the Authority for the construction of the Manifold Project from the estimated \$1,597,165 to the actual cost expended of \$1,488,022, reflected actual payments made by Erie and revised the installment loan to the reflect the final amount due to the Authority.

Construction of the Manifold Project managed by the Authority was completed in September of 2022 at a total cost of \$1,488,023. The Authority received the initial \$700,000 payment from Erie on December 2, 2021 and the second payment of \$44,011 on January 3, 2023. The remaining \$744,011 including interest at 5.5% per annum will be paid in thirty-six (36) equal and successive consecutive monthly installments of \$22,466 commencing December 1, 2022. The balance of the Installment loan at December 31, 2023 is \$489,355.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 8: Lease and Loan Receivables (continued)

Erie International Group, LLC - Liquid Bulk Terminal (Dock 20) (continued)

On October 14, 2021, the Board authorized the execution of a License Agreement between the Port Authority and Erie for the use of Dock 20. The License Agreement provides: (1) that the Port Authority will construct the Manifold Project as a public improvement; (2) that the Port Authority will advance the costs of design and construction of the Manifold Project and Erie will reimburse the Port Authority for such construction costs over three (3) years plus five and a half percent (5.5%) interest per annum; (3) that Erie will pay the Port Authority a Ten Thousand Dollar (\$10,000.00) monthly license fee; and (4) that Erie agrees to the importation of certain metric tons of products each year for which the Port Authority will receive charges under the Port Authority Tariff or pay the Port Authority an annual adjustment payment as though Erie had imported the minimum amount of products identified in the License Agreement. The License Agreement commenced on October 1, 2022 for a term of 63 months. The Authority recognized \$130,959 in lease revenue and \$49,199 in dockage and wharfage revenues as the result of the minimum annual adjustment pursuant to the License Agreement for the year ending December 31, 2023.

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

| <u>Year</u> | <u>Amount</u> |
|----------------|-------------------|
| 2024 | \$ 120,000 |
| 2025 | 120,000 |
| 2026 | 120,000 |
| 2027 | 120,000 |
| Total payments | \$ <u>480,000</u> |

OmniTRAX

On July 24, 2019, the Authority entered into a lease agreement with OmniTRAX for rail switching services, indoor storage and office space. The term of the agreement is for ten years. The agreement was amended in May of 2020 which expanded the rail services and rail car storage. The agreement provides for an annual base fee in the amount of \$3,000 set to increase annually by 2% each year along with certain additional fees dependent upon rail car movement on the Lakefront Docks. The Authority recognized \$3,592 in lease revenue under the lease agreement and \$1,850 in additional fees for rail car movement for the year ended December 31, 2023.

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

| <u>Year</u> | <u>Amount</u> |
|----------------|------------------|
| 2024 | \$ 3,269 |
| 2025 | 3,334 |
| 2026 | 3,401 |
| 2027 | 3,469 |
| 2028 | 3,538 |
| 2029 | 1,793 |
| Total payments | \$ <u>18,804</u> |

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 8: Lease and Loan Receivables (continued)

Greater Cleveland Regional Transit Authority (RTA)

On October 18, 2022, the Authority authorized the execution and delivery of a Temporary Construction Easement to RTA for the purposes of improving the Waterfront Transit Line Bridge and retaining walls. The Authority received a total of \$49,000 in 2023 for the Temporary Construction Easement. The Temporary Construction Easement was for a period of 14 months beginning at the commencement date of November 1, 2022. In 2023, the Authority recognized \$42,000 in lease revenue on its financial statements and the construction easement terminated.

Global Prairie Marketing, LLC and Desman, Inc – 1100 W9th Street Office Building

In August of 2011, the Authority purchased an approximately 24,000 square foot building located at 1100 West 9th Street in downtown Cleveland, Ohio for \$3,050,000. The Authority relocated its administrative offices to one floor of the office building in September of 2013 and entered into various lease agreements for other tenant spaces.

Global Prairie Marketing, LLC - The Authority assumed an existing lease executed in March of 2009 with Global Prairie Marketing, LLC for office and parking spaces. The lease is a five year lease subject to renewal for two additional 5 years terms. The lease was terminated in 2023. On June 1, 2023 the Authority entered into a new lease agreement with Global Prairie Marketing, LLC. The lease is a seven year lease, set to expire in 2030. The agreement provides for monthly base fee of \$9,029 along with additional fees related to the tenants pro rata share of operating expenses and real estate taxes and insurance.

The Authority recognized \$112,915 in revenue under the lease agreement and \$5,883 in additional fees related to the tenants pro rata share of operating expenses, real estate taxes and insurance for the year ended December 31, 2023.

Desman, Inc. - In October of 2018 the Authority entered into a lease agreement with Desman, Inc. for office and parking spaces. The lease is a 10 year lease subject to an option to terminate at the end of the seventh year. The term is set to expire in September of 2028. The agreement provides for annual base fee of \$420 for parking spaces and \$52,307 for the office space and with an increase of \$2,751 after the fifth year.

The Authority recognized \$62,708 in revenue under the lease agreement for the year ended December 31, 2023. The agreement also provides for additional fees related to the tenants pro rata share of certain operating expenses. These additional fees were \$2,728 for the year ended December 31, 2023.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 8: Lease and Loan Receivables (continued)

Global Prairie Marketing, LLC and Desman, Inc – 1100 W9th Street Office Building (continued)

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

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2024 | \$ 168,442 |
| 2025 | 168,442 |
| 2026 | 168,442 |
| 2027 | 168,442 |
| 2028 | 153,417 |
| 2029-2030 | <u>153,485</u> |
| Total | \$ <u>980,670</u> |

The below table summarizes future lease revenues to be recognized under GASB 87:

| Year | Principal | Interest |
|-------------|---------------------|---------------------|
| 2024 | \$ 675,855 | \$ 375,676 |
| 2025 | 746,923 | 341,439 |
| 2026 | 792,862 | 305,038 |
| 2027 | 687,528 | 268,672 |
| 2028 | 477,496 | 244,634 |
| 2029 – 2033 | 2,164,023 | 957,578 |
| 2036 – 2038 | 1,830,154 | 516,935 |
| 2039 – 2043 | 590,012 | 289,046 |
| 2044 – 2048 | 684,206 | 84,478 |
| | <u>\$ 8,649,059</u> | <u>\$ 3,383,496</u> |

Note 9: Operating Agreements

Authority as Lessor

General Cargo Docks (22-28A)

On December 13, 2018, the Authority entered into an Operating Agreement with Logistec USA, Inc., a subsidiary of Logistec Corporation, to serve as the operator and provide exclusive stevedoring, terminal and related services for the handling of general cargoes and containers to and from vessels at the Authority's International Terminals (Docks 22-28A) for the 2019/2020 shipping season. The term of the agreement was for one year commencing on April 1, 2019 and ending on March 31, 2020. The terms of the Operating Agreement provided for five (5) subsequent one (1) year renewals upon mutual agreement.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 9: Operating Agreements (continued)

Authority as Lessor (continued)

General Cargo Docks (22-28A) (continued)

The Operating Agreement, effective April 1, 2019 through March 31, 2020, had a base fee of \$470,000 per year and contained a Tonnage Assessment Schedule with the following rates: \$1.00 per ton on the first 100,000 tons; \$0.75 per ton on tons between 100,001 and 200,000; \$0.50 per ton on tons between 200,001 and 300,000; \$0.40 on tons between 300,001 and 500,000; \$0.30 on tons between 400,001 and 500,000; and \$0.25 per ton above 500,000 tons. On March 27, 2020, an Addendum to the Operating Agreement was executed for the purpose of extending the agreement for the first one-year renewal period, commencing on April 1, 2020 and ending on March 31, 2021. The economic terms of the Agreement remained the same as the initial term of the Agreement.

On April 1, 2021, a Second Addendum to the Operating Agreement was executed for the purpose of extending the agreement for the second one-year renewal period. The Agreement increased the base fee to \$477,500 per year for the April 1, 2021 to March 31, 2022 shipping season. The Tonnage Assessment Schedule was not changed.

On April 1, 2022, a Third Addendum to the Operating Agreement was executed for the purpose of extending the agreement for the third one-year renewal period. The Agreement increased the base fee to \$484,000 per year for the April 1, 2023 to March 31, 2024 shipping season. The Tonnage Assessment Schedule was not changed.

On April 1, 2023, a Fourth Addendum to the Operating Agreement was executed for the purpose of extending the agreement for the fourth one-year renewal period. The Agreement increased the base fee to \$490,000 per year for the April 1, 2023 to March 31, 2024 shipping season. The Tonnage Assessment Schedule was not changed.

On April 1, 2024, a Fifth Addendum to the Operating Agreement was executed for the purpose of extending the agreement for the fifth one-year renewal period. The Agreement increased the base fee to \$495,000 per year for the April 1, 2024 to March 31, 2025 shipping season. The Tonnage Assessment Schedule was not changed.

The Authority recognized \$488,500 in base fee income from the Operating Agreement and \$7,500 in additional rent for the year ended December 31, 2023. The Authority also recognized \$232,633 in 2022 in income associated with the Tonnage Assessment Schedules.

In total, the Authority recognized \$728,633 in fee income from property managed by the International Terminal Operator for the year ended December 31, 2023. The future fixed fee the Authority is scheduled to receive under the most recent Fourth Addendum to the Operating Agreement, via the Master Fixed Rental and Tonnage Assessment Schedule, total \$124,980, all of which is due in 2024.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 9: Operating Agreements (continued)

Authority as Lessor (continued)

General Cargo Docks (22-28A) (continued)

The Authority and Operator also entered into an additional addendum to the Operating Agreement on June 22, 2020, for the purpose of authorizing the Operator, Logistec USA, Inc., to act as the Foreign Trade Zone Operator for a portion of premises located in Foreign-Trade Zone No. 40. In order to support economic development within the region, the Authority established Foreign-Trade Zone No. 40 (the Zone) to benefit the general public and promote foreign trade. The Authority as grantee has permission from the United States Foreign-Trade Zones Board to establish, operate and maintain the Zone.

In December of 2020, the Authority and Operator received approval from the United States Customs and Border Protection to activate a portion of the premises located in the Zone, commonly known as the International Docks, with the Operator to act as the Foreign-Trade Zone Operator. The Authority retains a private contractor to provide consulting services related to Foreign-Trade Zone development and services.

This Addendum to the Operating Agreement enumerates the additional charges the Operator will pay to the Authority in relation to this activation to reimburse the Authority for the costs of the services provided by the contractor. The Operator will pay the Authority 50% of the storage related revenue received by the Operator on the initial \$50,000 of Foreign-Trade Zone related storage revenue and 25% thereafter.

During the year ended December 31, 2023, the Authority recognized \$12,001 in storage fees related to this Agreement.

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 Cleveland Browns Stadium for an annual fee of \$225,000. The terms of the agreement also provided 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 provided for a reduction in the annual fee if there is a material change in the number of spots available, based on operational needs. Subsequently, the Operating Agreement was previously amended a number of times for the purpose of extending the agreement and to adjust available game-day parking based on increased operational needs.

On July 14, 2022, an Eighth Amendment to the Operating Agreement was executed in order to extend the term of the Agreement for one year through July 31, 2023. The terms of the Agreement were not modified holding parking fees to \$4,500 per event day. On August 1, 2023, a Ninth Amendment to the Operating Agreement was executed increasing parking fees to \$7,000 per event day and extending the term of the Agreement for one year through July 31, 2024.

The Authority also operates a public parking lot commonly referred to as the “West 3rd Lot.” On May 1, 2017, the Authority entered into an agreement with a private company to provide e-parking services related to this facility. During the year ended December 31, 2023, the Authority recognized \$145,785 in parking revenues.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 9: Operating Agreements (continued)

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 duties, and enforcement responsibilities to the Authority. The agreement further provides for an 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 2023 and no rental expense was recognized.

Note 10: Long-Term Obligations

Changes in the Authority’s long-term obligations for the year ended December 31, 2023 are as follows:

| | Balance January 1, 2023 | Increase | Decrease | Balance December 31, 2023 | Due Within One Year |
|--------------------------------------|-------------------------------|-----------|--------------|---------------------------------|---------------------------|
| Direct Placement: | | | | | |
| Cleveland Bulk Terminal Project | \$ 3,259,734 | \$ - | \$ (188,882) | \$ 3,070,852 | \$ 195,893 |
| Maritime Facilities Project (2016A) | 1,206,615 | - | (202,190) | 1,004,425 | 205,000 |
| Total Direct Placement | 4,466,349 | - | (391,072) | 4,075,277 | 400,893 |
| Other noncurrent obligations: | | | | | |
| Lease payable | 279,945 | - | (20,602) | 259,343 | 16,857 |
| Subscription payable | - | 49,984 | (18,485) | 31,499 | 6,974 |
| Total long-term obligations | \$ 4,746,294 | \$ 49,984 | \$ (430,159) | \$ 4,366,119 | \$ 424,724 |

The decreases in direct placement above include amortization of reoffering premiums relating to the Maritime Facilities Project (2016A) issuances of \$2,190.

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 \$6.15 million. The property, known as Cleveland Bulk Terminal, is a vessel-to-rail transfer facility. On April 1, 2017, the Authority entered into a lease agreement for the facility with Logistec USA Inc., for the CBT facility, which was extended through March 31, 2037 (see Note 8).

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 10: Long-Term Obligations (continued)

Cleveland Bulk Terminal (continued)

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.

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 2016 Refunding Bonds are payable from; (1) rental payments or operating payments made from the Cleveland Bulk Terminal facility pursuant to Leases (see Note 8) 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 2016 Refunding Bonds the Issuer has executed an Assignment of Leases and Rents in favor of the Bond Purchaser respecting the existing Lease or subsequent lease or Operating Agreement. In addition, events of default under the Trust Indenture include the option to redeem Bonds by Bondholder under 4.07 of the Indenture (as amended by the Second Supplemental Indenture dated June 15, 2016) at election of original Bondholder upon (a) occurrence of event of bankruptcy or insolvency of tenant under lease or (b) failure of the Issuer to make any monthly payment. Section 4.07 of the Indenture also gives the Port Authority the option to redeem in whole by providing sixty days written notice to the bondholder without penalty or premium.

The principal resulting from the 2016 refunding was used to pay the remaining 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 bonds from 4.83% to 3.65%. The refunding also terminated the swap agreement the Authority had with the bank.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 10: Long-Term Obligations (continued)

Cleveland Bulk Terminal (continued)

The bonds outstanding at December 31, 2023, are payable as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------|---------------------|-------------------|---------------------|
| 2024 | \$ 195,893 | \$ 108,830 | \$ 304,723 |
| 2025 | 203,164 | 101,559 | 304,723 |
| 2026 | 210,705 | 94,018 | 304,723 |
| 2027 | 218,525 | 86,198 | 304,723 |
| 2028 | 226,636 | 78,087 | 304,723 |
| 2029 – 2033 | 1,265,783 | 257,834 | 1,523,617 |
| 2034 – 2037 | 750,146 | 37,055 | 787,201 |
| Total payments | <u>\$ 3,070,852</u> | <u>\$ 763,581</u> | <u>\$ 3,834,433</u> |

The cost and carrying amount of the CBT facility was \$33.90 million and \$26.42 million, respectively, at December 31, 2023.

Hulett Preservation - On February 8, 2018, the Board approved a Memorandum of Agreement (MOA) among the Authority, U.S. Army Corps of Engineers, Ohio State Historical Preservation Office, Canalway Partners and the Advisory Council regarding application for permit to conduct maintenance dredging at CBT and authorizing expenditures for implementation of the MOA in an amount not to exceed \$515,000.

When the CBT Terminal was purchased in 1997, the property was listed in the National Register of Historic Places primarily due to the presence of four Hulett ore loaders which had been used to move iron ore off of ships (Huletts) until rendered obsolete by newer technology. In 1997, the Authority submitted a Historic Mitigation Plan to the Cleveland Landmarks Commission that was approved subject to certain conditions. In 1999, the USACE issued a letter of permission authorizing dredging which was to remain in effect until May of 2004. However, there was a lawsuit filed against the USACE and Port Authority claiming the dredge permit was issued in violation of the National Historic Preservation Act (NHPA). The court dismissed the Port Authority from the lawsuit but ruled the USACE did not fully comply with the NHPA procedure. As a result the letter of permission was revoked.

Since 2007, the Port Authority has worked diligently with all the consulting parties to develop a MOA to preserve significant elements of the remaining Huletts and move them to a new location as a condition for a maintenance dredging permit, an application for which has been re-filed. After many years of negotiating with the USACE and interested parties, the MOA referenced above was fully executed on May 4, 2018, and the requested permit was issued.

The MOA provides, in part, that: 1) the Port Authority will prepare a Huletts Historical Review at a cost not to exceed \$15,000 to be filed with the State Library of Ohio; 2) a working group will be formed, led by Canalway Partners, to develop a plan to relocate the remaining Huletts or Hulett artifacts to a new location within three years of the execution of the MOA; 3) The Port will allow storage of two Huletts and three Shunt Engines at CBT for no more than three years from the execution of the MOA; and 4) The Port will pay up to \$500,000 of the costs of relocation and display, which costs may be offset by the scrap value of remaining Huletts or portions thereof not utilized in the display.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 10: Long-Term Obligations (continued)

Cleveland Bulk Terminal (continued)

If no public display can be accomplished within three years of execution of the MOA, the Port is permitted to dispose of the Hulets in any manner it determines, including selling for scrap value, the funds of which, up to \$500,000, would go to Canalway Partners and Ohio State Historic Preservation Office. The Port is responsible to pay any shortfall in the scrap value less than \$500,000.

Due to delays encountered as a result of the Covid-19 pandemic the members of the group agreed to extend the initial July 2021 deadline to continue working toward resolution in 2022.

No alternative plan or further extension to the MOA was agreed to by the working group in 2022. During 2022, the Canalway Partners requested and the Authority remitted \$32,994 for the reimbursement of planning costs related to this activity. A liability of \$467,006 was recorded on the Authority's financial statements in 2022, pursuant to the MOA.

On March 28, 2024 the Authority entered into a professional services agreement with Northern Ohio Scrap Service, Corp. for an amount not-to-exceed \$143,890 for general clean-up services including grubbing, clearing and removal of trees at the CBT terminal. On April 8, 2024, the Authority entered into a second professional services agreement with Northern Ohio Scrap Service, Corp. to perform Hulett removal, including scrap, salvage and additional clean-up services. The total cost for the April 8, 2024 service agreement is net of scrap value, subject to certain stop loss and credit protection provisions and is estimated to result in proceeds payable to the Authority of \$46,595. The project is anticipated to be completed by July 1, 2024.

The Authority has agreed to store a bucket and bucket arm for up to a year to allow more time for preservationists to secure a suitable location for their display and raise funds for their removal. In addition, a shunt engine that was part of the Hulett unloading system has been salvaged and donated to the American Industrial Mining Co Museum in Brownsville, PA.

1997 Port Maritime Facilities Refinancing 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, mature on May 15, 2027 and bear interest at 5.75% and 5.80% annually. Proceeds from the bonds were used for the purpose of improving Dock 20 by providing bulkheading and various transportation improvements to be used in the operation of the Port of Cleveland.

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.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 10: Long-Term Obligations (continued)

1997 Port Maritime Facilities Refinancing Project (Series 2016A Bonds) (continued)

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.

Debt service under the bonds is secured by non-tax revenues of the Authority, being paid primarily from the lease payments made by Heidelberg Materials US Cement LLC (Heidelberg), formerly Lehigh Hanson ECC, Inc., in connection with a Ground Lease and Operating Agreement (Lease), pursuant to which Heidelberg, 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 lease, which was \$106,800 at the inception of the lease and is subject to an annual CPI increase and (2) an Improvement Rental, dated November 6, 1997, and amended in 2011 (see Note 8).

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, 2023 are payable as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------|---------------------|-----------------|----------------|
| 2024 | \$ 205,000 | \$ 33,345 | \$ 238,345 |
| 2025 | 215,000 | 26,062 | 241,062 |
| 2026 | 220,000 | 18,427 | 238,427 |
| 2027 | <u>360,000</u> | <u>6,318</u> | <u>366,318</u> |
| Total payments | 1,000,000 | \$ 84,152 | \$ 1,084,152 |
| Unamortized premium | <u>4,425</u> | | |
| Total | <u>\$ 1,004,425</u> | | |

The cost and carrying amount of the property at Dock 20 was \$3.5 million and \$1.06 million, respectively, at December 31, 2023.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 10: Long-Term Obligations (continued)

Lease Payable - The Authority entered into contracts for the use of government owned property for docking deep draft vessels, shipping and receiving merchandise, and for loading and unloading bulk commodities in connection with a multi-modal cement transfer facility and copier equipment. The contracts meet the definition of a lease under GASB Statement No. 87. A summary of the principal and interest amounts for the remaining lease is as follows:

| Year | Principal | Interest |
|-------------|-------------------|-------------------|
| 2024 | \$ 16,857 | \$ 18,006 |
| 2025 | 11,853 | 8,640 |
| 2026 | 6,098 | 8,274 |
| 2027 | 6,316 | 8,056 |
| 2028 | 7,262 | 7,829 |
| 2029 – 2033 | 41,165 | 35,045 |
| 2033 – 2038 | 53,192 | 26,831 |
| 2039 – 2043 | 67,737 | 16,285 |
| 2044 – 2048 | 48,863 | 3,547 |
| | <u>\$ 259,343</u> | <u>\$ 132,513</u> |

Subscription Payable - The Authority entered into a noncancelable SBITA agreement for operation software. The contracts meet the definition of a SBITA under GASB Statement No. 96. A summary of the principal and interest amounts for the remaining liability is as follows:

| Year | Principal | Interest |
|-------------|------------------|-----------------|
| 2024 | \$ 6,974 | \$ 1,065 |
| 2025 | 7,266 | 1,255 |
| 2026 | 8,150 | 883 |
| 2027 | 9,109 | 466 |
| | <u>\$ 31,499</u> | <u>\$ 3,669</u> |

Note 11: 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.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 12: Capital Grant and Contribution Activity

Dock 24 and 26 Master Modernization and Rehabilitation Project - On September 16, 2019, the Authority submitted a grant application through the Port Infrastructure Development Program (PIDP) seeking federal assistance for the Dock 24 and 26 Master Modernization and Rehabilitation Project (Dock Modernization Project). The PIDP provides grant funding on a competitive basis through the U.S. Department of Transportation's (USDOT) Maritime Administration (MARAD) for projects that will improve the safety, efficiency or reliability of the movement of goods into, out of, around or within a port.

The Dock Modernization Project invests in the Port Authority's most highly utilized berths which are critical and instrumental to the Authority's short and long range business plans. The project includes reconstruction of the Dock 26W bulkhead, Dock 24 pile cap, fender systems, bollards, and raising elevations of both docks, installation of a filter treatment system, reconstruction of the rail spur, structural pavement, and the completion of a fiber-optic communication loop.

On February 11, 2020, the (USDOT) Maritime Administration announced that the Authority had been awarded \$11.0 million dollars in grant funding through the PDIP program in support of the Authority's \$18.5 million Dock Modernization Project. During 2020, the Authority provided MARAD with various additional information including environmental clearance, risk register, detailed project information etc. as required by MARAD in advance of the execution of the grant agreement.

On March 26, 2020, the Authority submitted a grant application seeking additional support for the Dock Modernization Project through the Ohio Department of Transportation (ODOT) Ohio Maritime Assistance Program (MAP). The MAP program is dedicated exclusively to supporting water-based freight infrastructure. On May 18, 2020, the Authority was notified that it had been awarded a grant in the amount of \$6,259,000 through the MAP program in support of the Dock Modernization Project. On April 20, 2021, the Authority was awarded an additional \$1,236,213 in MAP grants in support of this Project.

On July 15, 2021, the Board ratified and accepted the PIDP grant funds in the amount of \$11.0 million in support of the Dock Modernization Project in accordance with the terms and conditions of MARAD's Grant Agreement. The Board also ratified and accepted the MAP grant funds in the amount of \$7,495,213 and authorized the execution of a Local-Let Project Administration Agreement with ODOT for the Project. The minimum 50% match on the MAP grant funds are being provided by the PIDP grant.

In October of 2021, the Authority submitted an additional MAP grant application seeking additional support for portions of exercisable Add Alternate work associated with the Dock Modernization Project. On December 1, 2021, the Authority was awarded an additional \$946,884 in MAP grants in support of the Project. On December 16, 2021, the Board ratified and accepted the additional MAP grant funds and authorized an amendment to the existing Local-Let Agreement with ODOT.

During 2021, the Authority recognized \$4,907,544 in grant revenue related to the Dock Modernization Project, \$2,919,989 and \$1,987,555 from the PIDP and MAP grants, respectively.

During 2022, an additional \$14,357,299 in grant revenue was recognized related to the Dock Modernization Project, \$8,080,011 and \$6,277,288 from the PIDP and MAP grants, respectively. In June of 2022, reconstruction of Dock 26W was completed and placed-in-service at a cost of \$10,605,144.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 12: Capital Grant and Contribution Activity (continued)

Dock 24 and 26 Master Modernization and Rehabilitation Project (continued)

During 2023, an additional \$177,254 in grant revenue was recognized from the MAP grant related to the Dock Modernization Project. In April of 2023, reconstruction of Dock 24 was completed at a cost of \$12,220,675, \$9,932,966 of which was construction in progress at December 31, 2022.

Final project costs for the Dock Modernization Project totaled \$22,825,819. Total capital grant funding totaled \$19,442,097 from the PIDP and MAP grants totaling \$11.0 million and \$8,442,097, respectively. As of December 31, 2023, all grant revenue related to the project has been recognized. At December 31, 2023, \$41,753 in grant funds were receivable from the PIDP grant.

Cleveland Harbor Eastern Embayment Resiliency Study (CHEERS Project) – The Authority has been working cooperatively with various governmental and non-profit entities to further the CHEERS Project. Five public entities, the Cleveland Metroparks, the City of Cleveland, the Ohio Department of Natural Resources, the Ohio Department of Transportation and the Port Authority joined efforts to take on lakefront challenges faced by each organization to provide mutual benefit and improve public assets. The final conceptual plan for the CHEERS Project is an 80-acre land mass anticipated to provide approximately 3.1 million cubic yards of dredge capacity and create essential natural habitat for birds, fish, and other species. The habitat will also protect the shoreline and nearby critical infrastructure.

In November 2021, the Cleveland Metroparks was awarded \$985,000 from the National Fish and Wildlife Foundation (NFWF) National Coastal Resilience Fund (NCRF) in support of the CHEERS Project. Through matching funds from the five project partners, the award will support a total of \$1.97 million in design and engineering of the first phase of the transformative shoreline project on Cleveland's East Side.

On March 10, 2022, the Board ratified the acceptance of a State of Ohio, MAP grant in the amount of \$1.97 million in support of the CHEERS Project. The grant requires a 50% contribution match for which the Authority plans to use funds committed by the project partners and the NFWF grant awarded to the Cleveland Metropolitan Park District (Cleveland Metroparks).

On September 30, 2022, the Authority entered into a Project Development Agreement (PDA) with the Board of Park Commissioners of the Cleveland Metroparks to articulate the relationship and primary roles and responsibilities of the two primary parties (the Parties). The PDA stipulates (a) the Parties will work cooperatively to prepare a consulting agreement for design, engineering and permitting services in accordance with an RFP process, consistent with Ohio law and each party's regulations (b) anticipates that the NFWF and State of Ohio, Map grant funds will be sufficient to cover certain portions of the consultant agreement (c) establishes that Cleveland Metroparks will coordinate local match payments and in-kind services previously committed by the six project partners and (d) the Authority will manage consultant pay requests subject to availability of funds. The PDA further anticipates that the Authority will control the property through submerged land lease with the State and maintain the containment structure and the Cleveland Metroparks will sublease the property and manage park operations through each phase of construction.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 12: Capital Grant and Contribution Activity (continued)

Cleveland Harbor Eastern Embayment Resiliency Study (CHEERS Project)(continued)

Pursuant to the PDA, on November 2, 2022, the Parties executed a consultant agreement with Arup, US, Inc. (Arup Agreement), in the amount of \$3,734,833 for design, engineering and permitting services related to the CHEERS Project. At December 31, 2022, the Authority recorded expenditures of \$333,570 to construction in progress and \$333,570 to capital contribution revenue, all of which were receivable from the Cleveland Metroparks. All funds were subsequently received in 2023. No State of Ohio, Map funds were requested or received during 2022. Map funds will be drawn down after Metroparks funding has been exhausted.

Subsequent to the November 2, 2022 execution of the Arup Agreement, the NFWF awarded the CHEERS Project, via a grant to the Cleveland Metroparks, an additional \$2.0 million to advance the design details of the project above the marine structures. On May, 11, 2023 the Board authorized the execution of add services to the Arup Agreement in an amount not to exceed \$2.0 million. On October 16, 2023, the Parties executed an amendment to the consultant agreement with Arup, US, Inc. in the amount of \$2.0 million dollars increasing the total amount of the Arup Agreement to \$5,734,833.

In 2023, the Authority recorded additional expenditures of \$2,155,408 to construction in progress related to the CHEERS Project and recognized \$1,431,430 in capital contribution revenue from the Cleveland Metroparks and \$621,561 in capital grant revenue from ODOT. At December 31, 2023, \$49,938 was receivable from the Cleveland Metroparks and \$379,716 from ODOT, all of which was paid in the first quarter of 2024.

U.S. Customs and Border Protection Cargo and Administrative Project (USCBP Facilities Project) - On December 15, 2022, the Board ratified the acceptance of a State of Ohio, MAP grant in the amount of \$1,020,933 in support of the USCBP Facilities Project. The State of Ohio, MAP grant requires a 50% contribution match to be provided by the Authority.

The USCBP Facilities Project repurposed areas of Warehouse 26, located on the General Cargo Terminal and the lower level of the Authority's Administrative Headquarters to provide required onsite facilities for the USCBP. Construction of the USCBP Facilities Project commenced in January and was completed in October of 2023. Total costs for the USCBP Facilities Project totaled \$2,412,048. The Authority recognized \$1,020,933 in grant revenue related to the USCBP Facilities Project from the MAP grant during 2023. At December 31, 2023, \$44,143 was receivable, which was received in the first quarter of 2024.

Dock 20N Cargo Diversification Project (Dock 20N Project) – On May 11, 2023, the Board ratified and accepted \$1,962,500 in MAP grant funds in support of the Dock 20N Project. The State of Ohio, MAP grant requires a 50% contribution match to be provided by the Authority. The Dock 20N Project will improve efficiencies and reduce handling costs of containers through the Port. Construction of the Dock 20N Project commenced in July of 2023 and is projected to be completed in the second quarter of 2024 at an estimated cost of \$3.9 million. During 2023, the Authority recognized \$1,201,417 in grant revenue related to Dock 20N Project. At December 31, 2023, \$539,495 was receivable, all of which was received before April 30, 2024 with the exception of \$60,071 in retainage due at project completion.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 12: Capital Grant and Contribution Activity (continued)

Electrification and Warehouse A Modernization Project (Warehouse A Project) - On October 28, 2022, the (USDOT) Maritime Administration announced that the Authority had been awarded \$27.22 million dollars in grant funding through the PDIP program in support of the Authority's \$34.03 million Warehouse A Project. The Warehouse A Project will modernize Warehouse A; expand stormwater collection and treatment infrastructure; and install electric infrastructure to meet the power requirements of ship cold ironing and electrified cargo handling equipment. The design and engineering components of the Warehouse A Project are projected to be completed by the end of 2024 with construction commencing in January of 2025 and anticipated completion by December 31, 2027.

During 2023, the Authority worked to environmentally clear the project and execute the PDIP grant agreement. The Authority identified that the Warehouse A Project would require pre-design professional services to assist with planning efforts. The Authority sought and received pre-grant award authorization from MARAD on March 27, 2023 to begin incurring certain grant-related costs to be reimbursed by MARAD after execution of the grant agreement.

In May of 2023, the Authority entered into a Consultant Agreement with Jacobs Engineering Group, Inc. for professional services in the form of master planning, engineering, data collection and other services. The consulting services were completed in November of 2023 at a cost of \$397,332. In December of 2023, MARAD delivered the final copy of the grant agreement to the Authority for execution. On February 8, 2024, the Board ratified and accepted \$27,223,711 in PIDP grant funds in support of the Warehouse A Project.

In December of 2023, the Authority was notified that it was successful in securing \$4,931,941 in grant funding through the ODOT MAP program in support of the Warehouse A Project. On February 8, 2024, the Board ratified the acceptance of these funds. No grant eligible expenses were expended or received for this funding during 2023.

During 2023, the Authority recognized \$397,332 in grant revenue related to the Warehouse A Project. At December 31, 2023, \$397,332 was receivable and in process for reimbursement by MARAD.

Advanced Cargo Processing & Fiber Connectivity Project (Advanced Cargo Project) - During 2023, the Authority applied for a \$2.45 million Congestion Mitigation and Air Quality (CMAQ) grant to support the \$3.07 million Advanced Cargo Project. The Advanced Cargo project will integrate main gate access, complete fiber-based communications network and install wayfinding and loading zone improvements to reduce truck congestion. The CMAQ grant program requires that the 20% local contribution share be encumbered and restricted. On May 11, 2023, the Board authorized and approved restricting \$613,200 as a cost share contribution. On December 20, 2023, the Authority was advised by NOACA that the Advanced Cargo Project had been selected for funding. The Project is scheduled for funding beginning in 2027.

Irishtown Bend Stabilization Project (ITB Project) - The Port Authority has been leading the effort with various governmental agencies and non-profit corporations to stabilize the Irishtown Bend hillside as part of its strategic policy to Lead Critical Initiatives for River Infrastructure & Renewal (see Note 20). The ITB Project includes approximately 2,204 linear feet of steel bulkhead along the Cuyahoga Ship Channel knowns as Irishtown Bend, Westerly Low-Level Interceptor (WLLI) sewer repair, Franklin Boulevard reconstruction and utility reconstruction.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 12: Capital Grant and Contribution Activity (continued)

Irishtown Bend Stabilization Project (ITB Project)

Construction commenced in July of 2023 and is projected to be completed during the fourth quarter of 2025. Total costs for the ITB Project are estimated to total \$64.9 million. The ITB Project is funded by various federal, state and local grants and contributions totaling approximately \$59.4 million. The Authority and funding partners plan to mitigate the up-to \$5.5 million third-party funding shortfall by applying for additional federal, state and local grant funding opportunities and/or a reduction in scope of the construction contract.

During 2023, the Authority received \$10.0 in grant contributions for the ITB Project in advance of grant eligible expenditures, \$5.0 million from the City of Cleveland pursuant to the Irishtown Bend Stabilization Funding Agreement and \$2.5 million each from the City of Cleveland and Cuyahoga County pursuant to the Irishtown Bend Stabilization Partner Funding Agreement. These funds are held by the Authority to be utilized for future grant eligible expenditures for the ITB Project. The City and County have authorized interest earned on these funds to be used in furtherance of the ITB Project. At December 31, 2023, the balance of funds in these accounts totaled \$9,960,567 and are reported on the Authority's financial statements as restricted cash with an offsetting liability to deferred grant revenue.

The Authority also recorded \$7,025,571 in expenditures, \$6,178,655 to construction in progress and \$846,917 in pass through grant expense related to the ITB Project during 2023. At December 31, 2023, \$4,354,957 of these expenditures were payable. The Authority also recorded \$5,899,905 in grant and contribution revenue and \$846,917 in pass-through grant revenue related to these expenditures. At December 31, 2023, \$5,519,387 of the funding was receivable. As of April 30, 2024, all expenditures had been paid with the exception of \$278,750 in retainage which will be paid at project closing. \$175,361 remains receivable which is in process of reimbursement to the Authority by various funding partners. Further detail of these transactions are provided below.

On March 9, 2023, the Board authorized the Authority to enter into a contract with the Wade Trim Company in an amount not-to-exceed \$3,643,727 for the purposes of acting as the Authority's representative by providing construction management and inspection services during construction associated with the Irishtown Bend Project. The Board also authorized change order (CO-2) to the Osborn Engineering Services Agreement, executed on July 19, 2019 (see Note 20) expanding the scope of engineering services for the Irishtown Bend Project in an amount not-to-exceed \$1,249,300. During 2023, \$1,190,401 was recorded as construction in progress and \$275,219 was payable at December 31, 2023, all of which was paid by the Authority during the first quarter of 2024.

On July 13, 2023, the Board authorized the Authority to enter into a contract with Goettle Construction, Inc. in an amount not-to-exceed \$59,946,038, including a \$2,780,000 owner-controller contingency, to begin construction of the ITB Project. Construction on the ITB Project commenced in July of 2023 and is projected to be completed during the fourth quarter of 2025. During 2023, expenditures of \$4,988,255 and \$586,744 were recorded as construction in progress and pass-through grant expense, respectively. At December 31, 2023, \$4,077,437 was payable and was paid by the Authority prior to April 30, 2024, with the exception of \$278,750 in retainage payable that will be paid out at the completion of the ITB Project.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 12: Capital Grant and Contribution Activity (continued)

Irishtown Bend Stabilization Project (ITB Project) (continued)

During 2023, additional ancillary expenses of \$260,173 were recorded as a pass-through grant expense related to the ITB Project.

In February of 2021, the Authority executed an LPA Non-Federal Non-Let Project Agreement with the State of Ohio, Department of Transportation (ODOT) awarding \$1,000,000 in support of the ITB Project. During 2023, the Authority recognized \$138,323 in grant revenue from ODOT, all of which was receivable at December 31, 2023 and subsequently received prior to April 30, 2024.

In August of 2021, the Authority submitted an application to the United States Environmental Protection Agency (USEPA) for a Great Lakes Restoration Initiative Grant to add enhancements to the bulkhead at Irishtown Bend to create a habitat for fish along that area of the ship channel. The Authority was subsequently notified that it had been awarded funds in the amount of \$1.7 million from the USEPA in support of the ITB Project. No matching funds are required for this grant. On March 10, 2022, the Board ratified the acceptance of the grant from the USEPA, Great Lakes Restoration Initiative Program. No grant eligible expenditures were incurred during 2023.

In the fall of 2021, the Authority submitted a grant application seeking support for the ITB Project through ODOT MAP. On December 1, 2021, the Authority was notified that it had been awarded a grant in the amount of \$5.0 million in support of the ITB Project. On March 10, 2022, the Board ratified the acceptance of these funds which require a 50% match contribution for which the Authority plans to use local funds committed to the ITB Project. On June 12, 2023, the ODOT MAP grant was revised to include an additional \$3,554,867 increasing the grant awarded to a total of \$8,554,867. During 2023, the Authority recognized \$1,397,193 in grant revenue from the ODOT MAP program. At December 31, 2023, \$667,980 was receivable and subsequently received prior to April 30, 2024.

On March 10, 2022, the Board authorized entering into the Irishtown Bend Stabilization Partner Funding Agreement with the Northeast Ohio Areawide Coordinating Agency (NOACA), the City of Cleveland (the, City), and Cuyahoga County (the, County) for a portion of the funding of construction on the ITB Project and authorized the expenditure of funds. NOACA has been allocated a portion of Coronavirus Response and Relief Supplemental Appropriations (CRRSAA) funding and has allocated \$12,300,000 in CRRSAA funding to the ITB Project. The allocation of the funds required a commitment from other project partners, namely the City, County and Port Authority, to secure the funding. The City and County have committed to provide up to \$2.5 million each in matching funds and the Authority has agreed to commit a minimum of \$2.5 million from State of Ohio MAP program grant funds previously awarded. During 2023, the Authority recognized \$66,574 in contribution revenue from the County pursuant to this agreement. At December 31, 2023, \$42,664 was receivable and was subsequently received prior to April 30, 2024.

On October 13, 2023, the Authority entered into an Irishtown Bend Stabilization Funding Agreement with the City of Cleveland to set forth an additional \$5.0 million funding commitment made by the City to assist in the implementation of the ITB Project. During 2023, the Authority recognized \$543,703 in contribution revenue pursuant to this agreement. At December 31, 2023, \$472,029 was receivable and was subsequently received prior to April 30, 2024.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 12: Capital Grant and Contribution Activity (continued)

Irishtown Bend Stabilization Project (ITB Project) (continued)

In November of 2023, the Authority entered into a Subaward Agreement with NOACA to establish the Authority as a subrecipient for US DOT funds to be pass-through NOACA in support of the ITB Project. These grants include the \$12.3 million in CRRSAA funds discussed previously, a \$9,020,000 Infrastructure for Rebuilding America (INFRA) grant and a \$4,512,423 Surface Transportation Block (STBG) grant. During 2023, the Authority recognized \$3,754,112 in grant revenue from the INFRA program. At December 31, 2023, \$3,754,112 was receivable, all of which was received prior to April 30, 2024 with the exception of \$132,999 which is in process for reimbursement by NOACA.

In 2019, the Authority entered into a Cooperative Project Agreement with the Northeast Ohio Regional Sewer District (NEORSD Cooperative PA) for the purpose of stabilizing the slope and relining certain structural anomalies from the Westerly Low Level Interceptor (WLLI), which is owned by the NEORSD and is located within the slope under Riverbend Road. The NEORSD agreed to provide \$7,000,000 million toward the ITB Stabilization Project. During 2023, the Authority expended \$232,533 to Goettle Construction, Inc. related to the ITB Project and invoiced these costs to the NEORSD. At December 31, 2023, \$165,607 of these costs were payable by the Authority and receivable from NEORSD. As of April 30, 2024 all costs had been paid and reimbursements received. This component of the ITB Project has been classified as a pass-through grant on the Authority's financial statements ending December 31, 2023, reporting \$232,533 in revenue and offsetting expenditures and has no impact on the Authority's Change in Net Position.

In July of 2023, Riverbed West committed \$1,394,766 in funding to the ITB Project. During 2023, the Authority expended \$144,766 to Goettle Construction, Inc related to the ITB project and invoiced these costs to Riverbed West. This component of the ITB Project has been classified as a pass-through grant on the Authority's financial statements ending December 31, 2023, reporting \$144,766 in revenue and offsetting expenditures and has no impact on the Authority's Change in Net Position.

On October 21, 2021 the Port Authority entered into a three party agreement with Cuyahoga County (the, "County") and the City for the purpose of funding the reconstruction and realignment of Franklin Boulevard (Franklin Blvd. Project). The anticipated cost of the Franklin Blvd. Project was estimated at \$2,149,000. The County agreed to provide 80% of the cost of the Franklin Blvd. Project, up to a maximum of \$1,719,000. The City agreed to provide 20% of the estimated cost of the Franklin Blvd Project with an additional \$570,200 to be provided after the County costs of \$1,719,000 had been expended. During 2023, the Authority expended \$209,444 to Goettle Construction, Inc. related to the ITB project and invoiced \$156,069 to the County and \$53,375 to the City. At December 31, 2023, \$177,448 was payable by the Authority and \$156,069 and \$53,375 was receivable from the County and City, respectively. As of April 30, 2024, all costs have been paid by the Authority and \$42,362 is receivable from the City. This component of the ITB Project has been classified as a pass-through grant on the Authority's financial statements ending December 31, 2023, reporting \$209,444 in revenue and offsetting expenditures and has no impact on the Authority's Change in Net Position.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 12: Capital Grant and Contribution Activity (continued)

Irishtown Bend Stabilization Project (ITB Project) (continued)

City of Cleveland/Cleveland Metroparks - On May 31, 2023, a Memorandum of Understanding (MOU) was entered into between the Authority, the City of Cleveland, Riverbed West, and the Cleveland Metroparks to allow the City pursuant to Ordinance 529-2020 to transfer up to \$265,000 for demolition of certain areas of 1545 W. 25th Street to the Authority. The Cleveland Metroparks contracted with a private company to further demolish the building. During 2023, the Authority expended \$216,752 to the Cleveland Metroparks for the demolition expense. The Authority was reimbursed by the City pursuant to the MOU. This contribution is classified as a pass-through grant on the Port Authority's financial statements ending December 31, 2023, reporting \$216,752 in revenue and offsetting expenditures and has no impact on the Authority's Change in Net Position.

An additional 43,421 in design fees related to Franklin Blvd. were expended during 2023 and funded by a third party. At December 31, 2023, \$2,301 was payable by the Authority and receivable from the third party fund. As of April 30, 2023, the expenditure has been paid by the Authority and the receivable has been received from the third party. This contribution is classified as a pass-through grant on the Port Authority's financial statements ending December 31, 2023, reporting \$42,421 in revenue and offsetting expenditure and has no impact on the Authority's Change in Net Position.

Great Lakes Towing Company (GLT), is a 119 year old, diversified towing company that operates the largest fleet of tugboats on the Great Lakes, and also operates a commercial shipyard located on the Cuyahoga River providing repair, maintenance and new builds. On behalf of GLT, the Authority applied for a grant from the U.S. Environmental Protection Agency (USEPA) to augment funding provided to GLT from the Ohio Environmental Protection Agency (OEPA). The USEPA grant is for assistance in providing three tugs with a hybrid propulsion system to decrease emissions. The USEPA requires a public agency to be the recipient of grant funds. In 2018, the USEPA awarded grant funds of \$750,000.

In August of 2022, GLT submitted a reimbursement request to the Authority. Funding was received from the USEPA on August 19, 2022 and was transmitted to GLT on August 29, 2022. This grant is classified as a pass-through grant on the Authority's financial statements ending December 31, 2022, reporting \$375,000 in revenue and offsetting expenditures and has no impact on the Authority's Change in Net Position.

In April of 2023, GLT submitted the final reimbursement request to the Authority which was then submitted to the USEPA. Funding was received from the USEPA on April 17, 2023 and was transmitted to GLT on April 26, 2023.

The Authority also received an additional \$4,272 in capital contributions during 2023 from a lessee as a cost share for certain improvements at the CBT terminal.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 13: 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 Ohio Revised Code (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 was upgraded on March 27, 2019, by Standard & Poor’s to ‘A-’ from ‘BBB+’.

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

Additionally, in 2004, the Authority’s Board 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 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, 2023.

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.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 13: No-Commitment Debt (continued)

Common Bond Fund Program (continued)

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 \$7.61 million at December 31, 2023, 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, 2023 were composed of a \$7.25 million cash reserve and a \$12 million irrevocable, nonrecourse letter of credit from a financial institution, which expires on December 1, 2024.

In October of 2021, the Authority and JobsOhio (JO) entered into a Cooperative Agreement for JO to provide additional reserves for the Common Bond Fund Program. The Authority adopted the 50th Supplemental Indenture which formally committed the \$10 million JO Reserve to the Bond Fund. The JO Reserve is a stand-by reserve to be accessed only in the event that 100% of the existing parity reserves of the Port Bond Fund is depleted. The Authority has no responsibility to repay drawn amounts on the reserve.

The issuances through the Common Bond Fund Program are reflected on the Supplemental Schedule – Common Bond Funds on page 92.

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.

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.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 13: No-Commitment Debt (continued)

Stand Alone Financings (continued)

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

The aggregate amount of outstanding debt for the Bond Fund was \$53,255,000 (excluding the 2016A bonds that are obligations of the Authority) and Stand Alone Financing Obligations were \$1,832,143,961 as of December 31, 2023. See the Supplemental Schedules of Common Bond Funds and Stand Alone Issuances starting on page 93.

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 GASB Statement No. 91, *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 14: 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 have been deployed as investments in qualifying low income community businesses.

NEODF applied for further credits in 2022 and received notice in October of 2022 of award of a new \$45.0 million allocation. NEODF deployed \$9.8 million of its NMTC allocation for the Cleveland Clinic Midtown Collaboration Center Project, and \$6.86 million of its NMTC allocation for the Greater Cleveland FoodBank in 2023, and Cleveland Christian Home project, pending at the end of 2023, for which \$5.88 million of the NMTC allocation had been committed, closed in February 2024.

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 appoints a majority of the governing Board of Directors of NEODF and receives certain fees and other monies from investments made by NEODF and related organizations under the program.

The Authority recognized fees of \$450,000 in 2023, \$562,500 in 2019, \$387,000 in 2018, \$337,500 in 2017, \$697,500 in 2016, and \$747,000 in 2013 from tax credit investments made by NEODF and related subsidiary LLC’s. No fees were recognized in 2022, 2021, 2020, 2015 or 2014.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 14: New Market Tax Credit Program (continued)

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.

These fees represent 45% of the total amount which is due to NEODF, before accounting for organizational expenses, such as legal and compliance fees. The Authority has not booked a receivable on the Statement of Net Position for these amounts, due to the uncertainty of the underlying transactions and compliance issues. An application for an additional allocation of credits was filed by NEODF in 2023.

Note 15: 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 of 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 “PILOTS”) 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 PILOTS 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 PILOTS are insufficient to cover the debt service and administrative expenses on the Bonds (the “Special Assessments”, and together with the PILOTS, the “Financing Payments”); and (c) monies in certain funds and accounts held by the Trustee.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 15: University Square 2001 Revenue Bonds (continued)

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 Cleveland Heights-University Heights School District (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 PILOTS 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.

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 PILOTS 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 PILOTS and Special Assessment payments and failing to cure these defaults following notice.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 15: University Square 2001 Revenue Bonds (continued)

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.

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 (USREH), 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 USREH.

The settlement does not release, waive or discharge any unpaid property taxes, PILOTS 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. Special Assessments were not certified in 2017 for collection by the City in 2018 by agreement of the City and Trustee in order to assist in redevelopment of the Development Site. No debt service payments were made during 2017, 2018, 2019 or 2020. Redevelopment efforts by the City are uncertain at this time.

One development effort was proceeding after the City, School Board and Developer agreed to a new Compensation Agreement, TIF Agreement and other agreements for a potential development of a portion of the vacant retail space into residential rental apartments (the “New Project”) and creation of a new TIF District to support refunding of the existing bonds. In addition, the Trustee, Majority Bondholder, Cuyahoga County and the Land Bank were working together to present a restructuring/refinancing proposal to the Port Authority. This proposal was subject to a number of contingencies that did not materialize. On April 29, 2022, the Trustee filed an EMMA Notice which included a letter from the City threatening eminent domain to acquire the parking garage and other parcels.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 15: University Square 2001 Revenue Bonds (continued)

On July 11, 2023, USREH filed a voluntary petition for bankruptcy with the United States Bankruptcy Court for the Northern District of Ohio, Case No. 23-12301. On August 9, 2023, USREH as debtor in the bankruptcy proceedings filed a motion to approve bidding procedures to sell substantially all of the USREH assets, included USREH's membership interest in University Square Parking, LLC. The motion also identified a stalking horse bidder, University Square Acquisitions, LLC ("USA LLC"). USA LLC is an affiliate of the Developer who had been in negotiations with the City, School Board and Port Authority before USREH filed the petition for Bankruptcy.

Throughout the course of 2023, negotiations continued between USREH, Macy's and Target, the City and various other interested parties on the scope and details of the bidding procedures and eventual request to sell substantially all of the assets of USREH to USA LLC. Ultimately, the parties were able to negotiate an agreement regarding the sale of debtor's assets and on March 5, 2024, Debtor USREH filed an amended motion to sell substantially all of the assets of Debtor to USA LLC free and clear of all liens. On March 27, 2024, the Bankruptcy Court issued an order approving the sale of substantially all of the Debtor's assets to USA LLC. Currently, the various parties to the transaction are finalizing the documents to complete the transfer of the assets to USA LLC and take the Port Authority out of the chain of title. The parties anticipate closing to occur in the second quarter of 2024.

Note 16: 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 foregone tax dollars for the tax year 2023 are estimated to be \$83,691. 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 17: City of Parma - Shoppes at Parma Project 2014B Bonds

On February 21, 2018, the Authority was notified of a "Specified Event" as defined in the continuing disclosure agreement related to the above-referenced Bonds ("Bonds"). Proceeds of the Bonds were used pursuant to a Cooperative Agreement among the Port Authority, the City of Parma ("City"), Parmatown Station, LLC ("Borrower"), and The Huntington National Bank as bond trustee ("Trustee") to pay certain costs related to the Shoppes at Parma Project ("Project") in Parma, Ohio ("Cooperative Agreement").

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 17: City of Parma - Shoppes at Parma Project 2014B Bonds (continued)

At the time of the issuance of the Bonds, Bank of America, N.A. ("Lender") loaned approximately \$58,000,000 to the Borrower to finance, in part, the development of the Project ("Bank Loan"). The Borrower granted the Lender a mortgage on the Project to secure the loan. On February 21, 2018, the Port Authority received a notice from legal counsel for the Lender that the Borrower was in default of payment under the mortgage loan. This event constitutes a nonpayment default under the Cooperative Agreement and any such default constitutes a Specified Event under the Port Authority's continuing disclosure agreement, so disclosure on EMMA was required.

The Bonds were issued through the Port of Cleveland Bond Fund pursuant to the Trust Indenture securing that common bond fund, including the Thirty-Seventh Supplemental Trust Indenture ("Indenture"). The City created a tax increment financing district for the Project ("TIF District") and imposed on the Borrower and successor owners of land within the TIF District ("Owners") the obligation to pay service payments in lieu of taxes ("PILOTS") on the increase in the value of the Project. Pursuant to the Cooperative Agreement, the City assigned its right to receive a portion of the PILOTS to the Trustee ("Assigned PILOTS") as financing payments for the Bonds.

The obligation of Owners to pay PILOTS is secured by a Mortgage and Declaration of Covenants and Conditions Relative to Service Payments in Lieu of Taxes ("TIF Mortgage") granted by the Borrower to the Trustee. In the event the Assigned PILOTS are insufficient, the TIF Mortgage also imposes on Owners, and secures, the obligation to pay minimum payments in an amount sufficient to pay debt service on the Bonds. The Lender's mortgage is subordinate to the TIF Mortgage.

The Authority was advised by the Borrower that the default resulted from an unexpected non-extension of the Bank Loan as a result of non-compliance with certain financial covenants and such non-compliance resulted from the bankruptcy filing and departure of a significant retail tenant; Borrower represented that it expects the affected retail space to be leased within thirty (30) days, and that it expected to complete a refinancing of the Bank Loan by June 30, 2018.

Ultimately, the Borrower sold the Project to a new owner (Allied Development); the new owner obtained a new mortgage and paid off a subordinate loan to OWDA. In addition, certain excess TIF Proceeds were paid to the Owner at closing in 2019, and certain future excess TIF proceeds are to be paid to the Owner. The Covid-19 Pandemic adversely impacted the retail center, but current TIF payments, and minimum service payments if needed, are expected to be sufficient to pay current principal and interest payments on the Bonds. Currently there are no excess TIF proceeds to distribute.

Note 18: Forest Hill Bonds – Series 2015A, 2015B, and 2015C

The Authority issued three series of tax-exempt Bonds, as a conduit, non-recourse Issuer, pursuant to a Trust Indenture dated as of September 1, 2015 (the "Indenture") between the Authority and Regions Bank, as Trustee. Pursuant to a Loan Agreement dated as of September 1, 2015 between Borrower and Authority the proceeds of the Bonds were loaned to LEDAHF-East Cleveland, LLC (the "Borrower") to finance the acquisition, renovation and equipping of a 174-unit multifamily rental housing project located in East Cleveland, Cuyahoga County, Ohio (the "Project"). The Series 2015A Bonds and Series 2015B Bonds are referred to as the "Senior Bonds" and the Series 2015C Bonds are referred to as the "Subordinate Bonds," and the Senior Bonds and the Subordinate Bonds are referred to collectively as the "Bonds."

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 18: Forest Hill Bonds – Series 2015A, 2015B, and 2015C (continued)

In January of 2017, the Trustee posted a disclosure on EMMA stating that on December 19, 2016, Social Housing, Inc. acquired the membership interests of the Borrower from Linked Economic Development & Affordable Housing Foundation, Inc. Social Housing, Inc. is a nonprofit corporation and an exempt organization under 501(c)(3) of the Internal Revenue Code of 1986, as amended, that is based in Atlanta, Georgia. Social Housing, Inc. secured various legal opinions and corporate approvals prior to the acquisition of the membership interests of the Borrower.

On September 1, 2017, the Trustee posted a disclosure on EMMA notifying the bond market that the Borrower had failed to make payments to the Trustee in amounts sufficient to pay interest on the Bonds due on September 1, 2017. The Trustee and certain holders of the Senior Bonds were reviewing the financial and operational condition of the Project. Pending completion of the review and taking into consideration the limited availability of funds in the future, the Trustee, at the direction of the holders of the majority of principal amount of the Senior Bonds outstanding, notified the market that it would not pay interest on the Bonds due on September 1, 2017.

On May 15, 2018, the Trustee posted a disclosure on EMMA notifying the bond market that after consultation with the Borrower and the City, an Emergency Manager was brought into the Project to assist with remediating immediate health and safety concerns. The Emergency Manager has expended significant funds out of pocket to address the immediate issues; significant capital expenditures would need to be made in order to ensure that all of the units were made available for occupancy. Since the September 1, 2017, payment date the Borrower has failed to make all loan payments to fund debt service payments on the Bonds. Given the condition of the Project and the significant capital expenditures that would be required, the Borrower does not anticipate having sufficient funds to make loan payments to fund debt service payments on the Bonds and is not expected to be able to make such payments in the future. In May 2018, the Emergency Manager purchased the Series 2015A Bonds from the previous beneficial owner of such Series 2015A Bonds and is now the sole holder of the Bonds (the “Majority Holder”). In its capacity as the Majority Holder, the Emergency Manager intended to direct the Trustee to commence a foreclosure process with respect to the Project. However, on April 26, 2019, Cuyahoga County filed a foreclosure action for non-payment of taxes. The Authority filed an answer on May 13, 2019 declaring its mortgage securing the Bonds.

In the context of the tax foreclosure, the Trustee issued a disclosure on EMMA on November 12, 2020 stating that there are insufficient funds in the Trust Estate to pay the overdue and unpaid taxes, special assessments, interest and penalties and the Trustee does not anticipate taking any further action with respect to the matter unless otherwise directed and indemnified by the requisite percentage of bondholders. On March 18, 2021, the court adopted a magistrate decision finding that all parties had been properly served with the foreclosure complaint and the court ordered the sale of the property at Sheriff’s sale. The property was sold at Sheriff’s sale on October 18, 2021. However, the purchaser failed to complete the sale and the order of sale was vacated on June 27, 2022. After failing to sell at a subsequent Sheriff’s sale in December 2022, the Court issued an order of forfeiture of the property to the State of Ohio as non-productive land on January 20, 2023.

The Authority has no obligation to make payment on the Bonds and the continuing default on the Bonds is being monitored and updated by the Trustee as information becomes available.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 19: Optima/Westin Hotel – Series 2014

On December 28, 2011, the Authority issued \$36 million in First Mortgage Lease Revenue Bonds, Series 2011 (Optima 777, LLC Hotel Project) (the “Project Bonds”) pursuant to the terms of a Trust Indenture between the Authority and Huntington National Bank as Trustee. The Project Bonds were used to assist in the financing for the site demolition, site rehabilitation, and construction of a 481 room hotel and attached parking facility to be located in downtown Cleveland (the “Project Site”). The owner of the Project Site, Optima 777, LLC (“Optima”) leased the Project Site, facilities and property to the Authority pursuant to a Ground Lease dated December 1, 2011, and the Authority leased back to Optima the Project Site and facilities pursuant to a separate project lease (the “Project Lease”) with rent payments under the Project Lease used to pay the debt service under the Project Bonds. The Authority sold the Project Bonds to Cleveland International Fund – Medical Mart Hotel, Ltd. (“CIF”). To evidence its obligations under the Project Lease, Optima executed a promissory note in the principal amount of \$36 million payable to the Authority, which the Authority assigned to CIF pursuant to a loan agreement.

In October 2013, Authority, CIF, Optima and Huntington entered into an Amended Trust Indenture and Optima executed an Amended Promissory Note to be held by CIF.

In early 2019, Optima gave notice that it did not intend to abide by its bond redemption obligations for certain bonds Optima was required to redeem on or before March 1, 2019 and May 1, 2019, but sought additional time to refinance the Project Site in an amount sufficient to repay the principal balance of all of the Project Bonds (the “Anticipatory Default”). In response to the Anticipatory Default, CIF and Optima entered into a Forbearance Agreement in February 2019 in which Optima acknowledged that it was in default under the loan documents including the Amended Promissory Note. CIF and Optima entered into two subsequent forbearance agreements; the September 30, 2019 Supplemental Forbearance Agreement and the June 8, 2020 Second Supplemental Forbearance Agreement.

After Optima failed to timely make a \$5 million payment to CIF pursuant to the Second Supplemental Forbearance Agreement, CIF and Huntington, as Trustee, filed a complaint for money judgment, foreclosure and other equitable relief in the Cuyahoga County, Ohio, Court of Common Pleas naming all entities having an interest in the Project Site including Optima, the Authority, the City of Cleveland, and Cuyahoga County (the “Foreclosure Lawsuit”). The Authority answered CIF’s and Huntington’s complaint in the Foreclosure Lawsuit on November 4, 2020.

On March 8, 2021, CIF and Huntington asked the court in the Foreclosure Lawsuit to appoint a receiver over Optima for purposes of marshaling and preserving the assets of Optima including the real and personal property at the hotel and parking garage on the Project Site. On March 18, 2021, the court in the Foreclosure Lawsuit granted the request for the appointment of a receiver and appointed Attorney Tim L. Collins of the law firm Thrasher Dinsmore & Dolan as receiver. The receiver took control of the hotel property and operations to preserve the hotel assets in anticipation of an eventual sale of the assets. On August 9, 2021, the receiver sought a court order approving a stalking horse bidder and bidding procedures for the sale of the assets, which the court granted on September 21, 2021. After defeating interim appeals by Optima, the receiver filed a motion to approve the sale of the hotel assets on October 26, 2021 to the stalking horse bidder in accordance with the approved bidding procedures and a hearing on the receiver’s motion proceeded on May 23, 2022.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 19: Optima/Westin Hotel – Series 2014 (continued)

On June 9, 2022, the trial court granted the receiver's motion to sell Optima's assets. Optima then filed an appeal of the trial court's order and sought a stay of the sale of Optima's assets, which was denied by the court of appeals. On March 9, 2023, the court of appeals upheld the trial court's order, finding that the trial court did not abuse its discretion in approving the receiver's sale of Optima's assets. The matter was stayed until April 24, 2023 pending expiration of the time for Optima to seek a potential appeal to the Ohio Supreme Court. On April 24, 2023, Optima filed a notice of appeal with the Ohio Supreme Court asking the Ohio Supreme Court for discretionary review of the Court of Appeals decision. On July 5, 2023, the Ohio Supreme Court denied Optima's request for discretionary review and the matter was returned to the trial court.

After remand to the trial court, CIF, Huntington and Optima presented a stipulated judgment entry to the Court whereby Optima stipulated to a judgment in favor of CIF and Huntington and against Optima in the amount of \$43,126,702. However, the stipulated judgment provided that CIF's and Huntington's exclusive recourse to satisfy the judgment was from the proceeds of the sale of the hotel, which funds were currently held by the Receiver. On January 4, 2024, the Receiver filed a motion to distribute the current funds held by the receiver to CIF and Huntington in the amount of \$34,819,294, with the exception of \$375,000 in holdback funds to complete certain close-out duties of the Receiver. On January 22, 2024, the Court approved the Receiver's motion. In February 2024, CIF as bondholder agreed to surrender its Bonds to Huntington as Trustee for cancellation, in exchange for a distribution of the funds held by the Receiver as directed by CIF's legal counsel, and CIF agreed the bonds shall be deemed paid and the bond indenture discharged.

Note 20: Irishtown Bend Stabilization & Rehabilitation Project and Related Litigation

Irishtown Bend Stabilization & Rehabilitation

Irishtown Bend is a roughly 34-acre project site, between W. 25th Street and the Cuyahoga River and between Columbus Road and the Detroit Superior Bridge in the City of Cleveland. The hillside has been unstable and moving and this movement closed Riverbed Road, damaged and threatened an important sewer line, and constituted an immediate threat to property and human life. A catastrophic failure would likely impede navigation on the Cuyahoga River ship channel. If ship traffic is disrupted, it would impact thousands of jobs with maritime-dependent employers and cause adverse economic ripple effects throughout the region.

The Port Authority has been leading the effort to stabilize the at-risk Irishtown Bend hillside as part of its strategic policy to Lead Critical Initiatives for River Infrastructure & Renewal. In 2013, the Port engaged Barr & Prevost to analyze the hillside, come up with an approach to stabilization and an order of magnitude cost of stabilization. Since this initial study was completed, the Port has continuously sought the funds necessary to complete the design and engineering and ultimately construct the stabilization of the hillside. Throughout this process the Port has brought attention to this precarious hillside and the risk it poses and in doing so, has built a large coalition of other supporting governmental entities and nonprofits.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 20: Irishtown Bend Stabilization & Rehabilitation Project and Related Litigation (continued)

Irishtown Bend Stabilization & Rehabilitation (continued)

Acquisition of critical tracts of land began in 2016. Out of the 17 parcels needed all but 3 were acquired and are being held by Riverbed West, LLC, a non-profit affiliate of West Creek Conservancy under an agreement with the Port. The three remaining parcels, owned by Mortgage Investment Group, LLC (“MIG”), total 0.41 acres of the 34-acre project area (the “Property”).

On July 19, 2019, the Board authorized the execution of Joint Use Agreements (JUA) with Riverbed West, LLC for the purposes of using \$5.0 million in grants from the Ohio Department of Natural Resources (ODNR) and authorized the Authority to engage an engineering team for the Irishtown Bend Stabilization Project (ITB Stabilization Project). Riverbed West, LLC is now the primary property owner of land along Irishtown Bend. The grantee of these funds must hold title to the property within the project boundary. The JUA provides that the Authority will manage the engineering services contract and Riverbed West, LLC will pay for engineering and construction services with State of Ohio grant funds. In September of 2019, the Authority entered into a \$3,405,897 agreement with Osborn Engineering to provide engineering and design services for the Irishtown Bend Project with the provision that payment would be made solely through the grant from ODNR or other sources pursuant to the JUA.

A team led by Osborn Engineering has spent 2019 through 2022 measuring and assessing the movements of the hillside and designing the necessary interventions to stabilize Irishtown Bend. Osborn along with the geotechnical engineering firm MRCE concluded that the need to stabilize the hillside necessitate the removal of the building owned by MIG located at the Property along with the excavation of significant amounts of soil on site to reduce the driving force that is causing the slope failure in combination with the natural geology of the site. The mass excavation and grading must include the soil located on this site, in combination with a large-scale bulkhead wall to be installed at the toe of the slope along the river edge, in order to achieve an acceptable Factor of Safety during construction and in perpetuity.

Riverbed West, LLC, acting on the Port’s behalf, made numerous attempts to negotiate the purchase of the Property from MIG, but was unable to reach a negotiated purchase. The City of Cleveland (the, “City”) independently attempted to negotiate a purchase of the Property in question and was also unable to reach an agreement. Given the exigent risk to life and property, including a catastrophic level landslide, the Port deemed it necessary to proceed to appraise the Property and seek immediate possession thereof through eminent domain.

Appropriation Proceeding and Related Litigation

The Port is a public agency as defined by the Ohio Revised Code section 163.01(A) and is a port authority and a body corporate and politic organized and duly existing under and by virtue of the laws of the State of Ohio. As such, the Port has been granted the right of eminent domain under Ohio Revised Code section 4582.06(A)(8). On or about January 13, 2022, the Port Board passed a resolution declaring the necessity and intent to appropriate the aforesaid real Property from MIG. On or about January 13, 2022, the Authority caused written notice of intent to acquire and good faith offer to be served on the Property owner MIG including a copy of the \$360,000 appraisal of the Property, but the offer was refused by MIG.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 20: Irishtown Bend Stabilization & Rehabilitation Project and Related Litigation (continued)

Appropriation Proceeding and Related Litigations (continued)

Accordingly, on February 22, 2022, the Authority filed a Petition for Appropriation of Property in the Probate Court for Cuyahoga County, seeking to appropriate the Property captioned *Cleveland-Cuyahoga County Port Authority v. Mortgage Investment Group, LLC, et al.*, Cuyahoga County Probate Court, Case No. 2022 ADV 267918 (the “Appropriation Proceeding”). The Authority also filed a Declaration of Immediate Possession seeking immediate possession of the Property and deposited with the Cuyahoga County Clerk of Courts the \$360,000 appraised value of the Property for the use and benefit of the owner of the Property being appropriated. The Court in the Appropriation Proceeding held an initial pretrial conference April 27, 2022 and stated that it intended to schedule another pretrial conference for May 31, 2022.

In response to the Appropriation Proceeding, on March 4, 2022, MIG filed a complaint with the General Division of the Cuyahoga County Court of Common Pleas captioned *Mortgage Investment Group, LLC v. Cleveland-Cuyahoga County Port Authority*, Cuyahoga County Common Pleas Court, Case No., CV 22-9603232 (the “Injunction Proceeding”). MIG alleged in the Injunction Proceeding that the Authority was abusing its authority and trespassing upon the Property by virtue of filing the Appropriation Proceeding and sought a preliminary and permanent injunction to prevent the Authority from appropriating the Property. The Authority filed a motion to dismiss the Injunction Proceeding which was denied.

Prior to the Authority filing the Appropriation Proceeding, and in an apparent attempt to preempt the Port Authority’s filing of the Appropriation Proceeding, on October 26, 2021, MIG filed a complaint against the Authority and numerous other defendants including the City of Cleveland, the Cleveland Metroparks Board of Commissioners, Ohio City Incorporated, L.A.N.D. Studio, Inc., two non-profit entities affiliated with the West Creek Conservancy, and the Port Authority’s President and CEO, William D. Friedman captioned *Mortgage Investment Group, LLC v. Riverbed West, LLC, et al.*, Cuyahoga County Common Pleas Court, Case No. CV 21-954893 (the “MIG Proceeding”). Upon receipt of the MIG Proceeding, the Authority submitted a claim to its insurance carrier, Greenwich Insurance Company, for defense and indemnification of the MIG Proceeding.

The complaint in the MIG Proceeding asserted claims against the defendants including declaratory judgment, fraud, negligence, tortious interference with prospective business opportunities and/or economic advantage, and civil conspiracy. The Authority and its President and CEO William D. Friedman filed a motion to dismiss the complaint. Most of the other defendants likewise filed motions to dismiss MIG’s complaint. The court in the MIG Proceeding denied the motions to dismiss and the Judge in the Injunction Proceeding transferred that case to the Judge in the MIG Proceeding and the cases were consolidated.

In the consolidated action the court held a hearing on MIG’s request for preliminary injunction on April 21, 25, and 26, 2022. After initial settlement negotiations failed, in June 2022, the court granted MIG’s motion for preliminary injunction with an expiration date of either the date on which a hearing on a permanent injunction would be held or in September 2022, whichever occurred later. From June through the date of the expiration of the Injunction the parties continued to explore settlement. In September 2022, the Port filed a motion for immediate possession of the Property, as the preliminary injunction was expired.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 20: Irishtown Bend Stabilization & Rehabilitation Project and Related Litigation (continued)

Appropriation Proceeding and Related Litigations (continued)

Shortly thereafter, the court reissued its preliminary injunction order. Concurrently, the Port continued with an appeal of the trial court order to the 8th District Court of Appeals. In December 2022, the appellate court dismissed the Port's appeal as the order granting preliminary injunction was not considered a final appealable order. In January 2023, the appellate court denied the Port's request for reconsideration and clarification of the appellate court's December 2022 dismissal order.

From February to March 2023, all parties continued to discuss settlement. In March 2023, the parties to the Appropriation Proceeding and Related Litigation (addressed below) and other development partners reached a settlement on all matters, subject to the various governmental agencies' required commission and board approvals.

On March 28, 2023 the Board authorized and approved the execution and delivery of a settlement agreement with MIG and various other public and private entities and authorized the expenditure of funds in the amount of \$360,000 for the Authority's portion of the settlement. On April 18, 2023, a Right of Entry and Temporary Construction Easement (Temporary Easement) from MIG to the Authority was recorded with the Cuyahoga County Fiscal office. This Temporary Easement enables the Authority to utilize portions of the MIG parcel to complete the ITB Project. The Temporary Easement expires 18 months from the effective date of the Settlement Agreement. Pursuant to the settlement agreement, MIG, granted the Port a temporary construction easement to the Property allowing the Port to proceed with the Project

In April of 2023, the Authority published advertisement for public bid for the ITB Project. Sealed bids were received by the Authority June , 2023 (see Note 12).

Note 21: ODOT Euclid Facility Litigation

In 2012, the Authority agreed to construct a maintenance facility (Facility) in Euclid, Ohio for the Ohio Department of Transportation (ODOT). The purpose of the arrangement was to expedite the construction period based on ODOT's needs. The Authority hired Infinity Construction Company as design-builder.

The Facility was completed in a timely manner and ODOT took possession of the Facility in October 2013. Soon after completion of construction, ODOT began experiencing moisture intrusion and condensation within the building and made a claim. ODOT and Infinity attempted to address the moisture intrusion problems without success. In late 2021, after years of negotiation, litigation commenced as follows:

Infinity v. R.E. Warner, Cleveland Cuyahoga County Port Authority, Cuyahoga County Common Pleas Case No. CV-21-954556. In November of 2021, Infinity filed this lawsuit against (i) its designer R.E. Warner – seeking declaratory judgement finding that R.E. Warner has a duty to indemnify Infinity if R.E. Warner's design is the basis for ODOT's damages, and (ii) the Port Authority seeking a judgment from the Cuyahoga County Court of Common Pleas Litigation which declared the rights of Infinity and the Authority as it relates to the Infinity Design Build Contract. In response, the Authority filed its counterclaim for negligence and breach of contract against Infinity under the Infinity Design Build Contract (which it attempted to assign to ODOT).

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 21: ODOT Euclid Facility Litigation (continued)

Ohio Department of Transportation v. Cleveland Cuyahoga County Port Authority, Cuyahoga County Common Pleas Case No. CV-22-962801. ODOT sued the Authority on April 29, 2022 for breach of the ODOT Contract demanding damages in the amount of \$2,591,675. The Authority prepared its counterclaim, defenses to ODOT's claim and a third-party claim against Infinity for indemnification. Under Ohio law, by suing ODOT, a state agency, this litigation would have to be removed to the Ohio Court of Claims in Columbus, Ohio and proceed through the customary litigation track.

In the fall of 2022, the parties continued to discuss, explore and participate in mediation. In January of 2023, all parties to all matters reached settlement, which was approved by the Port's Board. The settlement agreement was officially approved by the Courts in March 2023. On March 29, 2023 final payment of \$200,000 was made by the Authority for the Authority's share of the settlement pursuant to the Settlement Agreement.

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 Ten Years (1)

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|--------------|--------------|--------------|--------------|--------------|
| Authority's proportion of the net pension liability | 0.009899% | 0.009603% | 0.009155% | 0.008422% | 0.008611% |
| Authority's proportionate share of the net pension liability | \$ 2,924,168 | \$ 835,502 | \$ 1,355,657 | \$ 1,664,666 | \$ 2,358,379 |
| Authority's covered payroll | \$ 1,540,314 | \$ 1,358,731 | \$ 1,300,097 | \$ 1,194,936 | \$ 1,240,675 |
| Authority's proportionate share of the net pension liability as a percentage of its covered payroll | 189.84% | 61.49% | 104.27% | 139.31% | 190.09% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.74% | 92.62% | 86.88% | 82.17% | 74.70% |
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Authority's proportion of the net pension liability | 0.0076525% | 0.008132% | 0.007871% | 0.007850% | 0.007850% |
| Authority's proportionate share of the net pension liability | \$ 1,197,887 | \$ 1,848,312 | \$ 1,363,357 | \$ 946,798 | \$ 925,413 |
| Authority's covered payroll | \$ 1,047,920 | \$ 1,051,292 | \$ 1,144,717 | \$ 1,129,574 | \$ 1,090,033 |
| Authority's proportionate share of the net pension liability as a percentage of its covered payroll | 114.31% | 175.81% | 119.10% | 83.82% | 84.90% |
| Plan fiduciary net position as a percentage of the total pension liability | 84.66% | 77.25% | 81.08% | 86.45% | 86.36% |

(1) Amounts presented for each fiscal year were determined as of the Authority's measurement date, which is December 31 of the prior year.

See accompanying notes to required supplementary information.

Cleveland-Cuyahoga County Port Authority

Required Supplementary Information

Schedule of the Authority's Proportionate Share of the Net Pension Asset Ohio Public Employee Retirement System – Combined Plan

For the Last Ten Years (1)

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|------------|------------|------------|------------|------------|
| Authority's proportion of the net pension asset | 0.107891% | 0.095269% | 0.087863% | 0.083962% | 0.084730% |
| Authority's proportionate share of the net pension asset | \$ 254,288 | \$ 375,365 | \$ 253,628 | \$ 175,080 | \$ 94,747 |
| Authority's covered payroll | \$ 501,436 | \$ 423,357 | \$ 390,416 | \$ 376,971 | \$ 386,492 |
| Authority's proportionate share of the net pension asset as a percentage of its covered payroll | 50.71% | 88.66% | 64.96% | 46.44% | 24.51% |
| Plan fiduciary net position as a percentage of the total pension asset | 137.14% | 169.88% | 157.67% | 145.28% | 126.64% |
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Authority's proportion of the net pension asset | 0.086000% | 0.087799% | 0.0925850% | 0.093545% | 0.093545% |
| Authority's proportionate share of the net pension asset | \$ 117,074 | \$ 48,866 | \$ 45,183 | \$ 36,017 | \$ 9,816 |
| Authority's covered payroll | \$ 366,304 | \$ 338,604 | \$ 394,208 | \$ 388,993 | \$ 375,377 |
| Authority's proportionate share of the net pension asset as a percentage of its covered payroll | 31.96% | 14.43% | 11.46% | 9.26% | 2.61% |
| Plan fiduciary net position as a percentage of the total pension asset | 137.28% | 116.55% | 116.90% | 114.83% | 104.33% |

(1) Amounts presented for each fiscal year were determined as of the Authority's measurement date which is December 31, of the prior year.

See accompanying notes to required supplementary information.

Cleveland-Cuyahoga County Port Authority

Required Supplementary Information Schedule of the Authority's Contributions - Pension Ohio Public Employee Retirement System – Traditional Plan

For the Last Ten Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Contractually-required contribution | \$ 238,975 | \$ 215,644 | \$ 190,222 | \$ 182,014 | \$ 167,291 |
| Contributions in relation to the contractually-required contribution | <u>(238,975)</u> | <u>(215,644)</u> | <u>(190,222)</u> | <u>(182,014)</u> | <u>(167,291)</u> |
| Contribution deficiency (excess) | \$ _____ - | \$ _____ - | \$ _____ - | \$ _____ - | \$ _____ - |
| Authority covered payroll | \$ 1,1706,964 | \$ 1,540,314 | \$ 1,358,731 | \$ 1,300,097 | \$ 1,194,936 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |
| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Contractually-required contribution | \$ 173,692 | \$ 130,990 | \$ 126,155 | \$ 137,366 | \$ 135,549 |
| Contributions in relation to the contractually-required contribution | <u>(173,692)</u> | <u>(130,990)</u> | <u>(126,155)</u> | <u>(137,366)</u> | <u>(135,549)</u> |
| Contribution deficiency (excess) | \$ _____ - | \$ _____ - | \$ _____ - | \$ _____ - | \$ _____ - |
| Authority covered payroll | \$ 1,240,675 | \$ 1,047,920 | \$ 1,051,292 | \$ 1,144,717 | \$ 1,129,574 |
| Contributions as a percentage of covered payroll | 14.00% | 12.50% | 12.00% | 12.00% | 12.00% |

See accompanying notes to required supplementary information.

Cleveland-Cuyahoga County Port Authority

Required Supplementary Information Schedule of the Authority's Contributions - Pension Ohio Public Employee Retirement System – Combined Plan

For the Last Ten Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually-required contribution | \$ 64,105 | \$ 64,471 | \$ 59,270 | \$ 54,658 | \$ 52,776 |
| Contributions in relation to the contractually-required contribution | <u>(64,105)</u> | <u>(64,471)</u> | <u>(59,270)</u> | <u>(54,658)</u> | <u>(52,776)</u> |
| Contribution deficiency (excess) | \$ _____ - | \$ _____ - | \$ _____ - | \$ _____ - | \$ _____ - |
| Authority covered payroll | \$ 534,207 | \$ 501,436 | \$ 423,357 | \$ 390,416 | \$ 376,971 |
| Contributions as a percentage of covered payroll | 12.00% | 12.86% | 14.00% | 14.00% | 14.00% |
| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Contractually-required contribution | \$ 54,109 | \$ 45,788 | \$ 40,632 | \$ 47,305 | \$ 46,679 |
| Contributions in relation to the contractually-required contribution | \$ <u>(54,109)</u> | \$ <u>(45,788)</u> | \$ <u>(40,632)</u> | \$ <u>(47,305)</u> | \$ <u>(46,679)</u> |
| Contribution deficiency (excess) | \$ _____ - | \$ _____ - | \$ _____ - | \$ _____ - | \$ _____ - |
| Authority covered payroll | \$ 386,492 | \$ 366,304 | \$ 338,604 | \$ 394,208 | \$ 388,993 |
| Contributions as a percentage of covered payroll | 14.00% | 12.50% | 12.00% | 12.00% | 12.00% |

See accompanying notes to required supplementary information.

Cleveland-Cuyahoga County Port Authority

Required Supplementary Information

Schedule of the Authority's Proportionate Share of the Net OPEB Liability / (Asset) Ohio Public Employee Retirement System

For the Last Seven Years (1)

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|--|--------------|--------------|--------------|--------------|--------------|
| Authority's proportion of the net OPEB liability/asset | 0.015173% | 0.014875% | 0.014085% | 0.013294% | 0.013252% |
| Authority's proportionate share of the net OPEB (asset) liability | \$ 95,668 | \$ (465,908) | \$ (250,936) | \$ 1,836,247 | \$ 1,727,748 |
| Authority's covered payroll | \$ 2,535,079 | \$ 2,261,536 | \$ 2,147,500 | \$ 1,194,935 | \$ 1,268,030 |
| Authority's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll | 3.77% | (20.60%) | (11.69%) | 153.67% | 136.25% |
| Plan fiduciary net position as a Percentage of the total OPEB liability | 94.79% | 128.23% | 115.57% | 47.80 % | 46.33% |
| | 2018 | 2017 | | | |
| Authority's proportion of the net OPEB liability/asset | 0.012660% | 0.012895% | | | |
| Authority's proportionate share of the net OPEB (asset) liability | \$ 1,374,783 | \$ 1,302,416 | | | |
| Authority's covered payroll | \$ 1,047,920 | \$ 1,051,292 | | | |
| Authority's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll | 131.19% | 123.89% | | | |
| Plan fiduciary net position as a Percentage of the total OPEB liability | 54.14% | n/a | | | |

(1) Information prior to 2017 is not available. Amounts presented for each fiscal year were determined as of the Authority's measurement date which is December 31 of the prior year.

See accompanying notes to required supplementary information.

Cleveland-Cuyahoga County Port Authority

Required Supplementary Information Schedule of the Authority's OPEB Contributions Ohio Public Employee Retirement System

For the Last Ten Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually-required contribution | \$ 30,004 | \$ 25,463 | \$ 19,169 | \$ 18,288 | \$ 18,150 |
| Contributions in relation to the contractually-required contribution | <u>(30,004)</u> | <u>(25,463)</u> | <u>(19,169)</u> | <u>(18,288)</u> | <u>(18,150)</u> |
| Contribution deficiency (excess) | \$ _____ - | \$ _____ - | \$ _____ - | \$ _____ - | \$ _____ - |
| Authority covered payroll | \$ 2,724,164 | \$ 2,535,079 | \$ 2,261,536 | \$ 2,147,500 | \$ 1,194,935 |
| Contributions as a percentage of covered payroll | 1.10% | 1.00% | 0.85% | 0.85% | 1.52% |
| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Contractually-required contribution | \$ 15,864 | \$ 17,993 | \$ 21,026 | \$ 22,894 | \$ 22,591 |
| Contributions in relation to the contractually-required contribution | <u>(15,864)</u> | <u>(17,993)</u> | <u>(21,026)</u> | <u>(22,894)</u> | <u>(22,591)</u> |
| Contribution deficiency (excess) | \$ _____ - | \$ _____ - | \$ _____ - | \$ _____ - | \$ _____ - |
| Authority covered payroll | \$ 1,268,030 | \$ 1,047,920 | \$ 1,051,292 | \$ 1,144,717 | \$ 1,129,574 |
| Contributions as a percentage of covered payroll | 1.25% | 1.72% | 2.00% | 2.00% | 2.00% |

See accompanying notes to required supplementary information.

Cleveland-Cuyahoga County Port Authority

Notes to Required Supplementary Information

For the Year Ended December 31, 2023

Note 1: Net Pension Liability

Changes in Assumptions – OPERS

Amounts reported in the required supplementary information for OPERS Traditional and Combined Plans incorporate changes in assumptions used by OPERS in calculating the pension liability. These assumptions are presented below for the periods indicated:

Key Methods and Assumptions in Valuing Total Pension Liability – 2023

| | OPERS <u>Traditional Plan</u> | OPERS <u>Combined Plan</u> |
|---|--|---|
| Experience study | 5-year period ended December 31, 2020 | 5-year period ended December 31, 2020 |
| Actuarial cost method | Individual entry age | Individual entry age |
| Actuarial assumptions: | | |
| Investment rate of return | 6.90% | 6.90% |
| Wage inflation | 2.75% | 2.75% |
| Projected salary increases, including 2.75% wage inflation | 2.75 to 10.75% | 2.75 to 8.25% |
| COLA or Ad Hoc COLA: | | |
| Pre-Jan 7, 2013 retirees | 3.00% Simple | 3.00% Simple |
| Post-Jan 7, 2013 retirees | 3.00% Simple through 2023 then 2.05% Simple | 3.00% Simple though 2023 then 2.05% Simple |

Key Methods and Assumptions in Valuing Total Pension Liability – 2022

| | OPERS <u>Traditional plan</u> | OPERS <u>Combined plan</u> |
|--|--|---|
| Experience Study | 5-year period ended December 31, 2020 | 5-year period ended December 31, 2020 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 6.90% | 6.90% |
| Wage Inflation | 2.75% | 2.75% |
| Projected Salary Increases, including 2.75% inflation | 2.75 to 10.75% | 2.75 to 8.25% |
| COLA or Ad Hoc COLA: | | |
| Pre-Jan 7, 2013 Retirees | 3.00% Simple | 3.00% Simple |
| Post-Jan 7, 2013 Retirees | 3.00% Simple through 2022 then 2.05% Simple | 3.00% Simple though 2022 then 2.05% Simple |

Cleveland-Cuyahoga County Port Authority

Notes to Required Supplementary Information

For the Year Ended December 31, 2023

Note 1: Net Pension Liability (continued)

Key Methods and Assumptions in Valuing Total Pension Liability – 2021

| | OPERS <u>Traditional plan</u> | OPERS <u>Combined plan</u> |
|--|--|--|
| Experience Study | 5-year period ended December 31, 2015 | 5-year period ended December 31, 2015 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 7.20% | 7.20% |
| Wage Inflation | 3.25% | 3.25% |
| Projected Salary Increases, including 3.25% inflation | 3.25 to 10.75% | 3.25 to 8.25% |
| COLA or Ad Hoc COLA: | | |
| Pre-Jan 7, 2013 Retirees | 3.00% Simple | 3.00% Simple |
| Post-Jan 7, 2013 Retirees | 0.50% Simple through 2021 then 2.15% Simple | 0.50% Simple through 2021 then 2.15% Simple |

Key Methods and Assumptions in Valuing Total Pension Liability – 2020

| | OPERS <u>Traditional plan</u> | OPERS <u>Combined plan</u> |
|--|--|--|
| Experience Study | 5-year period ended December 31, 2015 | 5-year period ended December 31, 2015 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 7.20% | 7.20% |
| Wage Inflation | 3.25% | 3.25% |
| Projected Salary Increases, including 3.25% inflation | 3.25 to 10.75% | 3.25 to 8.25% |
| COLA or Ad Hoc COLA: | | |
| Pre-Jan 7, 2013 Retirees | 3.00% Simple | 3.00% Simple |
| Post-Jan 7, 2013 Retirees | 1.40% Simple through 2020 then 2.15% Simple | 1.40% Simple through 2020 then 2.15% Simple |

Cleveland-Cuyahoga County Port Authority

Notes to Required Supplementary Information

For the Year Ended December 31, 2023

Note 1: Net Pension Liability (continued)

Key Methods and Assumptions in Valuing Total Pension Liability – 2019

| | OPERS <u>Traditional plan</u> | OPERS <u>Combined plan</u> |
|--|--|---|
| Experience Study | 5-year period ended December 31, 2015 | 5-year period ended December 31, 2015 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 7.20% | 7.20% |
| Wage Inflation | 3.25% | 3.25% |
| Projected Salary Increases, including 3.25% inflation | 3.25 to 10.75% | 3.25 to 8.25% |
| COLA or Ad Hoc COLA: | | |
| Pre-Jan 7, 2013 Retirees | 3.00% Simple | 3.00% Simple |
| Post-Jan 7, 2013 Retirees | 3.00% Simple through 2018 then 2.15% Simple | 3.00% Simple though 2018 then 2.15% Simple |

Key Methods and Assumptions in Valuing Total Pension Liability – 2017-2018

| | OPERS <u>Traditional plan</u> | OPERS <u>Combined plan</u> |
|--|--|--|
| Experience Study | 5-year period ended December 31, 2015 | 5-year period ended December 31, 2015 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 7.50% | 7.50% |
| Wage Inflation | 3.25% | 3.25% |
| Projected Salary Increases, including 3.25% inflation | 3.25 to 10.75% | 3.25 to 8.25% |
| COLA or Ad Hoc COLA: | | |
| Pre-Jan 7, 2013 Retirees | 3.00% Simple | 3.00% Simple |
| Post-Jan 7, 2013 Retirees | 3.00% Simple through 2018 then 2.15% Simple | 3.00% Simple through 2018 then 2.15% Simple |

Cleveland-Cuyahoga County Port Authority

Notes to Required Supplementary Information

For the Year Ended December 31, 2023

Note 1: Net Pension Liability (continued)

Changes in Assumptions – OPERS (continued)

Key Methods and Assumptions in Valuing Total Pension Liability – 2016 and prior

| | OPERS <u>Traditional plan</u> | OPERS <u>Combined plan</u> |
|--|--|---|
| Experience Study | 5-year period ended December 31, 2010 | 5-year period ended December 31, 2010 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 8.00% | 8.00% |
| Wage Inflation | 3.75% | 3.75% |
| Projected Salary Increases, including 3.75% inflation | 4.25 to 10.05% | 4.25 to 8.05% |
| COLA or Ad Hoc COLA: | | |
| Pre-Jan 7, 2013 Retirees | 3.00% Simple | 3.00% Simple |
| Post-Jan 7, 2013 Retirees | 3.00% Simple through 2018 then 2.80% Simple | 3.00% Simple though 2018 then 2.80% Simple |

Mortality rates – Amounts reported beginning in 2022 use pre-retirement mortality rates based on 130% of the Pub-2010 General Employee Mortality tables (males and females). Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant Mortality Table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates 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.

Cleveland-Cuyahoga County Port Authority

Notes to Required Supplementary Information

For the Year Ended December 31, 2023

Note 2: Net OPEB Liability

Changes in Assumptions – OPERS

For fiscal year 2023, the municipal bond rate increased from 1.84% to 4.05%. The single discount rate decreased from 6.00% to 5.22%. The health care cost trend rate changed from 5.5% initial, 3.5% ultimate in 2034 to 5.5% initial, 3.5% ultimate in 2036.

For fiscal year 2022, the municipal bond rate decreased from 2.00% to 1.84% and wage inflation decreased from 3.25% to 2.75%. The single discount rate remained 6.00%. The health care cost trend rate decreased from 8.5% initial, 3.5% ultimate in 2035 to 5.5% initial, 3.5% ultimate in 2034.

For fiscal year 2021, the municipal bond rate decreased from 2.75% to 2.00% and the single discount rate increased from 3.16% to 6.00%. The health care cost trend rate decreased from 10.50% initial, 3.50% ultimate in 2030 to 8.50% initial, 3.50% ultimate in 2035.

For fiscal year 2020, the municipal bond rate decreased from 3.71% to 2.75% and the single discount rate decreased from 3.96% to 3.16%. The health care cost trend rate also increased from 10.00% initial, 3.25% ultimate in 2029 to 10.50% initial, 3.50% ultimate in 2030.

For fiscal year 2019, the OPERS Board voted to lower the investment return assumption for its health care investment portfolio from 6.5% to 6.0%. Municipal bond rate increased from 3.31% to 3.71% and the single discount rate increased from 3.85% to 3.96%. The health care cost trend rate also increased from 7.50% initial, 3.25% unlimited in 2028 to 10.00% initial, 3.25% ultimate in 2029.

Cleveland-Cuyahoga County Port Authority

Supplemental Schedule – Common Bond Funds

December 31, 2023

The following are the approximate balances held and the principal amount of outstanding Common Bond Fund bonds as of December 31, 2023:

| <u>SERIES</u> | <u>Contracting Party</u> | <u>Original Bond Amount</u> | <u>Outstanding Principal Balance</u> | <u>Required Primary Reserve Balance</u> | <u>Final Maturity</u> |
|---------------|---------------------------------|-----------------------------|--------------------------------------|---|-----------------------|
| 2006A | Cavaliers Practice Facility | 9,500,000 | 2,060,000 | 950,000 | 05/15/26 |
| 2008A | Brush Wellman, Inc. | 5,155,000 | - | 515,500 | 05/15/23 |
| 2011A | University Circle Marriott | 2,000,000 | 1,665,000 | 200,000 | 11/15/45 |
| 2013A | OMNOVA Solutions | 7,500,000 | 5,050,000 | 750,000 | 11/15/33 |
| 2014B | Shoppes at Parma (4) | 10,000,000 | 8,900,000 | 1,000,000 | 11/15/43 |
| 2016A | ESSROC / Port Authority (1) | 2,330,000 | 1,000,000 | 233,000 | 05/15/27 |
| 2016C | Fairmount Montessori Associates | 2,200,000 | 585,000 | 220,000 | 05/15/25 |
| 2016D | City of Garfield Heights | 3,785,000 | - | - | 08/26/22 |
| 2017A | Pinecrest | 10,000,000 | 9,020,000 | 1,000,000 | 11/15/48 |
| 2017B1 | Lakefront 1B 2017B1 | 915,000 | 390,000 | 91,500 | 11/15/25 |
| 2017B2 | Lakefront 1B 2017B2 | 2,710,000 | 2,710,000 | 271,000 | 11/15/32 |
| 2018A | Cleveland Athletic Club | 6,910,000 | 6,910,000 | 691,000 | 11/15/48 |
| 2021A | Foundry | 5,250,000 | 4,330,000 | 525,000 | 11/15/31 |
| 2021A | Renaissance | 8,190,000 | 8,190,000 | 819,000 | 05/15/48 |
| 2021A | Doubletree | 3,445,000 | 3,445,000 | 344,500 | 05/15/44 |
| Total | | \$ 79,890,000 | \$ 54,255,000 | \$ 7,610,500 | |

Summary of Reserves:

| | |
|--|---------------|
| Primary Reserve Funds | \$ 7,610,500 |
| Program Development Fund (2,3) | 149,466 |
| Program Reserve (3) | 4,550,984 |
| Program Reserve - Ohio Manufacturers Association (4) | 2,544,996 |
| Program Reserve LOC | 12,000,000 |
| JO Cash Reserve (6) | 2,000,000 |
| JO Pledged Reserve (6) | 8,000,000 |
| Total Reserve Funds | \$ 36,855,946 |
| Total Reserves/Outstanding Bonds | <u>67.93%</u> |

- (1) Assets and liabilities associated with these issuances are reflected on the Authority's Statement of Net Position.
- (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) At 12/31/23, the OMA account contained \$61,664 in interest belonging to OMA. This interest was remitted to OMA on Jan 29, 2024 per the trust indenture.
- (5) See Note 17 related to Shoppes at Parma footnote.
- (6) See Note 13 related to the JobsOhio Reserve.

Cleveland-Cuyahoga County Port Authority

Supplemental Schedule - Stand Alone Issuances

December 31, 2023

The following are Stand Alone debt issuances undertaken by the Authority for which there is still principal outstanding as of December 31, 2023:

| <u>Stand Alone Debt Issuances</u> | <u>Year</u> | <u>Type of Debt Issued</u> | <u>Original Issuance</u> | <u>Principal Outstanding</u> |
|--|-------------|---|--------------------------|------------------------------|
| 1 University Square | 2001 | Revenue Bonds (Special Assessment) | 40,600,000 | 33,880,000 |
| 2 Cleveland Museum of Art | 2005 | Cultural Facility Revenue Bonds | 90,000,000 | 90,000,000 |
| 3 Hospice of Western Reserve, Inc. | 2010 | Refunding Bonds | 21,565,000 | 14,791,250 |
| 4 City of Cleveland - Flats East Bank | 2010 | City Appropriation Bonds | 11,000,000 | 7,315,000 |
| 5 The Medical Center Company | 2011 | Variable Rate Revenue Bonds | 77,470,000 | 40,385,000 |
| 6 Cuyahoga County Headquarters | 2013 | Variable Rate Revenue Bonds | 75,465,000 | 66,115,000 |
| 7 Beaumont | 2013 | Variable Rate Revenue Bonds | 8,160,000 | 1,203,575 |
| 8 Maltz Museum | 2014 | Cultural Facilities Revenue Refunding Bond | 6,300,000 | 6,300,000 |
| 9 Crocker Park TIF | 2014 | Development Revenue Bonds | 6,435,000 | 5,520,000 |
| 10 Cuyahoga County Convention Hotel | 2014 | Lease-purchase Agreement | 230,885,000 | 152,220,000 |
| 11 Constellation Schools | 2014 | Community School Lease Revenue Bonds | 30,790,000 | 27,090,000 |
| 12 Optima Sage Hotel | 2014 | First Mortgage Lease Revenue Bonds | 36,000,000 | 36,000,000 |
| 13 Euclid Avenue | 2014 | Development Revenue Bonds | 88,945,000 | 53,495,000 |
| 14 Legacy Village TIF | 2015 | Tax-Exempt Revenue Bonds | 13,630,000 | 11,740,000 |
| 15 Laurel | 2015 | Revenue Bonds | 16,000,000 | 16,000,000 |
| 16 Avery | 2015 | Lease Revenue Refunding Bonds | 39,470,000 | 6,793,012 |
| 17 Standard | 2016 | Taxable Lease Revenue Bonds | 40,500,000 | - |
| 18 Pinecrest Conduit TIF | 2017 | TIF Bonds | 48,910,000 | 47,150,000 |
| 19 Explorys | 2017 | Taxable Lease Revenue Bonds | 8,390,000 | 7,204,669 |
| 20 City of Shaker Heights Non-Tax -- Revenue Bonds | 2017 | Non-Tax Revenue Bonds | 4,960,000 | 3,875,000 |
| 21 Amazon North Randall | 2017 | Taxable Lease Revenue Bonds | 123,000,000 | 101,319,664 |
| 22 Dave's Supermarket | 2017 | Taxable Lease Revenue Bonds | 2,650,045 | 1 |
| 23 Centers for Dialysis | 2017 | Economic Development Facilities Revenue Improvement Bonds | 23,725,000 | 21,170,000 |

Cleveland-Cuyahoga County Port Authority

Supplemental Schedule - Stand Alone Issuances (continued)

December 31, 2023

| <u>Stand Alone Debt Issuances</u> | <u>Year</u> | <u>Type of Debt Issued</u> | <u>Original Issuance</u> | <u>Principal Outstanding</u> |
|--|-------------|---------------------------------|--------------------------|------------------------------|
| 24 Cleveland Athletic Club | 2018 | Taxable Lease Revenue Bonds | 29,000,000 | 27,350,000 |
| 25 Amazon Euclid | 2018 | Taxable Lease Revenue Bonds | 113,000,000 | 94,436,102 |
| 26 Terminal Tower | 2018 | Taxable Lease Revenue Bonds | 74,500,000 | 66,893,581 |
| 27 Playhouse Square Apartments | 2018 | Cultural Facility Revenue Bonds | 74,880,000 | 71,310,000 |
| 28 May Company | 2018 | Taxable Lease Revenue Bonds | 963,383 | 963,383 |
| 29 Church & State | 2018 | Taxable Revenue Bonds | 6,031,000 | 5,731,000 |
| 30 Ursuline | 2018 | Cultural Facility Revenue Bonds | 17,004,000 | 11,991,576 |
| 31 Flats Phase 3 | 2019 | Taxable Lease Revenue Bonds | 15,000,000 | 15,000,000 |
| 32 Euclid Avenue 2019 Refinance | 2019 | Development Revenue Bonds | 18,220,000 | 18,220,000 |
| 33 City of Warrensville Heights | 2019 | Non-Tax Revenue Bonds | 17,470,000 | 15,985,000 |
| 34 Intro Project | 2020 | Taxable Lease Revenue Bonds | 93,680,137 | 93,580,014 |
| 35 121 Larchmere | 2020 | Taxable Lease Revenue Bonds | 15,900,000 | 15,732,052 |
| 36 Cleveland Museum of Natural History | 2021 | Cultural Facility Revenue Bonds | 63,745,000 | 63,745,000 |
| 37 Circle Square | 2021 | Taxable Lease Revenue Bonds | 59,760,377 | 59,760,377 |
| 38 VA Refinancing | 2021 | Federal Lease Revenue Bonds | 250,525,000 | 244,130,000 |
| 39 Flats East Bank | 2021 | Tax Increment Financing Bonds | 52,495,000 | 50,810,000 |
| 40 Sherwin Williams | 2021 | Taxable Lease Revenue Bonds | 50,000,000 | 1,950,000 |
| 41 Waverly & Oak | 2021 | Taxable Lease Revenue Bonds | 33,097,916 | 33,097,916 |
| 42 Fairmount – Fairfax Meijer | 2021 | Taxable Lease Revenue Bonds | 27,810,236 | 27,810,236 |
| 43 Library Lofts | 2021 | Taxable Lease Revenue Bonds | 4,093,304 | 4,093,304 |
| 44 McCormack/Fairfax/Innovation Square | 2022 | Taxable Lease Revenue Bonds | - | - |
| 45 Euclid Ave Langston Edge | 2022 | Taxable Lease Revenue Bonds | 146,935,000 | 146,935,000 |
| 46 Renaissance Lease Revenue Bonds | 2022 | Taxable Lease Revenue Bonds | - | - |
| 47 Roundstone Headquarters | 2023 | Taxable Lease Revenue Bonds | - | - |
| 48 Baker/Fidelity NuovoRE Hotel | 2023 | Taxable Lease Revenue Bonds | - | - |
| 49 St. Ignatius | 2023 | Taxable Lease Revenue Bonds | 50,000,000 | 13,052,249 |
| Total | | | \$ <u>2,258,960,398</u> | \$ <u>1,832,143,961</u> |

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Cleveland-Cuyahoga County Port Authority (the "Authority"), as of and for the year ended December 31, 2023, 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, 2024, wherein we noted that the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, as disclosed in Note 1.

Report on Internal Control over Financial Reporting

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

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

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

25201 Chagrin Boulevard
Cleveland, Ohio 44122.5683
p. 216.831.7171
f. 216.831.3020

www.cp-advisors.com

Independent Member of
Geneva Group International

Board of Directors
Cleveland-Cuyahoga County Port Authority

Report on Compliance and Other Matters

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

Purpose of this Report

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

Ciuni + Panichi, Inc.

Cleveland, Ohio
June 27, 2024

**Independent Auditor's Report on Compliance for Each Major Program;
Report on Internal Control over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Cleveland-Cuyahoga County Port Authority's (the "Authority")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2023. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

25201 Chagrin Boulevard
Cleveland, Ohio 44122-5683

p. 216.831.7171

f. 216.831.3020

www.cp-advisors.com

Independent Member of
Geneva Group International

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Board of Directors
Cleveland-Cuyahoga County Port Authority

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities of the Authority, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated June 27, 2024, which contained an unmodified opinion on those financial statements, wherein we noted that the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, as disclosed in Note 1. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Cianni + Panichi, Inc.

Cleveland, Ohio
June 27, 2024

Cleveland-Cuyahoga County Port Authority

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2023

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Federal Assistance Listing Number</u> | <u>Pass-Through Entity Number</u> | <u>Federal Expenditures</u> |
|--|--|---------------------------------------|---------------------------------|
| U.S. Department of Transportation: | | | |
| Passed through Northeast Ohio Area-wide Coordinating Agency: Nationally Significant Freight and Highway Projects | 20.934 | INFRA-STBG- CRRSSA-2023-PORT | \$ 3,754,112 |
| Direct Award: Port Infrastructure Development Program (B) | 20.823 | N/A | <u>397,332</u> |
| Total U.S. Department of Transportation | | | <u>4,151,444</u> |
| U.S. Environmental Protection Agency: | | | |
| Direct Award: National Clean Diesel Emissions Reduction Program | 66.039 | N/A | <u>375,000</u> |
| Total U.S. Environmental Protection Agency | | | <u>375,000</u> |
| Total Expenditures of Federal Awards | | | \$ <u>4,526,444</u> |

Cleveland-Cuyahoga County Port Authority

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2023

Note 1: Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of the Authority’s federal award programs. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies is included on this schedule. The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting.

Note 2: Indirect Cost Rate

The Authority has not elected to use the 10 percent de minimis indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Cleveland-Cuyahoga County Port Authority

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2023

1. Summary of Auditor's Results

| | | |
|--------------|--|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Was there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for the major federal program? | No |
| (d)(1) (iv) | Were there any significant deficiencies in internal control reported for the major federal program? | No |
| (d)(1) (v) | Type of Major Program Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR Section 200.516(a)? | No |
| (d)(1)(vii) | Major Program | Nationally Significant Freight and Highway Projects – Federal Assistance Listing Number 20.934 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: >\$750,000 Type B: All Others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

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

None noted.

3. Findings for Federal Awards

None noted.

Cleveland-Cuyahoga County Port Authority

Schedule of Prior Audit Findings and Questioned Costs

For the Year Ended December 31, 2023

No prior year audit findings or questioned costs.

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OHIO AUDITOR OF STATE KEITH FABER



CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/16/2025

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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