Cleveland-Cuyahoga County Port Authority

Basic Financial Statements
December 31, 2008 and 2007

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Cleveland-Cuyahoga County Port Authority, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 12, 2009

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Cleveland-Cuyahoga County Port Authority

For the Year Ended December 31, 2008

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Ciuni & Panichi
CPAs and Business Advisors

Independent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Cleveland-Cuyahoga County Port Authority (the "Authority") as of December 31, 2008 and 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2008 and 2007, and the changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2008, the Authority implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* and GASB Statement No. 50, *Pension Disclosures.*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2009, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplemental schedules on pages 57 through 59 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These supplemental schedules are the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 5, 2009

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2008

General

As management of the Cleveland-Cuyahoga County Port Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2008. Please read this information in conjunction with the Authority's basic financial statements and footnotes that begin on page 25.

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

In 2007, the Board of Directors adopted a long-term strategic plan which contemplates the expansion of maritime operations, as well as the creation of a new business line called "business investment." This new line is expected to make property and other investments in key sectors, such as logistics, healthcare, aerospace, and advanced manufacturing, throughout the Northeast Ohio region. In 2008, the Authority began expending resources related to these efforts, although no property was acquired.

Overview

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

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

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

North Coast Harbor (NCH) refers herein to activities involving the maintenance and repair of the NCH common areas, funding for which is paid entirely by the NCH Common Area Maintenance (CAM) Agreement participants: the Rock and Roll Hall of Fame and Museum, the Great Lakes Science Center, and the Cleveland Browns. Assets, including cash and accounts receivable, are shown as restricted assets on the Authority's Statement of Net Assets. NCH assets are offset by corresponding liabilities on the Authority's Statement of Net Assets. Income and expenses from NCH activities are netted on the statement of revenues, expenses and changes and net assets in the line entitled "Other-net" for fiscal years 2006 and 2007, as they do not reflect the operating results of the Authority.

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

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

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

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

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

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

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

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

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2008

Condensed Statement of Net Assets Information

The tables below provide a summary of the Authority's financial position and operations for 2008, 2007 and 2006, respectively. Certain reclassifications have been made to restate the 2007 and 2006 financial statements in order to conform to the 2008 presentation.

Comparison of 2008 vs. 2007 Results:

			Change	
	2008	2007	Amount	%
Assets:				
Current assets	$ 12,505,305	$ 15,129,988	$ (2,624,683)	(17.3%)
Capital assets – net	41,996,731	43,091,599	(1,094,868)	(2.5%)
Restricted and other assets	11,353,675	7,365,898	3,987,777	54.1%
Total assets	65,855,711	65,587,485	268,226	0.4%
Liabilities and net assets:				
Liabilities:				
Current liabilities	4,541,478	4,371,104	170,374	3.9%
Current liabilities payable from restricted assets	674,773	1,583,113	(908,340)	(57.4%)
Other liabilities – including amounts relating to restricted assets	14,940,289	13,345,560	1,594,729	11.9%
Total liabilities	20,156,540	19,299,777	856,763	4.4%
Net assets:				
Invested in capital assets net of related debt	29,872,841	30,490,273	(617,432)	(2.0%)
Restricted for debt service	7,331,262	4,554,318	2,776,944	61.0%
Unrestricted	8,495,068	11,243,117	(2,748,049)	(24.4%
Total net assets	$ 45,699,171	$ 46,287,708	$ (588,537)	(1.3%)

Comparison of 2008 vs. 2007 Results:

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

Capital Assets*:* The Authority's investment in capital assets as of December 31, 2008 and 2007 amounted to approximately $42.0 million and $43.1 million, respectively (net of accumulated depreciation). Capital assets before accumulated depreciation increased by approximately $142,000 from December 31, 2007 to December 31, 2008. The major components of the increase in capital assets before accumulated depreciation were $17,500 in improvements to Warehouse A. Additionally, the Authority invested $111,000 in leasehold improvements to Warehouses 24 and 26, such as dock timbers, light fixtures, replacing doors and a new furnace. Finally, the Authority invested approximately $13,400 in operational equipment, comprised of new movable guard houses and enhancements to the information technology infrastructure for administrative operations. Accumulated depreciation increased approximately $1.2 million during the same period, resulting in the decrease in the net capital assets. A summary of the activity in the Authority's capital assets during the year ended December 31, 2008, is as follows:

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
Land and land improvements	$ 19,823,017	$ -	$ -	$ 19,823,017
Buildings, infrastructures, and leasehold improvements	34,267,817	128,439	-	34,396,256
Equipment	814,489	13,408	-	827,897
	54,905,323	141,847	-	55,047,170
Less accumulated depreciation	(11,813,724)	(1,236,715)	-	(13,050,439)
Capital assets – net	$ 43,091,599	$ (1,094,868)	$ -	$ 41,996,731

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

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

Current Liabilities Payable from Restricted Assets*:* Current liabilities payable from restricted assets in 2008 decreased by $908,340 from 2007. The most material change in this account relates to a loan loss reserve booked by the Authority in 2007 related to the financing of the Myers University project, financed through the Authority's Common Bond Fund Program (See Note 16). The Authority reserved $1,102,500 as the expected loss on this financing at December 31, 2007. This decrease was offset by an increase in restricted accounts payable related to the Authority's management of North Coast Harbor, which increased their amounts due to the City of Cleveland and other CAM participants by $191,000 to a total of $600,000; of which there was an offsetting restricted cash of $585,000 and receivables of $15,000.

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

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

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

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

Net Assets*:* Net Assets serves as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by $45.7 million at the close of the most recent fiscal year.

The largest portion of the Authority's net assets (approximately 65%) represents its investment in capital assets (e.g., land, land improvements, buildings, infrastructures, leasehold improvements, and equipment), net of accumulated depreciation, less any related outstanding debt used to acquire those assets.

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

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

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2008

Comparison of 2007 vs. 2006 Results:

	2007	2006	Change Amount	Change %
Assets:				
Current assets	$ 15,129,988	$ 13,937,539	$ 1,192,449	8.6%
Capital assets – net	43,091,599	43,658,795	(567,196)	(1.3%)
Restricted and other assets	7,365,898	7,056,189	309,709	4.4%
Total assets	65,587,485	64,652,523	934,962	1.4%
Liabilities and net assets:				
Liabilities:				
Current liabilities	4,371,104	5,032,709	(661,605)	(13.1%)
Current liabilities payable from restricted assets	1,583,113	101,952	1,481,161	1,452.8%
Other liabilities – including amounts relating to restricted assets	13,345,560	13,791,746	(446,186)	(3.2%)
Total liabilities	19,299,777	18,926,407	373,370	2.0%
Net assets:				
Invested in capital assets net of related debt	30,490,273	30,669,932	(179,659)	(0.6%)
Restricted for debt service	4,554,318	5,462,858	(908,540)	(16.6%)
Unrestricted	11,243,117	9,593,326	1,649,791	17.2%
Total net assets	$ 46,287,708	$ 45,726,116	$ 561,592	1.2%

Current Assets*:* Current assets increased from December 31, 2006 to December 31, 2007 by approximately $1.2 million. The largest increase in this classification came from a $1.9 million increase in the Authority's unrestricted cash and investment balances attributable to an increase in net assets, before Special Items, in 2007. This increase was offset by a $515,000 decrease in accounts receivables related to the Flats East Bank project, where the property acquisition portion of the project was nearing completion as of December 31, 2007. These receivables, due from the developer, total $117,000 as of December 31, 2007 and are off-set by a corresponding liability. The Authority does not disburse funds related to this project until a payment has been received by the Authority from the developer.

Capital Assets*:* The Authority's investment in capital assets as of December 31, 2007 and 2006 amounted to approximately $43.1 million and $43.7 million, respectively (net of accumulated depreciation). Capital assets before accumulated depreciation increased by approximately $647,000 from December 31, 2006 to December 31, 2007. Accumulated depreciation increased approximately $1.2 million during the same period, resulting in the decrease in the net capital assets. A summary of the activity in the Authority's capital assets during the year ended December 31, 2007, is as follows:

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2008

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
Land and land improvements	$ 19,823,017	$ -	$ -	$ 19,823,017
Buildings, infrastructures, and leasehold improvements	33,638,887	628,930	-	34,267,817
Equipment	757,883	56,606	-	814,489
Construction in progress	38,872	-	(38,872)	-
	54,258,659	685,536	(38,872)	54,905,323
Less accumulated depreciation	(10,599,864)	(1,213,860)	-	(11,813,724)
Capital assets – net	$ 43,658,795	$ (528,324)	$ (38,872)	$ 43,091,599

The major events affecting the Authority's capital assets during 2007 are as follows:

- The Authority installed bulkheading at the Old River Property, currently leased by Great Lakes Towing. The construction consisted of the creation of 110 linear feet of new dock face at a cost of approximately $492,000, of which $39,000 was included as construction in progress from the prior year. The bulkheading is being amortized over a 40 year period.

- Other capital improvements included $75,000 in timber curb repairs on certain Authority docks. Timber curbs are used to prevent vehicles from driving into the lake and typically last 10 years. Additionally, the Authority installed five roof fans at one of the warehouses currently leased by our terminal operator for $61,000. The last major capital improvement for the Authority's maritime assets was a $25,000 investment in a load cell indicator for the Authority's heavy lift crane, known as the Buckeye Booster. The load cell indicator advises the crane operator what the weight of the lift piece is so that it can be safely handled.

- While most capital repairs relate directly to the Authority's maritime operations, the Authority did capitalize nearly $24,000 in back-office equipment as part of a major technology upgrade that took place in 2007. Additionally, the Authority capitalized nearly $8,000 in telephone equipment as the phone system was also upgraded in 2007.

The $647,000 net increase in capital assets during 2007 was offset by approximately $1.2 million in accumulated depreciation.

Restricted and Other Assets*:* The $310,000 increase in restricted and other assets from December 31, 2006 to December 31, 2007 is related to a $258,000 increase in the Authority's restricted cash and investments balance. Increases in restricted cash and investments related to a $155,000 increase in the Authority's auxiliary reserve, which totals $1,300,000 at December 31, 2007. These funds are board-restricted and set aside to assist the Bond Fund Program, should a default occur. Other restricted cash and investment increases related to funds held by the Authority for the benefit of NCH. Other asset increases were attributable to the Authority's March 2007 issuance of $5,470,000 in Muli-Mode Variable Rate Refunding Revenue Bonds, Series 2007. The Authority paid service providers $94,000 related to issuance costs, all of which were capitalized on the Authority's Statement of Net Assets. This activity was offset by normal amortization of issuance costs, resulting in a net increase of $59,000. Other increases were in restricted receivables, which increased $20,000 over the previous period. The remaining increase was a result of activity relating to NCH, where receivables increased by $13,000 over their 2006 levels. The increases in the above mentioned accounts were offset by declines in the operating lease receivable due from the tenant at the CBT facility of $41,000.

Current Liabilities*:* Current liabilities decreased in 2007 by approximately $662,000, mainly due to a $515,000 decrease in accounts payable related to the Flats East Bank project. Additionally, regular trade payables decreased by $238,000. Trade payables decreased due to $124,000 in payables related to the Authority's various insurance policies which was accrued at December 31, 2006. These payables did not exist at year-end 2007 as the Authority paid its 2007 insurance premiums in 2007. Additionally, the Authority accrued $47,000 in recruitment expenses related to the Board's search for a new President/CEO at the end of 2006. Other decreases resulted from $45,000 less in accrued expenses for the Port Relocation Study and a $30,000 decrease in payables due to the City of Cleveland. The decreases were offset by increases related to the Authority's current portion of debt payable in 2008 of $28,000 and a $70,000 increase in accrued wages and benefits. Additionally, there was a $90,000 increase in deferred income, mainly related to deposits paid to the Authority for financing projects that are expected to close in 2008.

Current Liabilities Payable from Restricted Assets*:* Current liabilities payable from restricted assets in 2007 increased by $1,481,000 from 2006. The most material change in this account relates to a loan loss reserve booked by the Authority in 2007 related to the financing of the Myers University project, financed through the Authority's Common Bond Fund Program (See Note 16). The Authority has reserved $1,102,500 as the expected loss on this financing. Additional increases related to the Authority's management of North Coast Harbor, which increased their amounts due to the City of Cleveland and other CAM participants by $380,000 to a total of $409,000; of which there was an offsetting restricted cash of $375,000 and receivables of $34,000.

Other Liabilities – including amounts relating to restricted assets: The majority of activity in this category relates to the Authority's long-term debt obligations, which are outlined below. In 2007, the Authority issued $5,470,000 in Refunding Bonds which were used to refund the Authority's Taxable Variable Rate Refunding Bonds, issued in 2001. No gain or loss was recognized as the issue amount equaled the amount outstanding on the Series 2001 bonds at the time of issuance. Additional increases came from the $63,000 amortization of the Authority's loss on the defeasance from the Series 2001 Refunding Bonds, which has been fully amortized as of December 31, 2007. The declines in long-term liabilities reflected the normal amortization of the Authority's existing debt obligations and the refunding of the Series 2001 Bonds.

The activity in the Authority's debt obligations outstanding during the year ended December 31, 2007 and 2006, respectively, is summarized below (unamortized premiums and discounts have been combined into the appropriate increase/decrease columns):

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
Cleveland Bulk Terminal	$ 5,422,243	$ 5,532,757	$ (5,575,000)	$ 5,380,000
Port Improvements 1999A	3,878,353	1,568	(225,000)	3,654,921
Essroc 1997A	3,240,558	5,444	(80,000)	3,166,002
State of Ohio 166 Loan	447,709	-	(47,306)	400,403
Total	$ 12,988,863	$ 5,539,769	$ (5,927,306)	$ 12,601,326

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

***Net Assets**:* Net Assets serves as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by $46.3 million at the close of the most recent fiscal year.

The largest portion of the Authority's net assets (approximately 66%) represents its investment in capital assets (e.g., land, land improvements, buildings, infrastructures, leasehold improvements, and equipment), net of accumulated depreciation, less any related outstanding debt used to acquire those assets.

Of the $4.6 million in net assets restricted for debt service, the majority represents cash and investments that are reserved for debt service payments on the Authority's own debt issues, as well as the $4.1 million in restricted funds that are designated to support Common Bond Fund issuances. The remainder of the net assets on the Authority's Statement of Net Assets is unrestricted.

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

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2008

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

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

	2008	2007	Change Amount	Change %
Operating revenues:				
Wharfage, dockage, and storage	$ 1,063,188	$ 1,129,824	$ (66,636)	(5.9)%
Property lease and rentals	1,843,668	1,973,482	(129,814)	(6.6)%
Financing fee income	869,491	1,366,725	(497,234)	(36.4)%
Foreign trade zone fees	365,000	395,000	(30,000)	(7.6)%
Dredge disposal fees	172,844	-	172,844	-
Parking revenues and other	321,401	288,312	33,089	11.5%
Total operating revenues	4,635,592	5,153,343	(517,751)	(10.0)%
Operating expenses:				
Salaries and benefits	2,626,760	2,551,828	74,932	2.9%
Professional services	1,619,520	1,351,225	268,295	19.9%
Facilities lease and maintenance	990,888	830,748	160,140	19.3%
Marketing and communications	501,441	210,329	291,112	138.4%
Depreciation expense	1,236,715	1,213,860	22,855	1.9%
Office expense	338,543	357,214	(18,671)	(5.2)%
Other expense	208,062	219,936	(11,874)	(5.4)%
Total operating expenses	7,521,929	6,735,140	786,789	11.7%
Operating loss	(2,886,337)	(1,581,797)	(1,304,540)	82.5%
Nonoperating revenues (expenses):				
Property tax receipts	3,266,951	3,316,311	(49,360)	(1.5)%
Income from investments	853,606	1,007,887	(154,281)	(15.3)%
Interest expense	(798,012)	(847,355)	49,343	(5.8)%
Other – net	-	(230,954)	230,954	(100.0)%
Total nonoperating revenues – net	3,322,545	3,245,889	76,656	2.4%
Change in net assets before special item	436,208	1,664,092	(1,227,884)	(73.8)%
Special item – loan loss	(1,024,745)	(1,102,500)	77,755	(7.1)%
Change in net assets	(588,537)	561,592	(1,150,129)	(204.8)%
Net assets – beginning of year	46,287,708	45,726,116	561,592	1.2%
Net assets – end of year	$ 45,699,171	$ 46,287,708	$ (588,537)	(1.3)%

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

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

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

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

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

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

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

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

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

Operating Expenses

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

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

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

- Professional services increased by $268,000 or 20% over their 2007 levels. The largest increase was in legal expenses, which increased by $136,000 from 2007, mainly due to the legal expenses of the Authority's Common Bond Fund Program as Myers University was eventually sold to another entity. The bonds issued by the Bond Fund were tax-exempt and Myers was eventually sold to a for-profit entity, increasing the complexity of the transaction. Other increases were attributable to the Port Relocation Project, which is examining the feasibility and conceptual planning for relocating the existing downtown docks to a new location. The new port would be built utilizing dredged material in a Confined Disposal Facility (CDF) constructed by the U.S. Army Corps of Engineers. The project, which underwent further planning throughout 2008, increased professional services by $85,000. Additionally, the Authority explored the possible sale of a portion of land and retained an outside firm to assist in determining the potential value of the site, which resulted in an additional $75,000 in expenditures. These increases were offset by reductions in other professional services, such as local community and government relations representation, which was not retained for 2008 and lower insurance and information technology costs.

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

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

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

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

Nonoperating Revenues (Expenses)

Net nonoperating revenues remained fairly consistent from 2007. The most significant changes were:

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

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

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

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

- ***Special item****:* See Note 16 to the basic financial statements for information relating to the Special Item relating to the anticipated loss of financing from the Myers University project.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2008

The Authority's operations increased its net assets by $562,000 in 2007. Key elements of these changes are summarized below:

	2007	2006	Change Amount	Change %
Operating revenues:				
Wharfage, dockage, and storage	$ 1,129,824	$ 942,363	$ 187,461	19.9%
Property lease and rentals	1,973,482	2,059,031	(85,549)	(4.2)%
Financing fee income	1,366,725	1,153,579	213,146	18.5%
Foreign trade zone fees	395,000	430,000	(35,000)	(8.1)%
Parking revenues and other	288,312	263,567	24,745	9.4%
Total operating revenues	5,153,343	4,848,540	304,803	6.3%
Operating expenses:				
Salaries and benefits	2,551,828	2,196,591	355,237	16.2%
Professional services	1,351,225	1,345,704	5,521	0.4%
Facilities lease and maintenance	830,748	805,275	25,473	3.2%
Marketing and communications	210,329	548,613	(338,284)	(61.7)%
Depreciation expense	1,213,860	1,197,205	16,655	1.4%
Office expense	357,214	281,796	75,418	26.8%
Other expense	219,936	332,551	(112,615)	(33.9)%
Total operating expenses	6,735,140	6,707,735	27,405	0.4%
Operating loss	(1,581,797)	(1,859,195)	277,398	(14.9)%
Nonoperating revenues (expenses):				
Property tax receipts	3,316,311	3,324,337	(8,026)	(0.2)%
Income from investments	1,007,887	904,382	103,505	11.4%
Interest expense	(847,355)	(973,971)	126,616	(13.0)%
Other – net	(230,954)	189,635	(420,589)	(221.8)%
Total nonoperating revenues – net	3,245,889	3,444,383	(198,494)	(5.8)%
Change in net assets before special item	1,664,092	1,585,188	78,904	5.0%
Special item – loan loss	(1,102,500)	-	(1,102,500)	-
Change in net assets	561,592	1,585,188	(1,023,596)	(64.6)%
Net assets – beginning of year	45,726,116	44,140,928	1,585,188	3.6%
Net assets – end of year	$ 46,287,708	$ 45,726,116	$ 561,592	1.2%

Operating Revenues*:* Collectively, total operating revenues increased to nearly $5.2 million, up from $4.8 million in 2007. A discussion of the components of operating revenues and the corresponding changes are as follows.

Wharfage, Dockage, and Storage*:* These revenues are generated from Authority cargo movements and they collectively increased 20% from $942,400 in 2006 to approximately $1,130,000 in 2007. The increase in revenues was attributed to a $345,000 increase in wharfage revenues at CBT, despite a 32% reduction in tonnage at the facility. In December of 2002, an Amendment to the Lease and Operating Agreement with Oglebay Norton Terminals, Inc. was executed. The Lease Amendment provided for increased tonnage rates, beginning on April 1, 2007 and continuing until the lease expiration on March 31, 2017. As an offset to the increased tonnage rates, the base rental amount was reduced to approximately $283,000, from $725,000. The base rent portion of the lease with Oglebay Norton Terminals, Inc. (now part of Carmeuse Lime & Stone, Inc.) is recognized on a straight-line basis over the term of the lease as part of Property Lease and Rentals and was $379,000 for the year-ended 2007. Storage revenues increased at the Authority's international docks by $24,000, as the Terminal Operator did not include storage space in their new Operating Agreement, but required storage facilities throughout 2007. The increase in wharfage revenues at CBT and storage revenues were offset by a $182,000 or 29% reduction in dockage and wharfage revenues by the Authority's sole Terminal Operator. Decreased break-bulk cargoes, primarily related to the steel industry, declined due to weakening economic conditions.

Property Lease and Rentals*:* The $86,000 or 4% decrease in property lease and rentals is entirely due to the restructuring of the Operating Agreement with the Authority's sole terminal operator, Federal Marine Terminals ("FMT").

In March of 2007, the Authority and the Terminal Operator (Federal Marine Terminals) entered into various Lease Agreements, which contained a Master Fixed Rental and Tonnage Assessment Schedule that covers all the Leases. The Agreement calls for a Fixed Rental of $435,000 per annum, as well as an additional $0.75 per ton Volume Sharing fee.

The new Agreements reduced the base rental amount due from FMT in exchange for a Tonnage Assessment Fee. Due to a 30% decline in tonnage at the docks leased by the Terminal Operator, the Authority received $87,000 less rental income from FMT than in 2006.

Financing Fee Income*:* Development finance fees increased from $1.2 million in 2006 to $1.4 million in 2007. The Authority closed on three related, but separate, bond issuances for the Cleveland Clinic in 2007, resulting in $250,000 in closing fees. Additionally, the Authority received $352,500 in fees related to the Gospel Press project, which was financed via New Markets Tax Credits and not through Authority bonds or notes. Approximately $733,000 in financing fee income related to existing projects and the administrative fees associated with them, which was $19,000 increase over 2006. The remaining fees were application and acceptance fees, primarily from projects that are expected to close in 2008.

Foreign Trade Zone Income: Foreign trade zone fees declined by $35,000 in 2007 to $395,000 as two participants left the program in 2007 and no new participants were added.

Parking Revenues and Other: These parking revenues, which total $270,000 in 2007, relate only to revenues which can be utilized by the Authority and are not associated with the CAM Agreement with NCH. These amounts remained consistent with their 2006 levels as a similar number of events were held at or near the Authority's facilities that are used for parking in 2007. Other income items include the Authority's administrative fee for NCH ($10,000) and rental of the Authority's heavy lift crane ($8,000).

Operating Expenses

Operating expenses increased approximately $27,000 (less than 1%) in 2007 compared to 2006. Salaries and benefits increased by $355,000 over their 2006 levels. In February of 2007, the Authority hired a new President and Chief Executive Officer. The Authority also hired additional communications staff for the majority of 2007 and the full-year effect of an additional hire in Development Finance in December of 2006 caused total salaries (and related OPERS and Medicare contributions) to increase by $308,000. The Authority incurred $42,000 in additional health care expenses in 2007, partly due to additional staff and also due to an 11% increase in health care insurance premiums, which took place in June of 2007. The remaining $6,000 increase related to higher costs related to worker's compensation coverage.

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

The increase in these operating expenses during 2007 is detailed below:

- Although Professional Services remained relatively consistent, there were significant changes in these line items compared to 2006. The Authority continued the Port Relocation Study, which is examining the feasibility of moving the international docks, current located downtown, to a new location. This expense totaled $349,000 in 2007, which was an increase of $30,000 over the previous year. Additionally, the Authority paid for another feasibility study, titled the "Port Competitiveness Study", which looked at the feasibility of bringing containerized cargo into the Great Lakes at a cost of $75,000. These increases were offset by a $55,000 decrease in legal expenses, as an arbitration case settled in 2006 did not exist in 2007. Additional decreases came from lower insurance, banking and audit expenses, totaling $14,000. An additional $15,000 decrease resulted from little activity as it relates to the Authority's Ferry Feasibility project, which is currently on-hold as the Canadian government examines the divestiture of certain ports.

- Facilities lease and maintenance expense increased by $25,000 over their 2006 levels. While the types of maintenance done to Authority facilities are relatively consistent from year to year, the Authority did spend an additional $23,000 on paving in order to patch some of the areas of the docks that needed improvement.

- Marketing and communication expenses decreased by $338,000 or 61% in 2007. Marketing and communications expenditures are largely a discretionary item and were scaled back as the Authority underwent the process of adopting a long-term strategic plan in 2007. In 2006, the Authority spent a significant amount of money on television advertisements, print ads and billboards promoting the Authority's maritime and development finance capabilities. These expenditures exceeded $250,000 in 2006 and were relatively non-existent in 2007. Additional savings of approximately $50,000 were realized from reduced sponsorships of area events and the elimination of the Authority's annual holiday party, which did not take place in 2007.

- Office expenses increased by $75,000 or 27% in 2007 as the Authority overhauled its information technology systems in May of 2007. A significant investment in upgraded software and computer equipment resulted in a $44,000 increase in technology expenditures over their 2006 levels. Additional increases of $18,000 related to increased utility bills and a scheduled rent increase for the Authority's office space at One Cleveland Center. The remaining increases were attributable to phone and data services, which increased by $7,000, as the Authority rolled out the utilization of mobile technology devices as part of the information technology upgrade and a $6,000 increase in office supplies.

- Other expenses decreased by $113,000 in 2007, primarily related to a $75,000 decrease in dues and memberships, as the Authority evaluated the various groups and associations in which the Authority belongs. There was an additional decrease of $21,000 in employee expenses and travel, as the Authority did less international travel than what took place in 2006. The remaining decrease of $17,000 related to less money spent on continuing education for employees.

Nonoperating Revenues (Expenses)

Net nonoperating revenues remained fairly consistent from 2006. The most significant changes were:

- ***Property tax receipts***: The largest portion of nonoperating revenues results from the Authority's .13 mil property tax levy. This amount remained relatively consistent with its 2006 levels as the millage relating to this levy did not change and property values and collection rates remained consistent with their 2006 levels.

- ***Income from investments:*** The $104,000 increase in this line item is due to several, mainly macroeconomic issues. The yield on the Authority's investment portfolio continues to improve as interest rates rose for the majority of 2007. The Authority changed their depository relationship to a different financial institution in 2006, and had their checking account indexed to LIBOR, rather than the Federal Funds Rate. LIBOR consistently outperformed the Federal Funds Rate throughout 2007. Additionally, as rates improve, the Authority realizes more income from their Bond Fund financing activities, where the Authority receives one-half of the interest on the borrower's monthly payments.

- ***Interest expense**:* The $127,000 decrease in interest expense results from a $61,000 decrease in interest expense relating to the Authority's 2002 Tax Anticipation Notes, which were retired in November 2006. An additional $47,000 decrease in interest expense resulted from the Authority issuing Refunding Revenue Bonds in March of 2007, relating to the Cleveland Bulk Terminal debt. These bonds are tax-exempt and have an interest rate (via a swap agreement) that is fixed at 4.83%. The previous bonds, issued in 2001, were taxable and carried a fixed rate of 5.81%. Additional decreases in interest expense of $19,000 were a result of the continued payment of principal on Authority related debt, thereby reducing annual interest costs.

- ***Other-net***: The $421,000 decrease in other-net non operating revenues and expenses relate to an accounting reclassification of revenues and expenses related to North Coast Harbor. In 2006 and in previous periods, the Authority showed the income and expenses of North Coast Harbor, even though the Authority simply acts as the financial agent and is not a participant of the Common Area Maintenance Agreement which governs North Coast Harbor. In order to reflect changes to the CAM, in 2007, the Authority booked $233,000 in accrued expenses that are potentially due to the CAM participants. This resulted in a other-net expense of $230,000, whereas in 2006, this resulted in an increase of net assets of $190,000.

- ***Special item**:* See Note 16 to the basic financial statements for information relating to the $1,102,500 Special Item relating to the anticipated loss of financing from the Myers University project.

Net Assets

The following chart details the Authority's net assets at December 31, 2008:

	2008	2007	2006
Total	$ 45,699,171	$ 46,287,708	$ 45,726,116

Total net assets decreased by $589,000 (or 1.3%) in 2008. In 2008, the Authority generated approximately $436,000 of net income through their normal operating and non-operating activities which was reduced by a $1,025,000 Special Item as it relates to the loss from the Myers University financing.

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

After a two disappointing cargo years in 2008 and 2007 compared to previous periods, the slowdown in tonnage dependent revenues is expected to continue throughout 2009 due to the global economic crisis. The difficulties facing the industries which rely on steel related cargoes is expected to reduce 2009 tonnages to historic lows, especially at the CBT facility. The CBT facility is primarily driven by iron ore, which is supplied to a local steel mill, which has been idled. Revenues relating to Development Finance projects are expected to be at similar levels in 2008 as credit has tightened and the bond market has seen long-term interest rates rise, making Authority financing less attractive to potential customers and overall economic activity in the region has slowed. Other revenues, such as parking revenues and property tax receipts are expected to be consistent with previous periods. The repeal of the tangible personal property tax in the State of Ohio is expected to reduce participation in the Foreign Trade Zone program in 2009, as it makes the incentive less advantageous for companies. Finally, investment income is expected to decline, as interest rates continue to drop and turbulent credit markets are reducing returns on safe investments, such as government agencies.

In summary, 2009 is expected to be a challenging year for the Authority, as nearly all of our existing revenue streams are expected to decline. Additionally, operating expenses should rise, due to additional staffing and the continuation of the Port Relocation project. The Authority has forecasted a significant loss for 2009 due to these economic conditions, but has a significant cash and investment balance to meet all of our existing obligations without major changes to our operating structure and will continue to work on our major initiatives. Recent legislation at both the State and Federal level provide opportunities to gain access to funding for capital initiatives and the Authority is actively working to diversify our cargo mix away from steel to less volatile commodities.

Contacting the Authority's Finance Department

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

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Cleveland-Cuyahoga County Port Authority

Statement of Net Assets

December 31, 2008 and 2007

	2008	2007
Assets:		
Current assets:		
Cash and investments	$ 8,682,232	$ 11,176,317
Accounts receivable	277,104	408,114
Interest receivable	77,155	72,031
Prepaid expenses	168,814	173,526
Property taxes receivable	3,300,000	3,300,000
Total current assets	12,505,305	15,129,988
Non-current assets:		
Capital assets:		
Land and land improvements	19,823,017	19,823,017
Buildings, infrastructures, and leasehold improvements	34,396,256	34,267,817
Equipment	827,897	814,489
Total	55,047,170	54,905,323
Less: accumulated depreciation	(13,050,439)	(11,813,724)
Net book value of capital assets	41,996,731	43,091,599
Restricted and other assets:		
Restricted cash and investments	7,905,865	6,341,246
Due from Chancellor University	2,529,631	-
Operating lease receivable	428,941	472,273
Debt issuance costs	406,424	443,045
Other	82,814	109,334
Total restricted and other assets	11,353,675	7,365,898
Total assets	65,855,711	65,587,485

(continued)

Cleveland-Cuyahoga County Port Authority

Statement of Net Assets (continued)

December 31, 2008 and 2007

	2008	2007
Liabilities:		
Current liabilities:		
Accounts payable	$ 251,482	$ 216,487
Accrued wages and benefits	310,784	241,819
Deferred income	3,447,973	3,428,565
Current portion of bonds to be repaid by the Authority:		
Cleveland Bulk Terminal Project	140,000	120,000
Port Capital Improvements (1999A Bonds)	250,000	235,000
Essroc (1997A Bonds)	90,000	80,000
State of Ohio 166 Loan	51,239	49,233
Total current liabilities	4,541,478	4,371,104
Current liabilities payable from restricted assets:		
Accounts payable	599,929	408,610
Accrued interest payable	74,844	72,003
Loan loss reserve	-	1,102,500
Total current liabilities payable from restricted assets	674,773	1,583,113
Other liabilities – including amounts relating to restricted assets:		
Deferred income	1,097,638	1,228,467
Long-term bonds and notes, net of current portion:		
Cleveland Bulk Terminal Project	5,120,000	5,260,000
Port Capital Improvements (1999A Bonds)	3,171,399	3,419,921
Essroc (1997A Bonds)	3,001,321	3,086,002
State of Ohio 166 Loan	299,931	351,170
Note payable	2,250,000	-
Total other liabilities	14,940,289	13,345,560
Total liabilities	20,156,540	19,299,777
Net assets:		
Invested in capital assets, net of related debt	29,872,841	30,490,273
Restricted for debt service	7,331,262	4,554,318
Unrestricted	8,495,068	11,243,117
Total net assets	$ 45,699,171	$ 46,287,708

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

Cleveland-Cuyahoga County Port Authority

Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ended December 31, 2008 and 2007

	2008	2007
Operating revenues:		
Wharfage, dockage, and storage	$ 1,063,188	$ 1,129,824
Property lease and rentals	1,843,668	1,973,482
Financing fee income	869,491	1,366,725
Foreign trade zone fees	365,000	395,000
Dredge disposal fees	172,844	-
Parking revenues	289,151	269,962
Other	32,250	18,350
Total operating revenues	4,635,592	5,153,343
Operating expenses:		
Salaries and benefits	2,626,760	2,551,828
Professional services	1,619,520	1,351,225
Facilities lease and maintenance	990,888	830,748
Marketing and communications	501,441	210,329
Depreciation expense	1,236,715	1,213,860
Office expense	338,543	357,214
Other expense	208,062	219,936
Total operating expenses	7,521,929	6,735,140
Operating loss	(2,886,337)	(1,581,797)
Nonoperating revenues (expenses):		
Property tax receipts	3,266,951	3,316,311
Income from investments	853,606	1,007,887
Interest expense	(798,012)	(847,355)
Other – net	-	(230,954)
Total nonoperating revenues (expenses)	3,322,545	3,245,889
Change in net assets before special item	436,208	1,664,092
Special item – loan loss	(1,024,745)	(1,102,500)
Change in net assets	(588,537)	561,592
Net assets – beginning of year	46,287,708	45,726,116
Net assets – end of year	$ 45,699,171	$ 46,287,708

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

Cleveland-Cuyahoga County Port Authority

Statement of Cash Flows

For the Year Ended December 31, 2008 and 2007

	2008	2007
Operating activities:		
Receipts from customers	$ 4,986,781	$ 5,983,714
Payments to suppliers for goods and services	(3,626,476)	(3,500,314)
Payments to employees	(1,996,609)	(1,957,988)
Payments of employee benefits	(623,886)	(579,887)
Net cash used in operating activities	(1,260,190)	(54,475)
Noncapital financing activities:		
Net proceeds from property tax collections	3,266,951	3,316,311
Net proceeds from the issuance of notes (*)	2,250,000	-
Use of Port Auxiliary Reserve to call 2004E Bonds (*)	(1,400,000)	-
Use of unrestricted Port funds to call 2004E Bonds (*)	(1,231,876)	-
Use of note proceeds to call 2004E Bonds (*)	(2,250,000)	-
Cash received from sale of Myers University at closing (*)	225,000	-
Other nonoperating expenses	-	(191,907)
Net cash provided by noncapital financing activities	860,075	3,124,404
Capital and related financing activities:		
Bond issuance	-	5,470,000
Issuance costs paid	-	(94,071)
Principal paid on debt	(484,233)	(5,927,306)
Interest paid on debt	(751,753)	(741,106)
Acquisition and construction of capital assets	(141,847)	(646,663)
Net cash used in capital and related financing activities	(1,377,833)	(1,939,146)
Investing activities:		
Purchase of investment securities	(19,957,373)	(14,670,036)
Proceeds from sale and maturity of investment securities	20,341,334	16,879,408
Interest on investments	771,685	960,083
Net cash provided by investing activities	1,155,646	3,169,455
Net increase (decrease) in cash and cash equivalents	(622,302)	4,300,238
Cash and cash equivalents – beginning of year	6,977,915	2,677,677
Cash and cash equivalents – end of year	$ 6,355,613	$ 6,977,915

(continued)

* Relates to Myers University transactions, see Note 12 and 16.

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

Cleveland-Cuyahoga County Port Authority

Statement of Cash Flows (continued)

For the Year Ended December 31, 2008 and 2007

	2008	2007
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (2,886,337)	$ (1,581,797)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,236,715	1,213,860
Changes in assets and liabilities:		
Accounts receivable	131,010	554,301
Operating lease receivables	43,332	40,990
Prepaid expenses and other assets	31,232	13,470
Accounts payable	226,314	(431,104)
Deferred income and other	(111,421)	64,640
Accrued wages and benefits	68,965	71,165
Net cash used in operating activities	$ (1,260,190)	$ (54,475)
Reconciliation cash and investments reported on the Statement of Net Assets to cash and cash equivalents reported on the statements of cash flows:		
Statement of Net Assets cash and investment amounts:		
Included in current assets	$ 8,682,232	$ 11,176,317
Included in restricted and other assets	7,905,865	6,341,246
Total	16,588,097	17,517,563
Investments included in the balances above that are not cash equivalents	(10,232,484)	(10,539,648)
Cash and cash equivalents reported in the statements of cash flows	$ 6,355,613	$ 6,977,915
Supplemental schedule of non-cash investing, capital and related financing activities:		
Amortization of loss on defeasance and discounts on debt issues classified as interest expense	$ (6,797)	$ (69,769)
Amortization of bond issuance costs on debt issues classified as interest expense	$ (36,621)	$ (57,208)

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

Cleveland-Cuyahoga County Port Authority

Statement of Fiduciary Net Assets
Fiduciary Funds (in thousands)

December 31, 2008 and 2007

	2008	2007
Assets:		
Cash and cash equivalents	$ 66,861	$ 126,385
Notes and loans receivable	542,729	485,890
Financing lease receivable	27,189	33,422
Capital assets, net of accumulated depreciation	114,490	119,142
Total assets	$ 751,269	$ 764,839
Liabilities:		
Revenue bonds and notes payable	$ 751,269	$ 764,839

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

Note 1: Summary of Significant Accounting Policies

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

Extraordinary and Special Items – Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Authority and that are either unusual in nature or infrequent in occurrence. The Authority recorded a special item during 2008 and 2007; see Note 16 for further discussion.

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

Note 1: Summary of Significant Accounting Policies (continued)

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

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

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

New Accounting Standards – During 2008, the Authority implemented GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* and No. 50 *Pension Disclosures*.

GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expenses and related liabilities, note disclosures, and if applicable, required supplementary information in the financial reports of state and local governments. The implementation of this Statement had no impact on the Authority's financial statements or disclosures.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. The implementation of this Statement had no impact on the Authority's financial statements or disclosures.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements.

Comparative Data/Reclassifications – Prior year data presented in Management's Discussion and Analysis has been reclassified in order to be comparative and provide an understanding of the changes in financial position and operations. Certain reclassifications have been made to the 2007 financial statements in order to conform to the 2008 presentation.

Note 2: Deposits and Investments

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

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. The Authority has no deposit policy for custodial risk beyond the requirements of state statute. At December 31, 2008 the carrying amounts of the Authority's deposits were $6,143,727 and the related bank balances were $6,327,385 of which $250,000 were covered by federal depository insurance and $6,077,385 were uninsured and collateralized with securities held by the pledging institutions trust department, not in the Authority's name. At December 31, 2007 the carrying amounts of the Authority's deposits were $6,796,427 and the related bank balances were $7,260,940 of which $100,000 were covered by federal depository insurance and $7,160,940 were uninsured and collateralized with securities held by the pledging institutions trust department, not in the Authority's name.

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

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

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policies limit its investment portfolio to maturities of five years or less, which is in accordance with Ohio law. All of the Authority's investments at December 31, 2008 and 2007 have effective maturity dates of less than five years.

Note 2: Deposits and Investments (continued)

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Authority's investment policies provide that investments be diversified to reduce the risk of loss from over concentration in a single issuer, specifying that no more than 50% of the Authority's total investment portfolio will be invested in a single security type, with the exception of obligations of the U.S. Treasury and STAROhio. Approximately $4.0 million of the Authority's total investment balance is invested in a Guaranteed Investment Contract (GIC) until 2027. The GIC provider guarantees a rate of return and has the option of purchasing securities to meet that obligation, so long as they are listed as an "Eligible Investment" in the Trust Indenture. The Authority applies the 50% test to its existing investment portfolio that is maintained outside of the Trust Indenture.

The following table presents fair value, length of maturity and the credit ratings of the Authority's investments at December 31, 2008:

Investment Type	Fair Value	Rating	Less than 1 year	1 to 5 Years	Percentage of Investments
Money market fund	$ 713,258	AAA	$ 713,258	$ -	6.83%
Federal Home Loan Bank obligations	2,547,943	AAA	-	2,547,943	24.40
Federal Home Loan Mortgage Corporation obligations	2,114,079	AAA	-	2,114,079	20.24
Guaranteed Investment Contract	4,364,872	N/A	-	4,364,872	41.79
Federal Farm Credit Bank obligations	704,218	AAA	-	704,218	6.74
Total	$ 10,444,370		$ 713,258	$ 9,731,112	100%

Deposits and investments at December 31, 2008 and 2007 relating to the conduit debt were held by trustees and other third parties were approximately $66,861,000 and $126,385,000, respectively.

Note 3: Capital Assets

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

	Balance at January 1, 2008	Additions	Deletions	Balance at December 31, 2008
Capital assets not being depreciated:				
Land and land improvements	$ 19,823,017	$ -	$ -	$ 19,823,017
Capital assets being depreciated:				
Buildings, infrastructures, and leasehold improvements	34,267,817	128,439	-	34,396,256
Equipment	814,489	13,408	-	827,897
Total capital assets being depreciated	35,082,306	141,847	-	35,224,153
Less accumulated depreciation:				
Buildings, infrastructures, and leasehold improvements	11,340,486	1,169,462	-	12,509,948
Equipment	473,238	67,253	-	540,491
Total accumulated depreciation	11,813,724	1,236,715	-	13,050,439
Total capital assets being depreciated, net	23,268,582	(1,094,868)	-	22,173,714
Capital assets, net	$ 43,091,599	$ (1,094,868)	$ -	$ 41,996,731

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance at January 1, 2007	Additions	Deletions	Balance at December 31, 2007
Capital assets not being depreciated:				
Land and land improvements	$ 19,823,017	$ -	$ -	$ 19,823,017
Construction in progress	38,872	-	(38,872)	-
Total capital assets not being depreciated	19,861,889	-	(38,872)	19,823,017
Capital assets being depreciated:				
Buildings, infrastructures, and leasehold improvements	33,638,887	628,930	-	34,267,817
Equipment	757,883	56,606	-	814,489
Total capital assets being depreciated	34,396,770	685,536	-	35,082,306
Less accumulated depreciation:				
Buildings, infrastructures, and leasehold improvements	10,231,999	1,108,487	-	11,340,486
Equipment	367,865	105,373	-	473,238
Total accumulated depreciation	10,599,864	1,213,860	-	11,813,724
Total capital assets being depreciated, net	23,796,906	(528,324)	-	23,268,582
Capital assets, net	$ 43,658,795	$ (528,324)	$ (38,872)	$ 43,091,599

Note 4: Retirement and Postemployment Benefit Plans

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601.

The Ohio Revised Code provides statutory authority for member employer contributions. For 2008, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2008, the members of all three plans were required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The Authority contributed 14.0 percent of covered payroll, of which 7.0 percent was used to fund health coverage for retirees. The contribution rate is determined actuarially. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Authority's required contributions for pension obligations to the traditional and combined plans (excluding the amount relating to postretirement benefits) for the years ended December 31, 2008, 2007, and 2006 were $134,235, $154,892 and $158,425, respectively, equal to the required contributions for each year. The full amount has been contributed for all three years and includes contributions for a single employee who is paid for by the CAM participants at NCH, but is considered a public employee.

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

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

Note 4: Retirement and Postemployment Benefit Plans (continued)

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

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, the Authority contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of the post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Authority's contributions for health care for the years ended December 31, 2008, 2007, and 2006 were $134,235, $99,912, and $77,490.

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

Note 5: Property Taxes

Property taxes received by the Authority represent a special levy of .13 mills to fund the Authority's operations. The tax is levied against all real, public utility and tangible (used in business) property located in Cuyahoga County. The 2007 levy (collected in 2008) was based upon an assessed valuation of approximately $32.5 billion. The 2006 levy (collected in 2007) was based upon an assessed valuation of approximately $31.7 billion. In November of 2007, the voters of Cuyahoga County approved a renewal of the Authority's .13 mill property tax levy. The levy is effective commencing in 2008 and first due for collection in calendar year 2009, continuing for 5 years through 2012 for collection in calendar year 2013.

Real property taxes are levied each January 1 on the assessed value listed as of the prior January 1. Assessed values are established by the County Auditor at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88% of cost). The tangible personal property tax is being phased out – the assessment percentages for all property including inventory for 2008 and 2007 was 12.5 percent and 6.25 percent, respectively. This will be reduced to zero for 2009.

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

Note 6: North Coast Harbor

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

Note 7: Long-Term Obligations

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

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

Changes in the Authority's long-term obligations for the year ended December 31, 2007 are as follows:

	Balance January 1, 2007	Increase	Decrease	Balance December 31, 2007	Due Within One Year
State of Ohio 166 Loan	$ 447,709	$ -	$ (47,306)	$ 400,403	$ 49,233
Cleveland Bulk Terminal Project	5,422,243	5,532,757	(5,575,000)	5,380,000	120,000
Essroc (1997A)	3,240,558	5,444	(80,000)	3,166,002	80,000
Port Improvements (1999A)	3,878,353	1,568	(225,000)	3,654,921	235,000
Total	$ 12,988,863	$ 5,539,769	$ (5,927,306)	$ 12,601,326	$ 484,233

See Notes 8, 9, 10, 11 and 12 for additional information on the Port Improvements (1999 A), State of Ohio 166 Loan, Cleveland Bulk Terminal, Essroc Project (1997A Bonds and Lease), and the Note Payable, respectively.

Note 8: Port Improvements (1999A)

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

Note 8: Port Improvements (1999A) (continued)

The bonds outstanding at December 31, 2008 are payable as follows:

Year	Principal	Interest	Total
2009	$ 250,000	$ 181,003	$ 431,003
2010	265,000	167,431	432,431
2011	275,000	153,053	428,053
2012	295,000	138,003	433,003
2013	310,000	121,878	431,878
2014 – 2018	1,825,000	337,281	2,162,281
2019	210,000	5,644	215,644
Total payments	3,430,000	$ 1,104,293	$ 4,534,293
Unamortized original issue discount	(8,601)		
Total	$ 3,421,399		

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

Note 9: State of Ohio 166 Loan

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

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

The loan outstanding at December 31, 2008 is payable as follows:

Year	Principal	Interest	Total
2009	$ 51,239	$ 13,114	$ 64,353
2010	53,326	11,027	64,353
2011	55,499	8,854	64,353
2012	57,760	6,593	64,353
2013	60,113	4,240	64,353
2014 – 2015	73,233	1,844	75,077
Total payments	$ 351,170	$ 45,672	$ 396,842

Note 9: State of Ohio 166 Loan (continued)

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

Year	Amount
2009	$ 82,774
2010	85,257
2011	87,815
2012	90,449
2013	93,163
2014 – 2018	509,453
2019 – 2023	561,367
2024 – 2028	214,489
2029 – 2033	248,652
2034 – 2037	91,207
Total	$ 2,064,626

The Authority recorded $72,160 of rental income (on a straight-line basis) under the Lease for the years ended December 31, 2008 and 2007.

Note 10: Cleveland Bulk Terminal

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

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

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

Note 10: Cleveland Bulk Terminal (continued)

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

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

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

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

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

The Refunding Bonds bear interest at a variable rate as determined by a remarketing agent based upon current transactions in comparable securities that enable the agent to remarket the notes at par. The interest rates on the Refunding Bonds were 1.77% and 3.58%, respectively on December 31, 2008 and December 31, 2007. Interest rate exchange agreements ("swaps") are used to limit the Authority's interest rate exposure on the Refunding Bonds. The swaps provide for interest to be received based on notional amounts at variable rates and for interest to be paid on the same notional amounts at fixed rates. The fixed interest rates do not change over the life of the agreements, one of which expired in fiscal 2007 and the other remains in place until 2017.

Note 10: Cleveland Bulk Terminal (continued)

The variable rates are reset every quarter, are based on LIBOR, and are settled with the counterparties to the swaps at that time. These swap agreements are not used for trading purposes and effectively change the base interest rate exposure on the Refunding Bonds to a fixed rate of 5.81%, through March 1, 2007 and a fixed rate of 4.83% thereafter through March 2, 2017. The notional amount of the swaps at December 31, 2008 and December 31, 2007 approximated the outstanding balance on the Refunding Bonds.

The bonds outstanding at December 31, 2008, 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
2009	$ 140,000	$ 250,833	$ 390,833
2010	140,000	244,090	384,090
2011	145,000	236,862	381,862
2012	155,000	234,468	389,468
2013	160,000	222,535	382,535
2014 – 2018	930,000	988,996	1,918,996
2019 – 2023	1,180,000	735,958	1,915,958
2024 – 2028	1,510,000	415,699	1,925,699
2029 – 2031	900,000	60,743	960,743
Total payments	$ 5,260,000	$ 3,390,184	$ 8,650,184

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

Year	Amount
2009	$ 282,783
2010	282,783
2011	282,783
2012	282,783
2013	282,783
2014 – 2017	909,163
Total	$ 2,323,078

The Authority recorded $378,782 of rental income (on a straight-line basis) under the Lease for the years ended December 31, 2008 and 2007. In addition, the cost and carrying amount of the Authority's property subject to this Lease was $13.8 million and $12.5 million, respectively at December 31, 2008.

Note 11: Essroc Project (1997A Bonds)

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

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

The bonds outstanding at December 31, 2008 are payable as follows:

Year	Principal	Interest	Total
2009	$ 90,000	$ 181,009	$ 271,009
2010	90,000	175,834	265,834
2011	100,000	170,515	270,515
2012	100,000	164,765	264,765
2013	110,000	158,871	268,871
2014 – 2018	650,000	691,288	1,341,288
2019 – 2023	865,000	477,076	1,342,076
2024 – 2027	1,150,000	169,070	1,319,070
Total payments	3,155,000	$ 2,188,428	$ 5,343,428
Unamortized original issue discount	(63,679)		
Total	$ 3,091,321		

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

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

The property at Dock 20 had a cost and carrying amount of $3.5 million and $2.4 million, respectively, at December 31, 2008. Essroc has also agreed in the Ground Lease and Operating Agreement to pay the Authority certain land rentals, improvement rentals (relating to the original improvement of the property), and dockage and wharfage fees. The future minimum rental payments to be received under the Ground Lease and Operating Agreement, which is accounted for as an operating lease, are as follows (assuming no annual CPI increase):

Note 11: Essroc Project (1997A Bonds) (continued)

Year	Amount
2009	$ 404,704
2010	400,092
2011	403,612
2012	398,396
2013	401,311
2014 – 2018	2,000,936
2019 – 2023	1,990,295
2024 – 2027	1,431,820
Total	$ 7,431,166

The Authority recorded $263,509 of rental income (on a straight-line basis) under the Improvement Rental under the Ground Lease and Operating Agreement for the years ended December 31, 2008 and 2007. The Authority recognized additional rental income attributable to the Land Rental portion of the Ground Lease and Operating Agreement of $133,455 and $126,666 for the years December 31, 2008 and 2007, respectively.

Note 12: Note Payable

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

As of December 31, 2008, $2,250,000 remains outstanding on the note.

The loan agreement requires the Authority to maintain collateral at a minimum value of at least 100% of the principal loan balance, depending on the type of security. At December 31, 2008, $2,475,000 of the Authority's investments are restricted for collateral on the note payable and are shown as Restricted Cash and Investments on the Authority's balance sheet.

Note 13: Other Leases

Authority as Lessee – The Authority leases various docks from the City of Cleveland (the "City"). On August 15, 2004, the Authority returned Dock 32 to the City and, in October 2004, the lease agreement was amended to reduce the Authority's annual rental payments from $500,000 to $400,000 through the expiration of the lease in December 2028. Under the first amended lease, the City has the right to remove Dock 30, and a portion of Dock 28 from the lease upon five years written notice, along with a development plan for the docks to be removed and approved by City Council and the City. The removal is further conditioned upon "the Port's financial ability to vacate the docks and secure suitable alternatives", which the City agrees to cooperate to achieve. In August of 2005, the Authority transferred certain undeveloped property it owned on the Old River in return for the City's entering into a Second Amendment of Lease by which the lease term of Docks 24 and 26 and a portion of Dock 28 (known as 28A), also owned by the City, were extended to 2043. If either of these docks were returned to the City, the annual rental payments required under the lease would be reduced based on the number of square feet eliminated from the lease. Also, the Lease Term for the remainder of Dock 28 and Dock 30 was extended to December 31, 2028 subject to the five year call provision discussed above. The maximum reduction in the annual lease payments would aggregate $150,000 if both of these docks were returned to the City. Rental expense under the operating lease with the City was $400,000 for the years ended December 31, 2008 and 2007.

The Authority has leased office space at One Cleveland Center since January 2000. Pursuant to a lease agreement, the Authority leased 8,798 square feet of office space for 2004. In early 2005, the Authority amended the lease agreement to expand into an adjacent 1,929 square feet of office space and to extend the lease to January 14, 2009. Rental expense related to the Authority's lease at One Cleveland Center totaled $209,000 for the year ended December 31, 2008.

In January of 2009, the Board of Directors of the Authority authorized the extension of a lease with Optima One Cleveland Center. The lease extension expands the space leased by the Authority by 4,320 to a total of 15,047 square feet. The term of the lease was extended an additional five years until January 31, 2014. The Authority received 12 months of free rent on the original 10,727 square feet, beginning in February of 2009 and will receive 12 months of free rent on the additional 4,320 of expansion space commencing the date such space is provided to the Authority. Future minimum rentals to be paid by the Authority under the lease will be determined once the Authority occupies the additional expansion space and rental expense will be recognized on a straight-line basis beginning in 2009.

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

Note 13: Other Leases (continued)

In 2008 and 2007, the Authority recognized $435,000 and $315,000 in base rental income from the new Lease Agreements and $283,368 and $275,433 in income associated with the Tonnage Assessment Schedule.

In 2007, the Authority recognized an additional $224,339 in rental income under agreements entered into prior to April 1, 2007.

In total, the Authority recognized $718,368 and $814,772 in rental income from property leased or subleased to the Terminal Operator for the years ended December 31, 2008 and 2007. The future fixed rentals the Authority are scheduled to receive under the new Lease Agreements, via the Master Fixed Rental and Tonnage Assessment Schedule total $120,000, all of which are due in 2009. On April 1, 2009, the Lease Agreement with the Terminal Operator was entered into under the same terms as the Agreement referenced above.

Effective April 1, 2005, the Authority entered into an Operating Agreement for approximately 6 acres of property commonly referred to as Dock 20 and directly north of property leased by Essroc. The Agreement automatically renews for one-year terms until March 31, 2010 and is subject to an annual CPI increase. The Authority recorded approximately $227,563 and $219,150 in rental income from this agreement in 2008 and 2007, respectively.

Note 14: Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. Commercial insurance has been obtained to cover damage or destruction to the Authority's property and for public liability, personal injury and third-party property damage claims.

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.

Note 15: No-Commitment Debt

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

Note 15: No-Commitment Debt (continued)

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

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

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

Additionally, in 2004, the Authority's Board of Directors began establishing an Auxiliary Reserve which could be utilized in the event of a default. As of December 31, 2008, the Reserve had a balance of approximately $48,000, which is shown as restricted cash and investments on the Authority's Statement of Net Assets. The Auxiliary Reserve is Board-restricted and is not part of the Trust Indenture which governs the Common Bond Fund Program. In May of 2008, the Board of Directors of the Authority formally pledged the Authority's Auxiliary Reserve to the Common Bond Fund Program in order to increase the Authority's capacity to continue to issue bonds under the Program. The pledge will remain in place until the Authority maintains sufficient reserves in order to maintain a "BBB+" rating, from Fitch Ratings, for the Program.

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

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

Note 15: No-Commitment Debt (continued)

The primary reserve deposits, which totaled $9.9 million at December 31, 2008, consist of cash, government obligations, acceptable letters of credit or other instruments allowed under the Indenture. A trustee holds these funds during the term the bonds are outstanding, with investment income earned on the Primary Reserve Fund amounts returned to the borrowers at their discretion. The balance in the Primary Reserve Fund established for each debt issuance is utilized to fund the final principal payment when the related debt issuance is completely repaid. In addition to the primary reserves, a Program Reserve and Program Development Fund are maintained to collateralize all of the obligations outstanding under the Program.

The Program Reserve and Program Development funds at December 31, 2008 were composed of a $4.1 million cash reserve and a $9 million irrevocable, nonrecourse letter of credit from a financial institution, which expires on March 1, 2018.

In January of 2008, Fitch Ratings affirmed their "BBB+" rating on the Common Bond Fund Program, but revised their Rating Outlook to Negative from Stable. The Outlook revision was a result of uncertainty surrounding Myers University (discussed in Note 16) and economic pressures throughout the region that could negatively affect other borrower's in the portfolio.

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

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

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

The Authority acts as an agent for the Common Bond Fund Program and certain Conduit Financing obligations, and as such the related assets and liabilities to the extent of asset balances are reported in the statement of fiduciary net assets. The aggregate amount of outstanding debt for the Common Bond Fund Program was $72,475,000 (excluding the 1997A and 1999A bonds that are obligations of the Authority) and Conduit Financing Obligations was $678,794,458 as of December 31, 2008. The aggregate amount of outstanding debt for the Common Bond Fund Program was $77,205,000 (excluding the 1997A and 1999A bonds that are obligations of the Authority) and Conduit Financing Obligations was $687,634,461 as of December 31, 2007.

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

Note 16: Myers University

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

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

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

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

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

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

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

Note 16: Myers University (continued)

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

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

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

Note 17: New Market Tax Credit Program

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

Note 17: New Market Tax Credit Program (continued)

NEODF may utilize the credits provided it complies with terms and conditions of the Cooperative Agreement and the New Market Tax Credit Program. The Authority has no obligation for compliance under the New Market Tax Credit Program, but receives certain fees and other monies from investments made by NEODF and related organizations under the program. The Authority recognized fees under the program of $-0- and $352,532 in 2008 and 2007, respectively, from tax credit investments made by NEODF and related organizations.

Note 18: Flats East Bank Project

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

In order to facilitate the implementation of the property acquisition phase of the Project, in November 2005, the Authority entered into an Agreement for Acquisition, Disposition and Redevelopment of Property ("Acquisition Agreement") with the Developer. The Acquisition Agreement provides that the Authority obtain appropriate appraisals, title and other relevant information and negotiate with the various landowners for the purchase of the property to be acquired for the Project which the Developer has not acquired. The Developer deposited a letter of credit in escrow with a title company, for the benefit of the Authority, for the appraised value of the properties to be acquired. If the Authority was unable to negotiate the purchase of the needed properties, the Authority then commenced eminent domain proceedings to acquire the property. On May 23, 2006, the first of such actions was filed.

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

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

Note 18: Flats East Bank Project (continued)

The Development Agreement references a piece of property, commonly referred to as the "Loop" site. The Developer has an option to purchase the approximately three acres parcel under two circumstances. If the "Loop" is developed to house the commercial offices of the Federal Defense Finance and Accounting Service (DFAS), the developer shall be conveyed the site for nominal consideration. If DFAS does not occupy the site, then the purchase price shall be an amount mutually agreeable to the Authority and the Developer. It is expected that any sale of current Authority property would result in a significant gain on any disposition of real estate.

The Authority paid $530,000 and $2.5 million in expenses related to the Flats East Bank project, all of which was paid by the Developer in 2008 and 2007, respectively. Additionally, the Authority had $2,800 and $117,000 of accounts payable associated with the transaction and booked a corresponding receivable that was due from the Developer as of December 31, 2008 and 2007.

In 2007, the Authority negotiated agreements to purchase properties from Flats East Bank property owners with title transferring to the Developer immediately after the Authority's acquisition. Settlement negotiations and court proceedings with remaining property owners concluded in 2008. During 2007, settlement agreements were reached with all remaining property owners in the appropriation action filed by the Authority. All settlement costs and the cost of litigation are being paid by the Developer, which obligation was secured by a Letter of Credit to the Authority, which expired in November 2008, since it was determined that all property had been acquired per the Acquisition Agreement and all outstanding acquisition obligations had been paid. If any additional acquisition obligations are discovered they would still be required to be paid by the Developer. To date, all of the property acquisitions have occurred and property ownership for the entire site is in the title of the Developer. We are awaiting economic conditions to improve before the project proceeds.

Note 19: Subsequent Events

In February of 2009, the Authority incurred severe wind damage to the roof of Warehouse A, owned by the Authority. Damage to the roof and the associated clean-up are expected to cost approximately $275,000. $265,000 is expected to be covered by the Authority's insurance.

In February of 2009, Fitch ratings downgraded the Authority's implied credit rating to 'BBB-' from 'BBB' and revised their Rating Outlook to Negative from Stable. The rationale for the downgrade was due to lower expected revenues from both maritime and finance operations due to the worsening economy and higher operating expenses as a result of additional personnel costs and continued Port Relocation-related expenses.

On April 17, 2009, the Board of Directors of the Authority adopted a resolution amending the Port of Cleveland Tariff No. 1-B to increase dockage and wharfage rates, as well as institute a security surcharge. The dockage rate was increased from $0.08 per gross registered ton to $0.09 per gross registered ton and wharfage charges increased from $0.70 per metric ton to $0.80 per metric ton. Additionally, the Authority instituted a security surcharge of $15 per hour to pay for specified security while a vessel is along side the berth.

Cleveland-Cuyahoga County Port Authority

Common Bond Funds

For the Year Ended December 31, 2008

The following are the approximate balances held and the principal amount of outstanding Common Fund Bonds as of December 31, 2008:

SERIES	Contracting Party	Original Bond Amount	Outstanding Principal Balance	Primary Reserve Balance	Final Maturity
1997A	Essroc /Port Authority (1)	$ 3,795,000	$ 3,155,000	$ 366,641	05/15/2027
1998A	Jergens	5,720,000	3,520,000	572,000	05/15/2018
1998B	NOACA	3,345,000	2,090,000	324,472	05/15/2018
1999A	Port Authority (1)	5,230,000	3,430,000	520,385	05/15/2019
1999B	Universal Heat	1,480,000	580,000	148,000	11/15/2014
2000B	RITA	5,000,000	1,730,000	500,000	11/15/2010
2001A	CEOGC	4,440,000	2,805,000	444,000	05/15/2016
2001B	Cleveland Bottle	1,500,000	1,180,000	150,000	11/15/2021
2002A	CATS	2,090,000	1,705,000	209,000	05/15/2022
2002C	CCH	5,130,000	4,235,000	513,000	05/15/2022
2003A	Centaur/Heidtman Steel	4,250,000	2,410,000	425,000	05/15/2013
2004A	Luigino's	5,000,000	4,055,000	500,000	05/15/2019
2004B	City of Cleveland	2,965,000	1,760,000	296,500	05/15/2026
2004C	Tru-Fab	1,060,000	930,000	106,000	11/15/2023
2004D	Garfield Heights	8,850,000	8,535,000	885,000	05/15/2023
2005A	Goodyear	4,125,000	3,060,000	412,500	05/15/2014
2005B	Fairmount Montessori	3,375,000	3,180,000	337,500	05/15/2025
2005C	Avery Dennison	6,000,000	6,000,000	600,000	11/15/2015
2005D	Columbia National Group	6,020,000	5,250,000	602,000	05/15/2020
2006A	Cleveland Cavaliers	9,500,000	9,235,000	950,000	05/15/2026
2006B	City of Perrysburg	5,060,000	5,060,000	506,000	11/15/2035
2008A	Brush Wellman	5,155,000	5,155,000	515,500	05/15/2023
Total		$ 99,090,000	$ 79,060,000	$ 9,883,498	

Summary of Reserves:	
Primary Reserve Funds	$ 9,883,498
Program Development Fund (2,3)	112,330
Program Reserve (3)	4,001,790
Program Reserve LOC	9,000,000
Total Reserve Funds	$ 22,997,618
Total Reserves/Outstanding Bonds	29.09%

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

(2) One-half the monies in the Program Development Fund are transferred to the Authority for its general purposes in June and December of each year as long as no deficiency exists.

(3) Balances in the Program Development Fund and the Program Reserve are shown as restricted cash and investments on the Authority's Balance Sheet.

(4) The 2000 B bonds (RITA) were redeemed in full on March 18, 2009.

Cleveland-Cuyahoga County Port Authority

Non-Bond Fund Issuances

For the Year Ended December 31, 2008

The following are the listing of non-Bond Fund debt issuances undertaken by the Authority for which there is still principal outstanding as of December 31, 2008:

	Non-Bond Fund Debt Issuances	Year	Type of Debt Issued	Original Issuance	Principal Outstanding
1	Applied Industrial Technologies	1996	Revenue Bonds	$ 18,835,000	$ 13,255,453
2	Metro Health	1999	Revenue Notes (Public Improvements)	10,973,006	10,973,006
3	University Square	2001	Revenue Bonds (Special Assessment)	40,600,000	39,905,000
4	TRW Automotive	2003	Governmental Loan	650,000	291,883
5	Carnegie/96th Research Building LLC	2003	Revenue Bonds	32,000,000	31,100,000
6	Euclid/93rd Garage and Office LLC	2003	Revenue Bonds	48,415,000	44,335,000
7	OSF Properties	2004	Taxable Development Revenue Bonds	16,000,000	13,268,000
8	City of Brecksville	2004	Tax-Exempt Revenue Bonds	2,195,000	1,500,000
9	RITA (2)	2004	Development Revenue Bonds	20,990,000	18,530,000
10	Swagelok	2004	Taxable Development Revenue Bonds Series	21,000,000	3,963,655
11	Marine Mechanical	2004	Taxable Economic Development Lease Revenue Bond	8,470,000	6,737,461
12	Playhouse Square Foundation	2004	Variable Rate Cultural Facility Revenue Bonds	18,000,000	9,550,000
13	Euclid Avenue Housing Corp.	2005	Student Housing Facility Revenue Bonds	34,385,000	33,415,000
14	Avery Dennison Corp.	2005	Taxable Development Lease Revenue Bonds	39,785,000	37,065,000
15	Cleveland Museum of Art	2005	Cultural Facility Revenue Bonds	90,000,000	90,000,000
16	Judson	2005	Development Revenue Refunding Bonds	31,500,000	29,925,000
17	Park Synagogue	2006	Multi-Mode Variable Rate Revenue Bonds	9,995,000	9,995,000
18	St.Clarence-GEAC, LLC Project	2006	Senior Housing Revenue Bonds	17,120,000	17,120,000
19	St.Clarence-GEAC, LLC Project	2006	Taxable Senior Housing Revenue Bonds	250,000	155,000
20	Carnegie/89th Garage and Service Center, LLC	2007	Revenue Bonds	156,920,000	156,920,000
21	SPC Buildings 1 & 3, LLC	2007	Revenue Bonds	34,590,000	34,590,000
22	Science Park Cleveland, LLC	2007	Taxable Convertible Revenue Bonds	45,700,000	45,700,000
23	Laurel School	2008	Variable Rate Educational Facility Revenue Bonds	16,000,000	16,000,000
24	Euclid Avenue Housing	2008	Variable Rate Demand Revenue Bonds	14,500,000	14,500,000
			Total	$ 728,873,006	$ 678,794,458

Stadium Financing

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

Stadium Financing (continued)

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

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

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

Ciuni & Panichi
CPAs and Business Advisors

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

Board of Directors
Cleveland-Cuyahoga County Port Authority

We have audited the financial statements of the Cleveland-Cuyahoga County Port Authority (the "Authority") as of and for the year ended December 31, 2008, and have issued our report thereon dated June 5, 2009, wherein we noted that the Authority adopted *Government Accounting Standards Board Statements No. 45, 49 and 50.* We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Board of Directors
Cleveland-Cuyahoga County Port Authority

Compliance and Other Matters

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

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

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 5, 2009

Mary Taylor, CPA
Auditor of State

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 5, 2009

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