Cleveland-Cuyahoga County Port Authority

Financial Statements
and Supplemental Schedules
Years Ended December 31, 2002 and 2001
and Independent Auditors' Reports

Auditor of State
Betty Montgomery

Board of Directors
Cleveland - Cuyahoga County Port Authority
1375 East Ninth Street, Suite 1650
Cleveland, Ohio 44117

We have reviewed the Independent Auditor's Report of the Cleveland - Cuyahoga County Port Authority, Cuyahoga County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2002 to December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 17, 2003

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CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

Board of Directors
Cleveland-Cuyahoga County Port Authority

We have audited the general purpose financial statements of the Cleveland-Cuyahoga County Port Authority (the "Authority") as of December 31, 2002 and 2001, and for the years then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Cleveland-Cuyahoga County Port Authority as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the general purpose financial statements of the Authority taken as a whole. The accompanying supplemental schedules of balance sheet information and revenue and expense information by individual activity/project as of and for the years ended December 31, 2002 and 2001, listed in the foregoing table of contents, are presented for the purpose of additional analysis rather than to present financial information regarding the individual activities/projects and are not a required part of the general purpose financial statements. The accompanying supplemental schedule of expenditures of federal awards for the year ended December 31, 2002 is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the general purpose financial statements. These supplemental schedules are the responsibility of the Authority's management. Such supplemental schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated, in all material respects, when considered in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 16, 2003 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

May 16, 2003

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

BALANCE SHEETS
DECEMBER 31, 2002 AND 2001

ASSETS	2002	2001
CURRENT ASSETS:		
Cash and investments	$ 7,289,617	$ 5,917,344
Accounts receivable	376,241	528,121
Property taxes receivable	3,300,000	3,300,000
Other receivables	73,429	104,887
Prepaid expenses	139,787	130,789
Total current assets	11,179,074	9,981,141
LAND, FACILITIES AND EQUIPMENT:		
Land and land improvements	28,322,094	28,306,254
Buildings, wharves, docks and leasehold improvements	75,525,595	75,494,903
Equipment	4,805,142	4,814,628
Construction in progress	38,742,356	9,319,315
Total	147,395,187	117,935,100
Less accumulated depreciation	12,019,974	9,273,363
Net book value of land, facilities and equipment	135,375,213	108,661,737
RESTRICTED AND OTHER ASSETS:		
Restricted cash and investments	42,392,053	67,188,010
Lease receivable, Rock and Roll Hall of Fame and Museum, Inc.	26,200,000	27,835,000
Financing lease receivables	9,040,849	9,546,848
Operating lease receivables	4,709,021	4,247,587
Notes receivable	23,029,474	11,794,134
Debt issuance costs	6,207,777	6,182,074
Prepaid ground lease	4,570,800	4,688,000
Other	131,909	213,176
Total restricted and other assets	116,281,883	131,694,829
TOTAL	$ 262,836,170	$ 250,337,707

(Continued)

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

BALANCE SHEETS
DECEMBER 31, 2002 AND 2001

LIABILITIES AND FUND EQUITY	2002	2001
CURRENT LIABILITIES:		
Accounts payable	$ 191,836	$ 112,760
Deferred income	3,946,849	3,991,924
Accrued wages and benefits	117,205	85,294
Current portion of bonds funded by the Authority:		
Cleveland Bulk Terminals Project	40,000	40,000
Bond Fund Activities—Port Capital Improvements	180,000	170,000
Tax Anticipation Notes	1,805,000	1,740,000
State of Ohio 166 Loan	40,322	38,743
Total current liabilities	6,321,212	6,178,721
OTHER LIABILITIES—Including amounts relating to restricted assets:		
Accounts payable	6,849,287	8,332,409
Deferred income	332,441	433,003
Accrued interest payable	1,587,080	1,290,234
Revenue bonds and notes:		
Rock and Roll Hall of Fame and Museum, Inc.	26,200,000	27,835,000
Applied Industrial Technologies, Inc. Project	32,105,631	32,841,399
Cleveland Bulk Terminals Project	5,253,429	5,185,695
Bond Fund Activities	42,812,921	31,092,177
Tax Anticipation Notes	6,006,313	1,805,000
MetroHealth Project	10,973,006	10,973,006
MTD Consumer Group Project	19,505,748	20,272,023
Parma Community General Hospital Project	23,150,000	23,150,000
University Square Project	40,396,695	40,386,901
State of Ohio 166 Loan	578,801	619,124
Debt repayment security deposits payable	845,397	874,003
Other	10,000	25,000
Total	216,606,749	205,114,974
Total liabilities	222,927,961	211,293,695
FUND EQUITY:		
Contributed capital	9,269,750	9,269,750
Retained earnings	30,638,459	29,774,262
Total fund equity	39,908,209	39,044,012
TOTAL	$ 262,836,170	$ 250,337,707

See notes to financial statements. (Concluded)

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
OPERATING REVENUES:		
Wharfage, dockage and storage	$ 457,166	$ 443,649
Property lease and rentals	6,639,002	5,395,752
Other fee and rental income	644,922	580,465
Third-party contributions	304,859	382,220
Other		83,803
Total operating revenues	8,045,949	6,885,889
OPERATING EXPENSES:		
Salaries and benefits	1,410,266	1,391,951
Facilities lease and maintenance	1,107,860	1,239,190
Professional services	778,153	440,014
Marketing and communications	149,987	162,222
Depreciation expense	2,757,992	1,940,172
Office expense	267,098	248,706
Other expense	356,032	248,030
Total operating expenses	6,827,388	5,670,285
OPERATING INCOME	1,218,561	1,215,604
NONOPERATING REVENUES (EXPENSES):		
Property tax receipts	3,266,756	3,215,143
Port entrance project:		
Grant revenue	2,500,227	
Expenses	(2,500,227)	
Income from investments, financing leases and notes receivable	2,845,420	2,466,190
Interest expense	(6,503,148)	(5,444,158)
Other—net	36,608	89,190
Total nonoperating revenues (expenses)—net	(354,364)	326,365
NET INCOME	864,197	1,541,969
RETAINED EARNINGS—Beginning of year	29,774,262	28,232,293
RETAINED EARNINGS—End of year	$ 30,638,459	$ 29,774,262

See notes to financial statements.

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
OPERATING ACTIVITIES:		
Operating income	$ 1,218,561	$ 1,215,604
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,757,992	1,940,172
Amortization of prepaid ground lease	117,200	
Write-off of previously capitalized costs pertaining to terminated project	173,754	
(Increase) decrease in assets:		
Accounts receivable	151,880	(132,858)
Operating lease receivables	(461,434)	(681,348)
Prepaid expenses and other assets	74,649	(187,118)
Increase (decrease) in liabilities:		
Accounts payable	(51,701)	57,845
Deferred income	(216,289)	(268,153)
Accrued wages and benefits	31,911	(23,546)
Net cash provided by operating activities	3,796,523	1,920,598
NONCAPITAL FINANCING ACTIVITIES:		
Net proceeds from property tax collections	3,266,756	3,215,143
Other nonoperating revenues (expenses)	36,608	91,206
Net cash provided by noncapital financing activities	3,303,364	3,306,349
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Net proceeds from the issuance of bonds and notes (including funding of primary reserves)	18,433,189	88,181,482
Principal paid on revenue bonds and notes (including repayment of primary reserves)	(4,945,162)	(3,643,141)
Interest paid on revenue bonds and notes	(9,092,466)	(4,887,752)
Construction loans made	(12,004,898)	(3,599,728)
Principal received on notes receivable and financing leases	1,246,069	590,242
Interest received on notes receivable and financing leases	2,151,562	1,356,794
Acquisition and construction of fixed assets (including property subject to financing lease and Port entrance project)	(30,056,336)	(23,231,449)
Port entrance project grant received	2,454,706	
Payment to escrow fund for defeasance of bonds		(6,300,047)
Prepayment of ground lease		(4,688,000)
Net cash provided by (used in) capital and related financing activities	(31,813,336)	43,778,401

(Continued)

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
INVESTING ACTIVITIES:		
Purchase of investment securities	(164,082,827)	(98,229,893)
Proceeds from sale and maturity of investment securities	183,865,453	61,323,216
Interest on investments	1,301,273	1,132,819
Net cash provided by (used in) investing activities	21,083,899	(35,773,858)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,629,550)	13,231,490
CASH AND CASH EQUIVALENTS—Beginning of year	15,513,138	2,281,648
CASH AND CASH EQUIVALENTS—End of year	$ 11,883,588	$ 15,513,138
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR ARE INCLUDED IN THE FOLLOWING BALANCE SHEET CAPTIONS:		
Cash and investments	$ 4,840,179	$ 1,086,948
Restricted cash and investments	7,043,409	14,426,190
TOTAL	$ 11,883,588	$ 15,513,138

See notes to financial statements.

(Concluded)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Definition of Entity and Basis of Accounting—The accompanying financial statements of the Cleveland-Cuyahoga County Port Authority (the “Authority” or the “Port”) 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 Government Accounting Standards Board (“GASB”). The Authority has no component units.

This conclusion regarding the financial reporting entity is based on the concept of financial accountability. 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.

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. The measurement focus is on the determination of revenues, expenses, financial position, and cash flows as the identification of these items is necessary for appropriate capital maintenance, public policy, management control, and accountability. The Authority’s financial transactions are recorded on the accrual basis of accounting; revenues are recognized when earned and expenses are recognized as incurred. Revenues received in advance are deferred and recognized as earned over the period to which they relate.

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

Investments—The Authority’s investments (including cash equivalents) are recorded at fair value.

Fixed Assets and Depreciation—The Authority capitalizes and records fixed asset additions or improvements at historical cost. Expenditures for maintenance and repairs are charged to operating expenses as incurred. Adjustments of the assets and the related depreciation reserve accounts are made for retirements and disposals with the resulting gain or loss included in income. Depreciation begins when an asset is placed in service and is determined by allocating the cost of fixed assets over their estimated useful lives on the straight-line basis.

The estimated useful lives are as follows:

Buildings, wharves and docks	20-40 years
Land improvements	10-20 years
Leasehold improvements	10-20 years
Equipment	3-10 years

Debt Issuance Costs**—**The costs associated with the issuance of the Authority's revenue bonds and notes are deferred and recognized as interest cost over the period the related debt is outstanding using the interest method.

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

Compensated Absences**—**It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is accrued and reported as a liability when earned by the Authority's employees. There is no liability for unpaid, accumulated sick leave since employees do not receive payment for unused sick time.

Employees accrue vacation monthly based on years of service. Unused vacation leave may be carried forward a maximum of two years; however, amounts in excess of the allowed maximum must be forfeited at the end of each calendar year. The Authority allows accumulation of 960 hours of sick leave, which can only be used in the event of an illness.

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

The Authority records a receivable and deferred income for the estimated amount of property taxes that has been levied for the Authority during the year but will not be received and available for appropriation by the Authority until the succeeding year. Substantially all of the Authority's grants are reimbursement-based grants under which the Authority records grant revenue as eligible expenditures are incurred.

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

Statements of Cash Flows**—**For purposes of the statements of cash flows, cash and cash equivalents are defined as bank demand deposits and amounts invested in overnight repurchase agreements.

Restricted Assets and Related Liabilities**—**Bond indentures and other agreements require portions of debt proceeds as well as other resources of the Authority to be set aside for various purposes. These amounts are reported as restricted assets. The liabilities that relate to the restricted assets are included in other liabilities in the accompanying balance sheets.

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 capital expenditures and amounts charged to individual expense categories to exceed their respective appropriations without amendment of appropriations by the Board of Directors. All unencumbered appropriations lapse at year-end.

2. CASH AND INVESTMENTS

***Deposits*—**The Authority's depository requirements are governed by state statutes and require that deposits be placed in eligible banks or savings and loans located in Ohio. Any public depository in which the Authority places deposits must pledge as collateral eligible securities of aggregate market value at least equal to the amount of deposits not insured by the Federal Deposit Insurance Corporation.

Collateral that may be pledged is limited to obligations of the following entities: the U.S. government and its agencies, the State of Ohio, and any legally constituted taxing subdivision within the State of Ohio. At December 31, 2002, the carrying amount of the Authority's deposits was $10,445,071 and the bank balance was $10,743,212, of which $700,365 was covered by federal depository insurance or surety bonds provided by a commercial insurance company and $10,042,847 was uninsured and uncollateralized as defined by the GASB.

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

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

The Authority's investments are detailed below and are categorized in accordance with the criteria established by the GASB to indicate the level of credit risk assumed as of December 31, 2002. Category 1 includes investments that are insured or registered for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or by its trust department or agent but not in the Authority's name.

	Category			Fair
Description	**1**	**2**	**3**	**Value**
Money market funds	$ -	$ 29,181,841		$ 29,181,841
Commercial paper		4,364,826		4,364,826
Federal Home Loan Bank obligations		1,023,592		1,023,592
Federal National Mortgage Association obligations		2,425,097		2,425,097
Federal Home Loan Mortgage Corporation obligations		302,724		302,724
Repurchase agreements			$ 1,938,518	1,938,518
Total	$ -	$ 37,298,080	$ 1,938,518	$ 39,236,598

3. RETIREMENT AND POSTEMPLOYMENT BENEFIT PLANS

***Pension Benefits*—**All employees of the Authority are required to be members of the Public Employees Retirement System of Ohio ("PERS"), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that includes financial statements and required supplementary information. The financial report may be obtained by making a written request to the Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6705 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for employees and employer contributions. Employees other than law enforcement personnel are required to contribute 8.5% of their covered payroll to PERS. The employer contribution rate for local government employer units was 13.55% of covered payroll in 2002 and 2001, including 5.00% in 2002 and 4.3% in 2001 that is used to fund postretirement health care benefits. The Authority's total contributions to PERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2002, 2001 and 2000 were $92,105, $101,619, and $71,890, respectively, which equaled 100% of the required contributions for each year.

***Postemployment Benefits*—**In addition to the pension benefits described previously, PERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12.

A portion of each employer's contributions to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. During 2002 and 2001, $53,862 and $47,251, respectively, of the Authority's total contributions to PERS were used to fund health care. At December 31, 2002, the Authority was not responsible for paying premiums, contributions or claims for OPEB under PERS for any retirees, terminated employees or other beneficiaries.

OPEB is advance-funded on an actuarially determined basis through employer contributions and investment earnings thereon. The principal assumptions used for the 2001 actuarial computations (latest available) were as follows:

Funding Method. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Investment Return. The investment assumption rate for 2001 was 8.00%.

Active Employee Total Payroll. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from .50% to 6.3%.

Health Care. Health care costs were assumed to increase 4.00%.

At December 31, 2001 (latest information available), there were 402,041 active contributing participants. The Authority's actuarially required OPEB contribution for 2001 equaled the actual amount contributed to PERS by the Authority. In addition, at December 31, 2001, the actuarial value of the plan's net assets available for OPEB approximated $11.6 billion and the actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial method used, were $16.4 billion and $4.8 billion, respectively.

The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

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, public utility and tangible (used in business) property located in Cuyahoga County. The 2001 levy (collected in 2002) was based upon an assessed valuation of approximately $28.7 billion and continues through 2002 (collected in 2003). During May 2002, Cuyahoga County voters approved a renewal of the .13 mill tax levy beginning in the 2003 tax year and continuing through 2008. The renewal levy is expected to generate a similar amount of annual property tax receipts for the Authority.

Real property taxes are levied each January 1 on the assessed value listed as of the prior January 1. Assessed values are established by the County Auditor at 35% of appraised market value. A revaluation of all property is required to be completed no less than every six years, with a statistical update every third year. The last valuation was completed in 2000. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88% of cost). Tangible personal property is assessed at 25% of the true value of the property.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Authority. Taxes are payable to the County in two equal installments in January and July and, if not paid, become delinquent after December 31.

The County Auditor periodically remits to the Authority its portion of the taxes collected with final settlement in June and December for taxes payable in the first and second halves of the year, respectively.

5. NORTH COAST HARBOR ACTIVITIES

Common Area Maintenance—Effective June 1, 1996, the Authority entered into an agreement known as the Common Area Maintenance ("CAM") Agreement with the City of Cleveland ("City"), Rock and Roll Hall of Fame and Museum, Inc. and the Great Lakes Museum of Science, Environment and Technology ("Great Lakes Museum") pertaining to the City's waterfront area and related facilities known as North Coast Harbor ("NCH"). The purpose of the CAM Agreement is to provide for the ongoing operation, maintenance, insurance and security of the common areas of the NCH. Currently, the CAM participants are the Authority, the Great Lakes Science Center, the Rock and Roll Hall of Fame and Museum, Inc., the Cleveland Browns, the Goodtime III (a passenger touring boat), and the Steamship William G. Mather Museum. Common area maintenance is funded through the contributions of the CAM participants as defined under the CAM Agreement and the cash and investments held pursuant to the CAM Agreement are classified as restricted assets in the accompanying balance sheets.

***Rock and Roll Hall of Fame and Museum, Inc.*—**On May 20, 1993, the Authority issued $38,995,000 of Cleveland-Cuyahoga County Port Authority Revenue Bonds, Series 1993, comprised of $995,000 of fixed rate bonds and $38,000,000 of variable rate bonds. The proceeds from the revenue bonds were primarily used to fund a portion of the cost of construction of the Rock and Roll Hall of Fame and Museum, Inc. facility. The issuance of the revenue bonds did not encumber the assets of the Authority nor did it affect its revenue sources.

In 1993, the Rock and Roll Hall of Fame and Museum, Inc. and the Authority entered into a financing lease agreement pertaining to the building that houses the Hall of Fame and Museum. The Authority owns the building and leases the building to the Rock and Roll Hall of Fame and Museum, Inc. The lease is noncancelable until the underlying revenue bonds, as well as any related charges, are paid in full. The lease payments cover the principal and interest payments on the revenue bonds. All expenses related to the revenue bonds and the operation and maintenance of the facility are the responsibility of the Rock and Roll Hall of Fame and Museum, Inc.

In January 1997, the Authority issued $16,725,000 of Senior Refunding Revenue Bonds, Series 1997, and $18,130,000 of Subordinate Refunding Revenue Bonds, Series 1997, ("Senior and Subordinate Bonds") with fixed interest rates varying from 3.9% to 5.9%. The proceeds of the bond issues were used, together with other available funds that had accumulated under the Rock and Roll Hall of Fame and Museum, Inc.'s trust indenture through which its lease payments are made, to repay the remaining outstanding Revenue Bonds, Series 1993. The Senior and Subordinate Bonds are special obligations of the Authority payable solely from the proceeds received by the Authority under its lease with the Rock and Roll Hall of Fame and Museum, Inc. and do not represent or constitute a general obligation, bonded indebtedness or a pledge of the general credit or taxing power of the Authority. In connection with this refinancing, the Authority received a $750,000 fee that is being recognized in other fee and rental income on a straight-line basis over the 19-year term of the Senior and Subordinate Bonds. The portion of the fee that has not been recognized as income is reported on the Authority's balance sheet as deferred income.

Because the Authority has assumed no responsibility for the repayment of any of the bonds described above beyond the resources provided by the underlying lease, no activity pertaining to the project has been recognized in the accompanying statements of revenues, expenses and changes in retained earnings and statements of cash flows, except for the fees received by the Authority in connection with the refinancing.

6. APPLIED INDUSTRIAL TECHNOLOGIES PROJECT

During 1996, the Authority entered into an agreement with Bearings, Inc. (subsequently renamed Applied Industrial Technologies, referred to herein as "Applied") to construct a corporate headquarters within the Midtown Corridor of the City of Cleveland. Under the agreement, the Authority agreed to finance or arrange for financing the costs of the project, including acquisition of the land, construction of the facility, and purchase of certain furniture, fixtures and equipment. Applied agreed to rent the facility and personal property from the Authority under a 20-year lease that contains two 10-year renewal options. The annual rental payments under the lease are approximately $1.5 million for the first five years of the lease and $2.6 million for the remainder of the initial 20 year term; sufficient to pay debt service on the outstanding project financings.

The outstanding balances of the taxable bonds and notes issued in connection with the project were as follows at December 31:

	2002	2001
Taxable bonds and notes:		
Headquarters Revenue Bonds, 7.28%,	$13,300,624	$13,646,786
Headquarters Revenue Bonds, 7.59%,	4,699,242	4,833,256
State of Ohio Revenue Note, 1.5% to 2.25%	5,939,144	6,000,000
Cleveland Development Partnership I, Limited Partnership Revenue Note, 6%	1,905,861	2,021,294
Cuyahoga County Revenue Note, 7.19%	1,455,000	1,515,000
City of Cleveland NDIF Revenue Note, 2%	3,000,000	3,000,000
City of Cleveland UDAG Revenue Note, non-interest bearing	1,000,000	1,000,000
City of Cleveland J.C. Hub Revenue Note, 2%	805,760	825,063
Total taxable bonds and notes	$32,105,631	$32,841,399

The bonds and notes are special limited obligations of the Authority, payable solely from, and secured by, certain reserve fund balances or agreements established in connection with the project and a pledge of rentals to be received by the Authority under the lease agreement with Applied. The various lenders also have a security interest in the headquarters facility. The bonds and notes do not constitute a general obligation of the Authority. The scheduled repayments of the bonds and notes outstanding at December 31, 2002 are as follows:

Year	Principal	Interest	Total
2003	$ 950,593	$ 1,670,773	$ 2,621,366
2004	1,049,425	1,610,195	2,659,620
2005	1,108,636	1,544,148	2,652,784
2006	1,153,330	1,473,916	2,627,246
2007	1,268,637	1,399,582	2,668,219
Thereafter	26,575,010	9,754,272	36,329,282
Total	$32,105,631	$17,452,886	$49,558,517

Lease payments from Applied began upon completion of construction in July 1997. The facility portion of the lease is accounted for as an operating lease and $2,131,967 of rental income was recognized by the Authority during 2002 under this portion of the lease. In addition, the cost and carrying amount of the Authority's property subject to this portion of the lease was $33.1 million and $29.7 million, respectively, at December 31, 2002.

The Authority also recorded an approximate $2.5 million financing lease receivable during 1998 for the portion of the lease pertaining to furniture, fixtures and equipment. The portion of the future rental payments to be received that are deemed to be attributable to the furniture, fixtures and improvements are detailed in the following table along with the equipment financing lease receivable recognized on the December 31, 2002 balance sheet:

Year	Amount
2003	$ 197,872
2004	200,817
2005	200,291
2006	198,325
2007	201,480
Thereafter	1,659,958
Total	2,658,743
Unearned income	(464,578)
Total equipment financing lease receivable	$ 2,194,165

7. CLEVELAND BULK TERMINALS PROJECT

In March 1997, the Authority issued $6,640,000 of tax exempt Development Revenue Bonds, Series 1997-1 ("Series 1997-1 Bonds"). The proceeds of the bond issue were used to purchase approximately 45 acres of lakefront property and improvements operating as a working dock facility from Consolidated Rail Corporation ("Conrail") for $6,150,000. The property, known as the C&P Ore Docks (and subsequently renamed Cleveland Bulk Terminals), is a vessel-to-rail transfer facility that handled approximately 1.25 million tons of iron ore in 2002.

Upon purchasing the property from Conrail, the Authority entered into a lease and operating agreement for the entire facility with Oglebay Norton Terminals, Inc., ("ONTI"), a subsidiary of Oglebay Norton Company. In December 2002, the lease and operating agreement were extended, as provided for in the agreement, through March 2017.

On June 6, 2001, the Authority issued $5,765,000 of Refunding Revenue Bonds, Series 2001 ("Refunding Bonds"), in order to advance refund the Series 1997-1 Bonds. The net proceeds of the Refunding Bonds of $5,459,742 (after payment of $305,258 in underwriting fees and other issuance costs) and $840,305 of debt service funds were used to purchase securities guaranteed by the United States government. Those securities were deposited in an irrevocable escrow fund and will mature at such times as to provide sufficient funds to pay the interest and principal on the refunded bonds until they are fully repaid. As a result, the Series 1997-1 Bonds are considered to be defeased and were removed from the Authority's balance sheet in 2001.

The Refunding Bonds are payable in quarterly installments through 2031 and are not general obligations of, and are not secured by, the full faith and credit of the Authority. The repayment terms of the Refunding Bonds enable the holders of the bonds to demand payment prior to maturity under certain circumstances. As a result, the Authority has executed a remarketing agreement and a letter of credit with a financial institution which requires the financial institution to use its best efforts to resell any portion of the bonds presented for payment prior to their scheduled maturity. The letter of credit, which expires on June 22, 2006, provides assurance that funds will be available through the financial institution to redeem any non-marketable bonds prior to their maturity. The repayment of a portion of the principal and interest due under the Refunding Bonds is guaranteed by Oglebay Norton Company.

The Refunding Bonds bear interest at a variable rate as determined by a remarketing agent based upon current transactions in comparable securities that enable the agent to remarket the notes at par. The interest rate on the Refunding Bonds was 1.55% on December 31, 2002. Two interest rate exchange agreements ("swaps") are used to limit the Authority's interest rate exposure on the Refunding Bonds.

The swaps provide for interest to be received based on notional amounts at variable rates and provide for interest to be paid on the same notional amounts at fixed rates. The fixed interest rates do not change over the life of the agreements, which expire in fiscal 2007 and 2017. Variable rates are reset every quarter, are based on LIBOR and are settled with the counterparties to the swaps at that time.

These swap agreements are not used for trading purposes and effectively change the base interest rate exposure on the Refunding Bonds to a fixed rate of 5.81%, through March 1, 2007 and a fixed rate of 4.83% thereafter through March 2, 2017. The notional amount of the swaps at December 31, 2002 was equal to the outstanding balance on the Refunding Bonds.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $582,550. This difference, reported in the accompanying balance sheets as a deduction from bonds payable, is being charged to operations through the year 2031 using the effective-interest method. The Authority completed the advance refunding to effectively extend the maturity of its debt pertaining to the Cleveland Bulk Terminals Project by 24 years, including the elimination of the $3,235,000 balloon payment due on March 1, 2007. The advance refunding and the swaps increase the Authority's total debt service payments over the next 30 years by $4,693,991 and resulted in an economic loss (difference between the present values of the old and new debt service payments) of $553,859, assuming that the Authority is able to effectively fix the interest rate under the Refunding Bonds at 4.83% through the maturity of the bonds in 2031 by obtaining additional swaps. If additional swaps cannot be obtained to fix the Authority's interest rate exposure under the Refunding Bonds after 2017 or swaps are obtained which provide for fixed interest rates other than 4.83%, the economic gain (or loss) resulting from the advance refunding could be significantly different than the amount disclosed above. A 1% increase in the effective interest rate paid under the Refunding Bonds after the existing swaps expire in 2017 would increase the economic loss by $42,497.

The bonds outstanding at December 31, 2002 are payable as follows (assuming that the interest rate is able to be fixed at 4.83% after the expiration of the existing swaps in 2017):

Year	**Principal**	**Interest**	**Total**
2003	$ 40,000	$ 329,234	$ 369,234
2004	60,000	326,483	386,483
2005	60,000	323,455	383,455
2006	60,000	326,123	386,123
2007	105,000	274,380	379,380
Thereafter	5,380,000	3,648,802	9,028,802
Total payments	5,705,000	5,228,477	10,933,477
Unamortized loss on defeasance	(411,571)		(411,571)
Total	$ 5,293,429	$ 5,228,477	$ 10,521,906

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

Year	Amount
2003	$ 725,000
2004	725,000
2005	725,000
2006	725,000
2007	377,883
Thereafter	2,605,861
Total	$5,883,744

During both 2002 and 2001, the Authority recorded $607,500 of rental income under the agreement that included no amounts based on the amount of freight handled at the facility. In addition, the cost and carrying amount of the Authority's property subject to this lease was $7.2 million at December 31, 2002 and 2001.

8. BOND FUND PROGRAM

General Description—The Authority has established a Common Bond Fund Program (the "Program") to provide long-term, fixed interest rate financing of $1 million to $6 million to credit worthy businesses for owner-occupied industrial and commercial projects. In order to initiate this Common Bond Fund Program, a system of cash reserves was formed. As part of the overall reserves system, the Authority's Board of Directors transferred $2 million of non-tax revenue from its existing cash and investment balances to a Bond Fund Program Reserve ("Bond Fund"). The State of Ohio awarded the Authority a grant of $2 million, received in February 1998, which was also deposited in the Bond Fund Program Reserve Account. In addition, in March 1998, the Authority obtained a non-recourse bank letter of credit in the amount of $4 million to provide additional security for bondholders. The letter of credit was increased to $5 million in September 2002.

Port of Cleveland Bond Fund Development Revenue Bonds are issued pursuant to authorization of the Ohio Revised Code and under a Trust Agreement dated November 1, 1997 between the Authority and a local financial institution. The program is designed to expand employment opportunities and increase the tax base in northeast Ohio, primarily in Cuyahoga County, for which the Authority has been designated an economic development financing agency of the State of Ohio, by providing long-term, fixed interest rate financing.

Under the Program, debt service requirements on each bond issue are secured by a pledge of amounts to be received under lease or loan agreements with borrowers who utilize the financed facilities. In addition, all borrowers are required to either deposit an amount into a Bond Fund Primary Reserve account with the trustee or to provide a letter of credit as additional security for the related bonds. Amounts in the Bond Fund Program Reserve ($4,116,579 at December 31, 2002) and Bond Fund Primary Reserves ($3,182,526 at December 31, 2002) may be used for debt service in the event the borrower is unable to make the required payments under the lease. The Trustee is to hold these funds during the term the bonds are outstanding, with investment income earned on the Bond Fund Primary Reserve amounts returned to the borrowers at their discretion. Amounts held in the Authority's Bond Fund Program Reserve are included in restricted cash and investments in the accompanying balance sheets.

The bond issues are not general obligations of, and are not secured by, the full faith and credit of the Authority.

Bond Obligations—A summary of the Authority's outstanding borrowings for projects funded under the Program at December 31, 2002 and 2001 were as follows:

Project	Debt Obligation	Interest Rate	Final Maturity	2002	2001
ESSROC (dock improvements)	Series 1997A	5.75%-5.80%	May 15, 2027	$ 3,482,734	$ 3,536,792
Jergens, Inc. (construction of manufacturing facility)	Series 1998A	5.375%	May 15, 2018	4,838,314	5,022,620
NOACA (acquisition and renovation of office facility)	Series 1998B	5.375%	May 15, 2018	2,890,601	3,003,443
Port Capital Improvements (various dock and other improvements)	Series 1999A	5.375%	May 15, 2019	4,656,272	4,824,322
Universal Heat Treating (acquisition and improvement of manufacturing facility)	Series 1999B	6.50%	Nov. 15, 2014	1,285,000	1,375,000
Playhouse Square (acquisition of equipment)	Series 2000A	8.12%	Nov. 15, 2008	2,275,000	2,560,000
Regional Income Tax Agency (acquisition of personal property)	Series 2000B	6.00%	Nov. 15, 2010	4,615,000	5,000,000
CEOGC (construction of Head Start facility)	Series 2001A	6.25%	May 15, 2016	4,260,000	4,440,000
Cleveland Bottle & Supply (acquisition and renovation of manufacturing and warehouse facilities)	Series 2001B	6.50%	Nov. 15, 2021	1,470,000	1,500,000
Community Assessment and Treatment Services Inc. (acquisition and renovation of facility)	Series 2002A	5.60%-6.20%	May 15, 2022	2,090,000	
International Steel Group (upgrading hot strip mill)	Series 2002B	5.80%	May 15, 2007	6,000,000	
Cleveland Christian Home (acquisition and renovation of facility)	Series 2002C	5.25%-5.95%	May 15, 2022	5,130,000	
Total				$ 42,992,921	$ 31,262,177

The bonds issued by the Authority under the Program are payable are follows:

Year	Principal	Interest	Total
2003	$ 2,845,000	$ 2,509,192	$ 5,354,192
2004	3,090,000	2,332,649	5,422,649
2005	3,300,000	2,143,060	5,443,060
2006	3,495,000	1,940,682	5,435,682
2007	3,650,000	1,707,913	5,357,913
Thereafter	26,935,000	11,052,393	37,987,393
Total payments	43,315,000	$ 21,685,889	$ 65,000,889
Unamortized original issue discount	(322,079)		
Recorded balance at December 31, 2002	$ 42,992,921		

A description of the collateral for the payment of debt service under the bonds and other information concerning the projects is provided below:

- ***ESSROC Project—***Debt service under the bonds is being paid primarily from the rental payments made to the Bond Fund trustee by ESSROC Cement Corp. ("ESSROC") in connection with a Ground Lease and Operating Agreement, pursuant to which ESSROC leases certain real property and bulkheading located on Dock 20 from the Authority. This property at Dock 20 had a cost and carrying amount of $3.5 million and $3 million, respectively, at December 31, 2002. ESSROC has also agreed in the Ground Lease and Operating Agreement to pay the Authority certain land rentals and dockage and wharfage fees. The future minimum rental payments to be received under the Ground Lease and Operating Agreement, which is accounted for as an operating lease, are as follows:

Year	Amount
2003	$ 264,251
2004	266,429
2005	266,486
2006	263,085
2007	267,815
Thereafter	5,096,325
Total	$ 6,424,391

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

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

- ***Jergens, Inc. Project***—The proceeds of the bonds were used to provide funds in the form of a loan to Jergens, Inc. and certain other parties (collectively, "Jergens") for the construction of a manufacturing facility. The Authority has a first mortgage and security interest in all assets acquired with the proceeds of the bonds. The timing and amount of payments due from Jergens and paid directly to the Bond Fund trustee under the loan approximate the debt service requirements of the Series 1998A Bonds, plus a small administrative charge. At December 31, 2002, $4,725,936 remained as a note receivable from Jergens.

- ***NOACA Project—***This project consisted of the acquisition and renovation of an existing 31,000 square-foot facility, which is leased to the Northeast Ohio Areawide Coordinating Agency ("NOACA") for use as office space. The timing and amount of payments due from NOACA and paid directly to the Bond Fund trustee under the lease approximate debt service requirements of the Series 1998B Bonds, plus a small administrative charge.

The lease with NOACA is accounted for as a financing lease. Payments commenced under the lease in January 1999. The difference between the financing lease receivable and the total payments to be made by NOACA under the lease are being amortized to income over the lease term so as to produce a constant periodic rate of return on the Authority's net investment in the lease. The future minimum lease payments to be received and the Authority's net investment in the lease at December 31, 2002 are as follows:

Year	Amount
2003	$ 287,593
2004	285,493
2005	288,093
2006	289,305
2007	286,790
Thereafter	2,982,856
Total	4,420,130
Unearned income	(1,619,463)
Net investment in lease	$ 2,800,667

NOACA has the option to purchase the facility for $1 on May 15, 2018, or upon the defeasance of the Series 1998B Bonds.

- ***Port Capital Improvements Project—***The debt service on the Series 1999A Bonds is paid by the Authority directly to the Bond Fund trustee.

The proceeds were used to: (a) finance a portion of the 1998 acquisition of 15 acres of land on the Old River ($1.5 million); (b) finance a portion of the 2000 improvements to Dock 22 ($1.5 million); (c) finance $945,000 of maritime maintenance and repair projects, including $634,000 for the 2001 rehabilitation of the Port's heavy lift crane; and (d) finance the Authority's portion of the construction costs of a new Port entrance under West Third Street, providing direct access onto and off of State Route 2 ($1.5 million) ("Port Entrance Project").

Construction on the new $6 million Port Entrance Project began in January 2002 and will be completed by the end of 2003. The remaining portion of the costs of the Port Entrance Project ($4.5 million) are being funded by federal and state grants. The portion of the costs of the project that relate to improvements being made on property that is not owned by the Authority and for which the Authority is not responsible for ongoing maintenance are expensed as incurred. The costs of the project that relate to improvements being made on Port property are capitalized as construction in progress at December 31, 2002.

- ***Universal Heat Treating Project***—The Series 1999B Bonds were issued to provide funds in the form of a loan to Universal Heat Treating, Inc. ("Universal Heat") to pay a portion of the costs of acquisition, construction, equipping, furnishing and improving a manufacturing and distribution building to be used for the heat treating and strengthening of industrial parts and related uses. The Authority has a first mortgage and security interest in all assets acquired with the Series 1999B Bond proceeds.

The timing and amount of payments due from Universal Heat and paid directly to the Bond Fund trustee under the loan approximate the debt service requirements of the Series 1999B Bonds, plus a small administrative charge. At December 31, 2001, $1,106,632 remained as a note receivable from Universal Heat.

- ***Playhouse Square Project—***The Series 2000A Bonds were issued to provide funds in the form of a loan to the Playhouse Square Foundation ("Playhouse Square") to pay a portion of the costs to purchase and install two video boards and one ticker screen on buildings in Playhouse Square. The Authority has a security interest in all assets acquired with the Series 2000A Bond proceeds.

The timing and amount of payments due from Playhouse Square and paid directly to the Bond Fund trustee under the loan approximate the debt service requirements of the Series 2000A Bonds, plus a small administrative charge. At December 31, 2002, $2,133,102 remained as a note receivable from Playhouse Square. The project was completed in early 2002.

- ***Regional Income Tax Agency Project—***The Series 2000B Bonds were issued to provide funds to pay a portion of the costs of the acquisition and installation of personal property consisting of an HVAC system, computer hardware and software, and certain other furnishings and equipment (the "Series 2000B Project") owned by the Authority and leased to the Regional Council of Governments ("RCG"). The Series 2000B Project is located at the RCG offices in Brecksville, Ohio and is utilized by the Regional Income Tax Agency ("RITA"), a municipal tax collection agency under the supervision of the RCG.

  The Series 2000B Bonds are secured by the rental payments to be received under the lease with RCG. This is renewable for successive one-year terms upon appropriation by RCG of sufficient funds to pay the rental payments. RCG has appropriated the rental payments for the lease term ending December 31, 2003. The final renewal term will terminate on November 15, 2010 upon payment in full of the Series 2000B Bonds. RCG has the option to purchase the Series 2000B Project for $1 on November 15, 2010 or upon the defeasance of the Series 2000B Bonds.

  The lease with RCG is accounted for as a financing lease. Payments commenced under the lease in January 2001. The difference between the financing lease receivable and the total payments to be made by RCG under the lease are being amortized to income over the lease term so as to produce a constant periodic rate of return on the Authority's net investment in the lease. The future minimum lease payments to be received and the Authority's net investment in the lease are as follows:

Year	Amount
2003	$ 689,819
2004	693,674
2005	695,639
2006	695,714
2007	693,899
Thereafter	2,529,439
Total	5,998,184
Unearned income	(1,952,167)
Net investment in lease	$ 4,046,017

  The timing and amount of payments due from RCG and paid directly to the Bond Fund trustee under the lease agreement approximate the debt service requirements shown above for the Series 2000B Bonds, plus a small administrative charge.

- ***CEOGC Project—***The Series 2001A Bonds were issued to provide funds in the form of a loan to the Council for Economic Opportunities in Greater Cleveland ("CEOGC") to pay a portion of the costs of constructing a 28,000 square foot Head Start Facility at the site of a recently renovated light rail station in East Cleveland. The Authority has a security interest in all assets acquired with the Series 2001A Bond proceeds.

  The timing and amount of payments due from CEOGC and paid directly to the Bond Fund trustee under the loan approximate the debt service requirements shown above for the Series 2001A Bonds, plus a small administrative charge. As of December 31, 2002, $3,827,828 of the proceeds of the Series 2001A Bonds had been loaned to CEOGC as a note receivable and the remainder is included in restricted cash and investments in the accompanying December 31, 2002 balance sheet. The project was completed in April 2003.

- ***Cleveland Bottle & Supply Project*—**The Series 2001B Bonds were issued to provide funds in the form of a loan to Cleveland Bottle & Supply ("Cleveland Bottle") to pay a portion of the costs of acquiring and renovating an existing 62,000 square foot manufacturing and warehouse facility in Cleveland, Ohio. The Authority has a security interest in all assets acquired with the Series 2001B Bond proceeds.

  The timing and amount of payments due from Cleveland Bottle and paid directly to the Bond Fund trustee under the loan approximate the debt service requirements of the Series 2001B Bonds, plus a small administrative charge. As of December 31, 2002, $1,408,531 of the proceeds of the Series 2001B Bonds had been loaned to Cleveland Bottle as a note receivable and the remainder is included in restricted cash and investments in the accompanying December 31, 2002 balance sheet. The project was completed in March 2003.

- ***Community Assessment & Treatment Service, Inc. Project*—**The Series 2002A Bonds were issued to provide funds in the form of a loan to Community Assessment & Treatment Service, Inc. ("CATS") to pay a portion of the costs of acquiring and renovating an existing 18,000 square foot facility located at 8415 Broadway Avenue in Cleveland, Ohio. The Authority has a security interest in all assets acquired with the Series 2002A Bond proceeds.

  The timing and amount of payments due from CATS and paid directly to the Bond Fund trustee under the loan approximate the debt service requirements of the Series 2002A Bonds, plus a small administrative charge. As of December 31, 2002, $786,525 of the proceeds of the Series 2002A Bonds had been loaned to CATS as a note receivable and the remainder is included in restricted cash and investments in the accompanying December 31, 2002 balance sheet. The project is expected to be completed by the end of 2003.

- ***International Steel Group Project*—**The Series 2002B Bonds were issued to provide funds in the form of a loan to International Steel Group ("ISG") to pay a portion of the costs of upgrading of the hot strip mill for the Cleveland Works facility. The Authority has a security interest in all assets acquired with the Series 2002B Bond proceeds and a mortgage lien on and security interest in all real property, equipment and fixtures comprising ISG's Cleveland Works facility, except for the C5 Blast furnace, the hot-strip mill and the rights of ISG to sell certain non-essential assets.

  The timing and amount of payments due from ISG and paid directly to the Bond Fund trustee under the loan approximate the debt service requirements of the Series 2002B Bonds, plus a small administrative charge. As of December 31, 2002, $5,143,215 of the proceeds of the Series 2002B Bonds had been loaned to ISG as a note receivable and the remainder is included in restricted cash and investments in the accompanying December 31, 2002 balance sheet. The project was completed in 2002.

- ***Cleveland Christian Home Project***—The Series 2002C Bonds were issued to provide funds in the form of a loan to Cleveland Christian Home ("CCH") to pay a portion of the costs of acquiring and renovating administrative and treatment facilities located in Cleveland, Ohio. The Authority has a security interest in all assets acquired with the Series 2002C Bond proceeds.

  The timing and amount of payments due from CCH and paid directly to the Bond Fund trustee under the loan approximate the debt service requirements of the Series 2002C Bonds, plus a small administrative charge. As of December 31, 2002, $3,897,705 of the proceeds of the Series 2002C Bonds had been loaned to CCH as a note receivable and the remainder is included in restricted cash and investments in the accompanying December 31, 2002 balance sheet. The project is expected to be completed by the end of 2003.

9. TAX ANTICIPATION NOTES, SERIES 1999

In May 1999, the Authority issued $6.84 million of Tax Anticipation Notes, Series 1999 ("1999 TANs") for certain maritime and general public improvements to be undertaken by the Authority, including the construction of a new 800-foot dock designated as Dock 22 East.

The 1999 TANs are tax-exempt, have a final maturity date of November 15, 2003 and bear interest at the rate of 3.70-3.90% per annum. The 1999 TANs are special obligations of the Authority and are to be paid only from the proceeds of the Authority's .13 mill property tax levy (see Note 4). The 1999 TANs are not general obligations of the Authority. They are secured solely by the proceeds of the Authority's 1998 property tax levy which expires after tax year 2002 (collected in 2003 – see Note 4). The 1999 TANs are payable as follows:

Year	Principal	Interest	Total
2003	$1,805,000	$ 70,395	$1,875,395

10. TAX ANTICIPATION NOTES, SERIES 2002

In December 2002, the Authority issued $6 million of Tax Anticipation Notes, Series 2002 ("2002 TANs") to pay a portion of the costs for the removal, relocation and re-assembly of an ore loader from the Lorain Pellet Terminal to the Authority's Cleveland Bulk Terminal.

The 2002 TANs are tax-exempt, have a final maturity date of November 15, 2006 and bear interest at the rate of 1.75%-2.50% per annum. The 2002 TANs are special obligations of the Authority and are to be paid only from the proceeds of the Authority's .13 mill renewal property tax levy which begins in 2003 (see Note 4). The TANs are not general obligations of the Authority. The 2002 TANs are payable as follows:

Year	Principal	Interest	Total
2003	$ -	$121,626	$ 121,626
2004	1,965,000	127,283	2,092,283
2005	1,995,000	92,895	2,087,895
2006	2,040,000	51,000	2,091,000
Total payments	6,000,000	$392,804	$6,392,804
Unamortized original issue premium	6,313		
Recorded balance at December 31, 2002	$6,006,313		

Approximately $4,000 of interest costs were capitalized in connection with the ore loader project during 2002. The project is expected to be completed in 2003.

11. METROHEALTH PROJECT

In November 1999, the Authority obtained financing to lease (for a minimal amount) approximately one acre of land from Cuyahoga County and to construct a 262,000 square foot parking garage consisting of seven levels and approximately 760 parking spaces adjacent to the MetroHealth Medical Center. Concurrently, the Authority executed a Master Lease Agreement with MetroHealth System ("MetroHealth") pursuant to which MetroHealth agreed to lease the facility through at least December 1, 2004 (certain renewal and purchase options are also available), as well as manage its construction.

The financing for the project consists of two Public Improvement Revenue Notes ("Notes") totaling $10,973,006, which were purchased by a financial institution ("Purchaser"). The Notes are not general obligations secured by the full faith and credit or taxing power of the Authority, and are payable solely from a pledge of rentals to be received by the Authority under the operating lease agreement with MetroHealth. The Purchaser also has a security interest in the facility, the cost and carrying value of which was $10.9 million and $10.2 million, respectively, at December 31, 2002. The basic lease term expires on December 1, 2004 and is subject to renewal as described in the Master Lease Agreement. The rentals due under the lease during its initial term, including MetroHealth's guarantee of the residual value of the property are as follows:

Year	Amount
2003	$ 669,353
2004	10,161,004
Total	$ 10,830,357

The Notes bear interest at a rate of 5.8% per annum for the duration the initial lease term, subject to MetroHealth's compliance with certain covenants relating to their long-term debt rating. The Notes mature on November 30, 2004, when the entire principal balance is due. The maturity of the Notes may be extended for one year at the request of MetroHealth, subject to the approval of the Purchaser.

12. MTD CONSUMER GROUP PROJECT

In August 2000, the Authority obtained financing to fund the construction of a 186,000 square foot office headquarters facility for MTD Consumer Group Inc ("MTD") on approximately 20 acres of land, and the purchase of new office equipment and furniture and fixtures. The project is located in Valley City, Ohio in the county of Medina. Concurrently, the Authority executed a Master Lease Agreement with MTD pursuant to which MTD agreed to lease the facility through at least October 1, 2006 with an option to purchase, as well as to manage its construction.

The financing for the project consists of two Taxable Headquarters Revenue Notes ("Notes") totaling $20,500,000, which were purchased by a financial institution ("Purchaser"). The Notes bear interest at a rate (3.31% at December 31, 2002) that varies with the LIBOR 90 day rate plus a margin, as defined in the Note Purchase Agreement. Quarterly payments of $248,563 are due on the original principal balance of Note A ($19,885,000) on January 1, April 1, July 1 and October 1 of each year through October 1, 2006 when the remaining balance under Note A is due. The entire balance of Note B ($615,000) is due on October 1, 2006. On January 2, 2003, MTD chose to pay down $5 million on Note A, reducing the principal balance of Notes A and B to $14,257,185.

The bonds are payable as follows (with an assumed interest rate of 3.31% and including the $5 million repayment in 2003):

	Principal	Interest	Total
2003	$ 5,994,252	$ 508,597	$ 6,502,849
2004	994,252	434,397	1,428,649
2005	994,252	401,524	1,395,776
2006	11,522,992	368,652	11,891,644
Total	$ 19,505,748	$ 1,713,170	$ 21,218,918

The Notes are payable solely from a pledge of rentals to be received by the Authority under the operating lease agreement with MTD and are not a general obligation of the Authority. The Purchaser also has a security interest in the facility, the cost and carrying value of which was $20 million and $18.7 million, respectively, at December 31, 2002. The rentals due under the lease during its initial term are variable based on the required debt service payments under the Notes. The following schedule of payments assumes the interest rate on the Notes remains at 3.31% and includes MTD's guarantee of the residual value of the property:

Year	Amount
2003	$ 6,541,760
2004	1,464,577
2005	1,428,722
2006	9,916,616
Total	$ 19,351,675

The project was completed in October 2001, and approximately $579,000 of interest costs were capitalized in connection with this project during 2001.

13. PARMA COMMUNITY GENERAL HOSPITAL PROJECT

In November 2001, the Authority obtained financing to fund the construction of a 40,000 square foot Medical Office Building, a 24,500 square foot Ambulatory Surgery Center, and the purchase of medical equipment for use by the Parma Community General Hospital ("PCGH") in Parma, Ohio. Concurrently, the Authority executed a Master Lease Agreement with PCGH pursuant to which PCGH agreed to lease the facilities and equipment through at least November 2006 with an option to purchase, as well as to manage its construction.

The financing for the project consists of two Tax-Exempt Revenue Notes and one Taxable Demand Note ("Notes") totaling $23,150,000, which were purchased by two financial institutions ("Purchasers"), and are described below:

- The Tax-Exempt Notes ($14,300,000) provide for interest at a rate that varies with the LIBOR 90 day rate. The interest rate on the Tax-Exempt Notes was 2.24% on December 31, 2002. Monthly payments of $76,864 are to be paid on the outstanding principal balance of one of the Tax-Exempt Notes ($3,800,000) commencing April 1, 2003 and continuing until December 1, 2006, when the remaining principal balance is due. The other Tax-Exempt Note ($10,500,000) is due in full on December 1, 2011.

- The Taxable Notes ($8,850,000) mature on December 1, 2011. The holders of the notes are permitted to demand payment prior to maturity under certain circumstances. As a result, the Authority has executed a remarketing agreement and a letter of credit with a financial institution which requires the financial institution to use its best efforts to resell any portion of the notes presented for payment prior to their scheduled maturity. The letter of credit, which expires on November 16, 2006, provides assurance that funds will be available through the financial institution to redeem any non-marketable notes prior to their maturity. The notes provide for interest at a rate as determined by the remarketing agent based upon current transactions in comparable securities that enable the agent to remarket the notes at par. The interest rate on the Taxable Notes was 1.65% on December 31, 2002.

The Notes are payable as follows (with an assumed interest rate of 2.24% on the Tax-Exempt Notes and 1.65% on the Taxable Notes):

	Principal	Interest	Total
2003	$ 691,776	$ 459,216	$ 1,150,992
2004	922,368	439,029	1,361,397
2005	922,368	418,412	1,340,780
2006	20,613,488	364,654	20,978,142
Total	$23,150,000	$1,681,311	$24,831,311

The Notes are payable solely from a pledge of rentals to be received by the Authority under three operating lease agreements with PCGH and are not general obligations of the Authority. The Purchasers also have a security interest in the facility and equipment. The rentals due under the leases during their initial terms are variable based on the required debt service payments under the Notes and are scheduled to be as follows (assuming the interest rate on the Tax-Exempt Notes remains at 2.24% and the interest rate on the Taxable Notes remains at 1.65%), including PCGH's guarantee of the residual value of the property:

Year	Amount
2003	$ 1,208,002
2004	1,416,117
2005	1,393,194
2006	18,223,316
Total	$22,240,629

Approximately $719,000 and $117,000 of interest costs were capitalized in connection with this project during 2002 and 2001, respectively. Approximately $15.2 million of costs pertaining to this project were included in construction in progress at December 31, 2002. The project was completed in January 2003.

14. UNIVERSITY SQUARE PROJECT

In December 2001, the Authority issued $40.5 million of Tax-Exempt Special Assessment/Tax Increment Revenue Bonds and $100,000 of Taxable Subordinate Tax Increment Revenue Bonds, Series 2001 A/B (the "Bonds"), to finance the construction of a public parking facility to be attached to a multi-tenant retail center (the "Development") located in University Heights, Ohio ("City"). During 2001, the Authority paid $4.7 million for a 40 year ground lease pertaining to the land upon which the facility will be constructed.

Pursuant to a cooperative agreement between the City, the Authority and the developer, the Bonds will be secured by annual special assessments to be levied on the real estate. The maximum amount of the annual special assessments will be equal to $4,000,000 per year while the Bonds are outstanding. However, such assessments will be subject to reduction by an amount equal to the tax increment revenue expected to be collected as a result of the project in the following year. The actual amount collected will be limited to the debt service on the Bonds.

The Tax-Exempt Bonds have a final maturity date of December 1, 2031, and provide for interest at rates ranging from 7.00% to 7.35% per annum. The taxable bonds have a final maturity of December 1, 2041 and bear interest at the rate of 12% per year. Any special assessment that is assessed against the property will represent a senior lien on the Development.

The Bonds are not general obligations and are not secured by the full faith and credit or taxing power of the Authority; nor are they payable from any of the operating funds of the Authority. The Bonds are payable as follows only from funds pledged to secure the Bonds:

Year	Principal	Interest	Total
2003	$ -	$ 2,950,443	$ 2,950,443
2004		2,950,443	2,950,443
2005		2,950,443	2,950,443
2006		2,950,443	2,950,443
2007		2,950,443	2,950,443
Thereafter	40,600,000	46,745,235	87,345,235
Total payments	40,600,000	$ 61,497,450	$ 102,097,450
Unamortized original issue discount	(203,305)		
Recorded balance at December 31, 2002	$ 40,396,695		

Approximately $2.5 million and $20,000 of interest costs were capitalized in connection with this project during 2002 and 2001, respectively. Approximately $21.4 million of costs pertaining to this project were included in construction in progress at December 31, 2002, and approximately $13.8 million of unspent proceeds is included in restricted cash and investments. The project was substantially completed in April 2003.

15. STATE OF OHIO 166 LOAN

In January 2000, the Authority received the proceeds of a $725,000 State of Ohio 166 Loan to reimburse the Authority for a portion of the $2 million cost of the acquisition of approximately 15 acres of land adjacent to the Cuyahoga River, of which six acres were subsequently leased to a private business under a 25-year operating lease that provides for payments to the Authority of $64,800 annually during years one through five and $100,000 annually thereafter.

The loan bears interest at the rate of 4.25% per annum, and is payable in 180 consecutive monthly installments of $5,363 (including interest) commencing March 1, 2000. The loan is secured by an assignment of the six acre lease, and is payable from the operating funds of the Authority.

16. OTHER LEASES

***Authority as Lessee*—**The Authority is the lessee of property commonly known as Docks 32, 30, 28, 26, and 24 under an operating lease with the City of Cleveland. The lease term expires in 2028; however, the City of Cleveland has the right to remove Docks 32, 30, and a portion of Dock 28 from the lease upon five years written notice. At such time, the annual rental will be reduced based on the number of square feet removed from the lease. Rental expense under the City of Cleveland operating lease was $500,000 for 2002 and 2001. Minimum future lease payments under the City of Cleveland operating lease at December 31, 2002, assuming no removal of property included in the lease are $500,000 per year through December 31, 2028.

In January 2000, the Authority entered into a lease agreement with Cleveland Center Investors 1, L.L.C. for approximately 8,400 square feet of office space at One Cleveland Center. The agreement, as amended in February 2002, expires on January 14, 2006 and provides the Authority a one-time right to terminate the lease on January 14, 2005, subject to payment of certain unamortized costs of the landlord. Rental expense under the lease was $167,880 for 2002 and $163,683 for 2001. The annual base rental is $125,910 in 2003 and $167,880 annually thereafter through the end of the lease in January 2006.

Authority as Lessor—The Authority subleases a portion of the property leased from the City of Cleveland under operating leases expiring in 2003. Total rental income from these leases amounted to $386,181 for each of the years ended December 31, 2002 and 2001. Minimum future rentals to be received on operating subleases as of December 31, 2002 are $96,546 for the year ending December 31, 2003.

The Authority is the lessor of certain real property under operating leases expiring in 2003. Total rental income from these leases amounted to $287,705 and $371,539 for the years ended December 31, 2002 and 2001, respectively. Minimum future rentals to be received on operating leases during the year ending December 31, 2003 is $67,854.

18. 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 acts of God. 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.

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.

Settled claims have not exceeded the Authority's commercial insurance coverage for any of the past three years.

19. STADIUM FINANCING

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

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

20. NEW ACCOUNTING STANDARDS

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

During May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units (an amendment of GASB Statement No. 14*). This statement amends Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as a component unit based on the nature and significance of their relationship with the primary government. Generally, this statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. The provisions of this statement are effective for financial statements for the year ending December 31, 2004. The Authority has not determined the impact, if any, that this statement will have on its financial statements.

During March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3).* This statement amends Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principal areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The Authority has not determined the impact, if any, that this statement will have on its financial statement disclosures.

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CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

BALANCE SHEET INFORMATION BY INDIVIDUAL PROJECT/ACTIVITY
DECEMBER 31, 2002
(With comparative totals for 2001)

ASSETS	Port Activities	North Coast Harbor Activities	Applied Industrial Technologies Project	Cleveland Bulk Terminals Project	MetroHealth Project	MTD Consumer Group Project	Parma Hospital Project	University Square Project	Port of Cleveland Bond Fund	2002	2001
CURRENT ASSETS:											
Cash and investments	$ 7,289,617	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,289,617	$ 5,917,344
Accounts receivable	376,241									376,241	528,121
Property taxes receivable	3,300,000									3,300,000	3,300,000
Other receivables	73,429									73,429	104,887
Prepaid expenses	139,787									139,787	130,789
Total current assets	11,179,074									11,179,074	9,981,141
LAND, FACILITIES AND EQUIPMENT:											
Land and land improvements	12,511,485		8,499,076	7,164,946					146,587	28,322,094	28,306,254
Buildings, wharves, docks and leasehold improvements	21,268,812		24,610,581		10,899,552	15,403,872			3,342,778	75,525,595	75,494,903
Equipment	215,823					4,589,319				4,805,142	4,814,628
Construction in progress	2,206,865						15,174,724	21,360,767		38,742,356	9,319,315
Total	36,202,985		33,109,657	7,164,946	10,899,552	19,993,191	15,174,724	21,360,767	3,489,365	147,395,187	117,935,100
Less accumulated depreciation	6,167,096		3,383,234		726,637	1,300,892			442,115	12,019,974	9,273,363
Net book value of land, facilities and equipment	30,035,889		29,726,423	7,164,946	10,172,915	18,692,299	15,174,724	21,360,767	3,047,250	135,375,213	108,661,737
RESTRICTED AND OTHER ASSETS:											
Restricted cash and investments	7,400,597	53,080	73,672	196,096			10,772,694	13,751,365	10,144,549	42,392,053	67,188,010
Lease receivable, Rock and Roll Hall of Fame and Museum, Inc.		26,200,000								26,200,000	27,835,000
Financing lease receivables			2,194,165						6,846,684	9,040,849	9,546,848
Operating lease receivables	116,907		3,621,820	499,351	55,779	415,164				4,709,021	4,247,587
Notes receivable									23,029,474	23,029,474	11,794,134
Debt issuance costs	279,857		758,825	217,423	165,821	380,106	697,111	2,437,005	1,271,629	6,207,777	6,182,074
Prepaid ground lease								4,570,800		4,570,800	4,688,000
Other	46,712	640	38	7,335			3,000	42,530	31,654	131,909	213,176
Total restricted and other assets	7,844,073	26,253,720	6,648,520	920,205	221,600	795,270	11,472,805	20,801,700	41,323,990	116,281,883	131,694,829
TOTAL	$49,059,036	$26,253,720	$36,374,943	$8,085,151	$10,394,515	$19,487,569	$26,647,529	$42,162,467	$ 44,371,240	$ 262,836,170	$ 250,337,707

(Continued)

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

BALANCE SHEET INFORMATION BY INDIVIDUAL PROJECT/ACTIVITY
DECEMBER 31, 2002
(With comparative totals for 2001)

LIABILITIES AND FUND EQUITY	Port Activities	North Coast Harbor Activities	Applied Industrial Technologies Project	Cleveland Bulk Terminals Project	MetroHealth Project	MTD Consumer Group Project	Parma Hospital Project	University Square Project	Port of Cleveland Bond Fund	2002	2001
CURRENT LIABILITIES:											
Accounts payable	$ 191,836	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 191,836	$ 112,760
Deferred income	3,946,849									3,946,849	3,991,924
Accrued wages and benefits	117,205									117,205	85,294
Current portion of bonds funded by the Authority:											
Cleveland Bulk Terminals Project				40,000						40,000	40,000
Bond Fund Activities—Port Capital Improvements	180,000									180,000	170,000
Tax Anticipation Notes	1,805,000									1,805,000	1,740,000
State of Ohio 166 Loan	40,322									40,322	38,743
Total current liabilities	6,281,212			40,000						6,321,212	6,178,721
OTHER LIABILITIES—Including amounts relating to restricted assets:											
Accounts payable	929,895	7,883					3,669,354	1,887,102	355,053	6,849,287	8,332,409
Deferred income		16,790		60,417	174,965				80,269	332,441	433,003
Accrued interest payable	51,099		710,216	25,295	53,036	166,601	47,528	245,870	287,435	1,587,080	1,290,234
Revenue bonds and notes:											
Rock and Roll Hall of Fame and Museum, Inc.		26,200,000								26,200,000	27,835,000
Applied Industrial Technologies, Inc. Project			32,105,631							32,105,631	32,841,399
Cleveland Bulk Terminals Project				5,253,429						5,253,429	5,185,695
Bond Fund Activities	4,476,272								38,336,649	42,812,921	31,092,177
Tax Anticipation Notes	6,006,313									6,006,313	1,805,000
MetroHealth Project					10,973,006					10,973,006	10,973,006
MTD Consumer Group Project						19,505,748				19,505,748	20,272,023
Parma Community General Hospital Project							23,150,000			23,150,000	23,150,000
University Square Project								40,396,695		40,396,695	40,386,901
State of Ohio 166 Loan	578,801									578,801	619,124
Debt repayment security deposits payable									845,397	845,397	874,003
Other	10,000									10,000	25,000
Total	12,052,380	26,224,673	32,815,847	5,339,141	11,201,007	19,672,349	26,866,882	42,529,667	39,904,803	216,606,749	205,114,974
Total liabilities	18,333,592	26,224,673	32,815,847	5,379,141	11,201,007	19,672,349	26,866,882	42,529,667	39,904,803	222,927,961	211,293,695
FUND EQUITY:											
Contributed capital	2,569,679		4,700,071						2,000,000	9,269,750	9,269,750
Retained earnings	28,155,765	29,047	(1,140,975)	2,706,010	(806,492)	(184,780)	(219,353)	(367,200)	2,466,437	30,638,459	29,774,262
Total fund equity	30,725,444	29,047	3,559,096	2,706,010	(806,492)	(184,780)	(219,353)	(367,200)	4,466,437	39,908,209	39,044,012
TOTAL	$ 49,059,036	$ 26,253,720	$ 36,374,943	$ 8,085,151	$ 10,394,515	$ 19,487,569	$ 26,647,529	$ 42,162,467	$ 44,371,240	$ 262,836,170	$ 250,337,707

(Concluded)

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

REVENUE AND EXPENSE INFORMATION BY INDIVIDUAL PROJECT/ACTIVITY
YEAR ENDED DECEMBER 31, 2002
(With comparative totals for 2001)

	Port Activities	North Coast Harbor Activities	Applied Industrial Technologies Project	Cleveland Bulk Terminals Project	MetroHealth Project	MTD Consumer Group Project	Parma Hospital Project	University Square Project	Port of Cleveland Bond Fund	2002	2001
OPERATING REVENUES:											
Wharfage, dockage and storage	$ 457,166	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 457,166	$ 443,649
Property lease and rentals	1,093,154		2,131,967	607,500	760,639	1,782,233			263,509	6,639,002	5,395,752
Other fee and rental income	535,737	7,935						101,250		644,922	580,465
Third party contributions		304,859								304,859	382,220
Other											83,803
Total operating revenues	2,086,057	312,794	2,131,967	607,500	760,639	1,782,233		101,250	263,509	8,045,949	6,885,889
OPERATING EXPENSES:											
Salaries and benefits	1,367,812	42,454								1,410,266	1,391,951
Facilities lease and maintenance	825,190	282,670								1,107,860	1,239,190
Professional services	757,715	20,438								778,153	440,014
Marketing and communications	149,987									149,987	162,222
Depreciation expense	630,480		615,285		363,318	1,043,537			105,372	2,757,992	1,940,172
Office expense	267,098									267,098	248,706
Other expense	238,832							117,200		356,032	248,030
Total operating expenses	4,237,114	345,562	615,285		363,318	1,043,537		117,200	105,372	6,827,388	5,670,285
OPERATING INCOME (LOSS)	(2,151,057)	(32,768)	1,516,682	607,500	397,321	738,696		(15,950)	158,137	1,218,561	1,215,604
NONOPERATING REVENUES (EXPENSES):											
Property tax receipts	3,266,756									3,266,756	3,215,143
Port entrance project:											
Grant revenue	2,500,227									2,500,227	
Expenses	(2,500,227)									(2,500,227)	
Income from investments, financing leases and notes receivable	511,178	921	65,717				73,179		2,194,425	2,845,420	2,466,190
Interest expense	(450,520)	(6,859)	(1,880,350)	(506,195)	(723,113)	(827,985)			(2,108,126)	(6,503,148)	(5,444,158)
Other—net	21,209		55,245	(3,435)			(12,230)		(24,181)	36,608	89,190
Total nonoperating revenues (expenses)	3,348,623	(5,938)	(1,759,388)	(509,630)	(723,113)	(827,985)	60,949		62,118	(354,364)	326,365
NET INCOME (LOSS) BEFORE TRANSFERS	1,197,566	(38,706)	(242,706)	97,870	(325,792)	(89,289)	60,949	(15,950)	220,255	864,197	1,541,969
TRANSFERS BETWEEN ACTIVITIES	595,178	38,706	(6,000)	(290,869)	(32,919)	(40,959)	(65,431)	(101,250)	(96,456)		
NET INCOME (LOSS)	$ 1,792,744	$ -	$ (248,706)	$ (192,999)	$ (358,711)	$ (130,248)	$ (4,482)	$ (117,200)	$ 123,799	$ 864,197	$ 1,541,969

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

BALANCE SHEET INFORMATION BY INDIVIDUAL PROJECT/ACTIVITY
DECEMBER 31, 2001
(with Comparative Totals for 2000)

ASSETS	Port Activities	North Coast Harbor Activities	Applied Industrial Technologies Project	Cleveland Bulk Terminals Project	MetroHealth Project	MTD Consumer Group Project	Parma Hospital Project	University Square Project	Port of Cleveland Bond Fund	2001	2000
CURRENT ASSETS:											
Cash and investments	$ 5,917,344	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,917,344	$ 6,240,270
Accounts receivable	528,121									528,121	395,263
Property taxes receivable	3,300,000									3,300,000	3,300,000
Other receivables	104,887									104,887	56,973
Prepaid expenses	130,789									130,789	27,956
Total current assets	9,981,141									9,981,141	10,020,462
LAND, FACILITIES AND EQUIPMENT:											
Land and land improvements	12,495,645		8,499,076	7,164,946					146,587	28,306,254	28,306,254
Buildings, wharves, docks and leasehold improvements	21,268,812		24,610,581		10,899,552	15,373,180			3,342,778	75,494,903	48,215,339
Equipment	225,310					4,589,318				4,814,628	223,601
Construction in progress	1,078,897						2,249,019	5,991,399		9,319,315	16,856,147
Total	35,068,664		33,109,657	7,164,946	10,899,552	19,962,498	2,249,019	5,991,399	3,489,365	117,935,100	93,601,341
Less accumulated depreciation	5,547,998		2,767,948		363,318	257,355			336,744	9,273,363	7,336,452
Net book value of land, facilities and equipment	29,520,666		30,341,709	7,164,946	10,536,234	19,705,143	2,249,019	5,991,399	3,152,621	108,661,737	86,264,889
RESTRICTED AND OTHER ASSETS:											
Restricted cash and investments	2,572,515	64,308	378,692	135,077	164		21,480,616	33,120,781	9,435,857	67,188,010	16,742,152
Lease receivable, Rock and Roll Hall of Fame and Museum, Inc.		27,835,000								27,835,000	29,390,000
Financing lease receivables			2,295,616						7,251,232	9,546,848	5,352,554
Operating lease receivables	88,747		3,477,738	616,851	55,779	8,472				4,247,587	3,566,239
Notes receivable									11,794,134	11,794,134	8,212,430
Debt issuance costs	170,217		854,895	229,066	252,335	481,469	878,966	2,551,253	763,873	6,182,074	3,027,824
Prepaid ground lease								4,688,000		4,688,000	
Other	1,802	84,286	43,254	4,211		30,693	9,925	4,540	34,465	213,176	189,608
Total restricted and other assets	2,833,281	27,983,594	7,050,195	985,205	308,278	520,634	22,369,507	40,364,574	29,279,561	131,694,829	66,480,807
TOTAL	$42,335,088	$27,983,594	$37,391,904	$8,150,151	$10,844,512	$20,225,777	$24,618,526	$46,355,973	$ 32,432,182	$ 250,337,707	$ 162,766,158

(Continued)

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

BALANCE SHEET INFORMATION BY INDIVIDUAL PROJECT/ACTIVITY
DECEMBER 31, 2001
(With comparative totals for 2000)

LIABILITIES AND FUND EQUITY	Port Activities	North Coast Harbor Activities	Applied Industrial Technologies Project	Cleveland Bulk Terminals Project	MetroHealth Project	MTD Consumer Group Project	Parma Hospital Project	University Square Project	Port of Cleveland Bond Fund	2001	2000
CURRENT LIABILITIES:											
Accounts payable	$ 112,760	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 112,760	$ 223,956
Deferred income	3,991,924									3,991,924	4,052,487
Accrued wages and benefits	85,294									85,294	108,840
Current portion of bonds funded by the Authority:											
Cleveland Bulk Terminals Project				40,000						40,000	455,000
Bond Fund Activities—Port Capital Improvements	170,000									170,000	165,000
Tax Anticipation Notes	1,740,000									1,740,000	1,675,000
State of Ohio 166 Loan	38,743									38,743	37,226
Total current liabilities	6,138,721			40,000						6,178,721	6,717,509
OTHER LIABILITIES—Including amounts relating to restricted assets:											
Accounts payable	110,604	81,890	240				1,596,301	5,974,202	569,172	8,332,409	2,527,373
Deferred income		37,657	123,849		266,251				5,246	433,003	640,593
Accrued interest payable	49,617		618,614	25,447	53,036	8,286	87,096	244,870	203,268	1,290,234	901,233
Revenue bonds and notes:											
Rock and Roll Hall of Fame and Museum, Inc.		27,835,000								27,835,000	29,390,000
Applied Industrial Technologies, Inc. Project			32,841,399							32,841,399	33,136,946
Cleveland Bulk Terminals Project				5,185,695						5,185,695	5,894,767
Bond Fund Activities	4,654,322								26,437,855	31,092,177	26,000,498
Tax Anticipation Notes	1,805,000									1,805,000	3,545,000
MetroHealth Project					10,973,006					10,973,006	10,973,006
MTD Consumer Group Project						20,272,023				20,272,023	4,149,210
Parma Community General Hospital Project							23,150,000			23,150,000	
University Square Project								40,386,901		40,386,901	
State of Ohio 166 Loan	619,124									619,124	657,867
Debt repayment security deposits payable									874,003	874,003	710,113
Other	25,000									25,000	20,000
Total	7,263,667	27,954,547	33,584,102	5,211,142	11,292,293	20,280,309	24,833,397	46,605,973	28,089,544	205,114,974	118,546,606
Total liabilities	13,402,388	27,954,547	33,584,102	5,251,142	11,292,293	20,280,309	24,833,397	46,605,973	28,089,544	211,293,695	125,264,115
FUND EQUITY:											
Contributed capital	2,569,679		4,700,071						2,000,000	9,269,750	9,269,750
Retained earnings	26,363,021	29,047	(892,269)	2,899,009	(447,781)	(54,532)	(214,871)	(250,000)	2,342,638	29,774,262	28,232,293
Total fund equity	28,932,700	29,047	3,807,802	2,899,009	(447,781)	(54,532)	(214,871)	(250,000)	4,342,638	39,044,012	37,502,043
TOTAL	$42,335,088	$ 27,983,594	$37,391,904	$ 8,150,151	$10,844,512	$20,225,777	$24,618,526	$46,355,973	$32,432,182	$ 250,337,707	$ 162,766,158

(Concluded)

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

REVENUE AND EXPENSE INFORMATION BY INDIVIDUAL PROJECT/ACTIVITY
YEAR ENDED DECEMBER 31, 2001
(With comparative totals for 2000)

	Port Activities	North Coast Harbor Activities	Applied Industrial Technologies Project	Cleveland Bulk Terminals Project	MetroHealth Project	MTD Consumer Group Project	Parma Hospital Project	University Square Project	Port of Cleveland Bond Fund	2001	2000
OPERATING REVENUES:											
Wharfage, dockage and storage	$ 443,649	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 443,649	$ 742,004
Property lease and rentals	1,136,560		2,131,966	607,500	760,639	495,578			263,509	5,395,752	5,299,658
Other fee and rental income	580,465									580,465	629,008
Third party contributions		382,220								382,220	428,374
Other	83,803									83,803	21,928
Total operating revenues	2,244,477	382,220	2,131,966	607,500	760,639	495,578			263,509	6,885,889	7,120,972
OPERATING EXPENSES:											
Salaries and benefits	1,351,929	40,022								1,391,951	1,361,110
Facilities lease and maintenance	918,396	320,794								1,239,190	1,430,283
Professional services	428,016	11,998								440,014	449,786
Marketing and communications	162,222									162,222	174,468
Depreciation expense	599,278		615,285		363,318	257,355			104,936	1,940,172	1,671,369
Office expense	248,706									248,706	253,593
Other expense	248,030									248,030	212,343
Total operating expenses	3,956,577	372,814	615,285		363,318	257,355			104,936	5,670,285	5,552,952
OPERATING INCOME (LOSS)	(1,712,100)	9,406	1,516,681	607,500	397,321	238,223			158,573	1,215,604	1,568,020
NONOPERATING REVENUES (EXPENSES):											
Property tax receipts	3,215,143									3,215,143	3,248,167
Income from investments, financing leases and notes receivable	721,497	3,945	93,196	5,158	10,766		18,253		1,613,375	2,466,190	1,725,484
Interest expense	(535,010)	(3,160)	(1,864,101)	(385,891)	(722,949)	(282,188)			(1,650,859)	(5,444,158)	(4,743,166)
Other—net	67,488		46,509	(2,698)			(966)		(21,143)	89,190	918,980
Total nonoperating revenues (expenses)	3,469,118	785	(1,724,396)	(383,431)	(712,183)	(282,188)	17,287		(58,627)	326,365	1,149,465
NET INCOME (LOSS) BEFORE TRANSFERS	1,757,018	10,191	(207,715)	224,069	(314,862)	(43,965)	17,287		99,946	1,541,969	2,717,485
TRANSFERS BETWEEN ACTIVITIES	741,365	(10,191)	(6,000)	1,014	(32,919)	(10,567)	(232,158)	(250,000)	(200,544)		
NET INCOME (LOSS)	$ 2,498,383	$ -	$ (213,715)	$ 225,083	$ (347,781)	$ (54,532)	$ (214,871)	$ (250,000)	$ (100,598)	$ 1,541,969	$ 2,717,485

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMER 31, 2002

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal And Pass-Through Grant Number	Grant Expenditures
U.S. DEPARTMENT OF TRANSPORTATION:			
Pass-through from the Ohio Department of Transportation			
Federal Highway Administration Highway-Planning and Construction Grants	20.205	G010351-19302	$ 955,006
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 955,006

See the note to the Supplemental Schedule of Expenditures of Federal Awards.

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

NOTE TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2002

1. BASIS OF PRESENTATION

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of the Cleveland-Cuyahoga County Port Authority under programs financed by the U.S. government for the year ended December 31, 2002. The Schedule has been prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

For purposes of the Schedule, federal awards include the following (as applicable):

- Direct federal awards
- Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Cleveland-Cuyahoga County Port Authority

We have audited the financial statements of the Cleveland-Cuyahoga County Port Authority (the "Authority") as of and for the year ended December 31, 2002, and have issued our report thereon dated May 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

Deloitte & Touche LLP

May 16, 2003

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO THE MAJOR FEDERAL AWARD PROGRAM

Board of Trustees
Cleveland-Cuyahoga County Port Authority

Compliance

We have audited the compliance of the Cleveland-Cuyahoga County Port Authority (the "Authority"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying Supplemental Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Deloitte & Touche LLP

May 16, 2003

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2002

Summary of Auditors' Results

- Type of Report Issued on the Financial Statements as of and for the Year Ended December 31, 2002—Unqualified.
- Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements—N/A. (None reported)
- Noncompliance Noted that is Material to the Financial Statements of the Authority—None.
- Reportable conditions in Internal Control Over Major Federal Financial Assistance Programs Disclosed by the Audit of the Financial Statements—N/A. (None reported)
- Type of Report Issued on Compliance for the Major Federal Financial Assistance Programs—Unqualified.
- The audit did not disclose any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133.
- Major Federal Financial Assistance Program Identified for the Year Ended December 31, 2002—
    - CFDA #20.205 Federal Highway Administration Highway-Planning and Construction Grants
- Dollar Threshold Used to Distinguish Between Type A and type B Programs—$300,000.
- The Authority is not considered to be a Low-Risk Auditee as defined under OMB Circular A-133.

Findings Related to the Financial Statements that are Required to be Reported Under *Government Auditing Standards*

None

Findings and Questioned Costs Relating to Federal Awards

None

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND LEGAL COMPLIANCE

There were no significant or material comments on internal control and legal compliance included in the prior year reports.

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CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 3, 2003