Cleveland-Cuyahoga County Port Authority

Basic Financial Statements
December 31, 2011 and 2010

Dave Yost • 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 Auditor's Report* of the Cleveland-Cuyahoga County Port Authority, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

August 15, 2012

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Cleveland-Cuyahoga County Port Authority

For the Year Ended December 31, 2011

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Ciuni & Panichi
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Cleveland-Cuyahoga County Port Authority (the "Authority") as of and for the years ended December 31, 2011 and 2010, 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 business-type activities and the aggregate remaining fund information of the Authority, as of December 31, 2011 and 2010, and the respective changes in financial position, and, where applicable, cash flows thereof 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, 2011, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Instruments Omnibus.*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 64 and 65 are presented for purposes 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 7, 2012

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2011

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, 2011. Please read this information in conjunction with the Authority's basic financial statements and footnotes beginning on pages 27 and 33 respectively.

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

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.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2011

Port Activities refers herein to the Authority's core operations, maritime and development finance, including the cost of the administration of the Authority's operating groups (primarily Maritime and Development Finance as well as administration costs, including the fees generated by such groups).

North Coast Harbor (NCH) refers herein to activities involving the maintenance and repair of the NCH common areas and activities involving special events and capital repairs for the benefit of NCH. Funding for maintenance and repair are paid entirely by the NCH Common Area Maintenance ("CAM") Agreement participants: the Rock and Roll Hall of Fame and Museum, the Great Lakes Science Center, and the Cleveland Browns. Funding for special events and capital repairs are paid, as directed by the City of Cleveland, entirely from funds generated from City-owned parking lots as per a Cooperative Agreement between the City of Cleveland and the Authority. Assets, including cash and accounts receivable, are shown as restricted assets on the Authority's Statement of Net 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 in Net Assets for fiscal years 2010 and 2011, 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 and government in the creation and retention of jobs, primarily within northeastern Ohio.

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

The Authority's Common Bond Fund Program ("Bond Fund") transactions involve construction or other projects financed through the Authority's Fixed Rate Financing Program. A detailed description of the Bond Fund program can be found in the notes to the basic financial statements. Two projects financed through the Authority's Bond Fund program, Essroc (1997A) and Port Capital Improvements (1999A), relate to the Authority's maritime activities and are reflected on the Authority's Statement of Net 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 (or other stated sources of revenue) for debt service unless a default arises, in which case the reserve system established by the Authority and borrowers in the Bond Fund will make the debt service payments to the extent sufficient funds are available. The Bond Fund Program was established in 1997 with a $2,000,000 contribution from the Authority's operating funds and was matched with a $2,000,000 grant from the State of Ohio. 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. In January of 2010, the Authority entered into a Memorandum of Understanding ("MOU") with the Ohio Manufacturers' Association ("OMA") and other entities to receive $2.5 million to be invested into the Bond Fund Program's system of reserves. As of December 31, 2011, all of the funds had been received and are reflected on the Authority's Statement of Net Assets. Interest earnings on the funds received from the MOU will be paid to OMA semi-annually. Any utilization of these reserve funds discussed above would result in a reduction to the Authority's net assets.

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

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2011

Condensed Statement of Net Assets Information

The tables below provide a summary of the Authority's financial position and operations for 2011, 2010 and 2009, respectively. Certain reclassifications have been made to restate the 2010 financial statements in order to conform to the 2011 presentation.

Comparison of 2011 vs. 2010 Results:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The largest portion of the Authority's net assets (approximately 63%) represents its investment in capital assets (e.g., land, land improvements, buildings, infrastructures, leasehold improvements, and equipment), net of accumulated depreciation, less any related outstanding debt used to acquire those assets.

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

Comparison of 2010 vs. 2009 Results:

	2010	2009	Change Amount	Change %
Assets:				
Current assets	$ 15,605,972	$ 15,598,663	$ 7,309	0.1%
Capital assets – net	40,081,428	39,591,904	489,524	1.2%
Restricted and other assets	9,851,249	9,265,266	585,983	6.3%
Total assets	65,538,649	64,455,833	1,082,816	1.7%
Liabilities and net assets:				
Liabilities:				
Current liabilities	4,388,144	6,717,657	(2,329,513)	(34.7%)
Current liabilities payable from restricted assets	781,822	772,784	9,038	1.2%
Other liabilities – including amounts relating to restricted assets	12,428,203	13,038,877	(610,674)	(4.7%)
Total liabilities	17,598,169	20,529,318	(2,931,149)	(14.3%)
Net assets:				
Invested in capital assets net of related debt	29,024,191	27,992,675	1,031,516	3.7%
Restricted for other purposes	7,117,759	6,734,806	382,953	5.7%
Unrestricted	11,798,530	9,199,034	2,599,496	28.3%
Total net assets	$ 47,940,480	$ 43,926,515	$ 4,013,965	9.1%

Current Assets: Current assets increased from December 31, 2009 to December 31, 2010 by approximately $7,300. The largest decrease in this classification came from a $2.25 million note receivable from Chancellor University, which matured on August 21, 2010. The Chancellor University note was cancelled in exchange for title transfer of land and real estate, recorded on the Statement of Net Assets for approximately $1,500,000. Additional components of the transaction were: cash payments $500,000, ($250,000 of which is a Current Asset as of December 31, 2010), and the execution of a promissory note in the amount of $250,000. The decreases as a result of the Chancellor transaction were offset by higher unrestricted cash and investment balances provided by positive cash flows after staff reductions and other cost containment measures.

Capital Assets: The Authority's investment in capital assets as of December 31, 2010 and 2009 amounted to approximately $40.1 million and $39.6 million, respectively (net of accumulated depreciation). Capital assets before accumulated depreciation increased by approximately $1.7 million from December 31, 2009 to December 31, 2010. The major component of the increase in capital assets before accumulated depreciation was $1,500,000 in land and building assets received in the Chancellor University transaction where the Authority took title to the building. Additional capital investments in 2010 included $122,000 for the dredging of Authority docks and a planned investment in the heavy lift crane, $21,600 of which was in progress as of December 31, 2010. Finally, the Authority invested approximately $24,000 in operational equipment, comprised of new doors, timber docks, and communication infrastructure. The $1.7 million in additions was offset by 2010 depreciation expense of approximately $1.2 million. A summary of the activity in the Authority's capital assets during the year ended December 31, 2010, is as follows:

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
Land and land improvements	$ 18,419,075	$ 205,052	$ -	$ 18,624,127
Buildings, infrastructures, and leasehold improvements	34,589,153	1,436,599	(8,245)	36,017,507
Equipment	827,897	4,161	(22,040)	810,018
Construction in progress	-	21,600	-	21,600
	53,836,125	1,667,412	(30,285)	55,473,252
Less accumulated depreciation	(14,244,221)	(1,172,153)	24,550	(15,391,824)
Capital assets – net	$ 39,591,904	$ 495,259	$ (5,735)	$ 40,081,428

***Restricted and Other Assets**:* Restricted and other assets increased approximately $586,000 from December 31, 2009 to December 31, 2010. The increase is primarily related to two major transactions that took place in 2010 with the Ohio Manufacturers' Association and the transaction with Chancellor University. As of December 31, 2010, the Authority has an $833,000 receivable due from the OMA and received an additional $1.65 million in funds which were invested in the Bond Fund Program Reserve. The Authority also has a $250,000 note to be received from Chancellor University, which was a component of the transaction that forgave a loan that was due to the Authority. The Authority's Bond Program Auxiliary Reserve also increased by $100,000, to approximately $248,000. Additionally, there was a $75,000 increase in deferred outflow of resources, directly related to the implementation of GASB 53. These increases were offset by the Authority paying off a $2.25 million loan in September of 2010, which was fully collateralized by cash and investments and is no longer restricted. Other decreases resulted from a scheduled $26,000 decline in operating leases receivable as well as the normal amortization of debt issuance costs totaling $34,000, and a $24,000 decrease in grant funds.

***Current Liabilities**:* Current liabilities decreased in 2010 by approximately $2.3 million, mainly due to the Authority's $2.25 million promissory note to a local financial institution paid on September 10, 2010. In addition, accrued wages and benefits decreased by $215,000, primarily due to reduced personnel as of December 31, 2010 when compared to the previous year as well as the 2009 employment Settlement Agreement with the Authority's former President and Chief Executive Officer, which was accrued as of December 31, 2009. Accounts payable increased by $98,000 primarily due to the timing of vendor invoices and a scheduled $27,000 increase in the current portion of the Authority's debt payable. Deferred income also increased by $10,000 due to an increase in prepaid tenant rent.

***Current Liabilities Payable from Restricted Assets**:* Current liabilities payable from restricted assets in 2010 remained fairly consistent from 2009. This line item is solely 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 $13,200 to a total of $712,000; of which there was offsetting restricted cash of $698,500 and receivables of $13,500.

Other Liabilities – including amounts relating to restricted assets: This line item decreased by approximately $611,000 compared to 2009. The reason for the decrease came from a $569,000 reduction in the non-current portion of the Authority's long-term debt obligations and a $131,000 decline in deferred income relating to the scheduled amortization of deferred operating lease income from the CBT property. These decreases were offset by an increase in the derivative related to the CBT interest rate swap of $75,000 as a result of GASB 53 and the straight-line accounting of the Authority's lease increased accrued rent by $14,000.

The activity in the Authority's debt obligations outstanding during the year ended December 31, 2010 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	$ 5,120,000	$ -	$ (140,000)	$ 4,980,000
Port Improvements 1999A	3,172,782	1,283	(265,000)	2,909,065
Essroc 1997A	3,006,515	5,051	(90,000)	2,921,566
State of Ohio 166 Loan	299,932	-	(53,326)	246,606
Note payable	2,250,000	-	(2,250,000)	-
Total	$ 13,849,229	$ 6,334	$ (2,798,326)	$ 11,057,237

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 $47.9 million at the close of the December 31, 2010 fiscal year.

The largest portion of the Authority's net assets (approximately 61%) represents its investment in capital assets (e.g., land, land improvements, buildings, infrastructures, leasehold improvements, and equipment), net of accumulated depreciation, less any related outstanding debt used to acquire those assets.

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

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

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

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

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

The amount of cargo handled by the Authority increased substantially in 2011 for the second consecutive year, as the regional and global economy continues a modest recovery from the 2009 Great Recession. The Authority's maritime business is correlated with local steel consumption, which continues to rebound from historic lows, seen just two years ago. The Authority also experienced significant increases in property lease and rentals from successful transactions with tenants on non-maritime property. Finally, the previously awarded New Markets Tax Credits provided a substantial boost to our Development Finance line of business at the end of the year. The 22.1% increase in operating revenues only required a 3.2% increase in operating expenses.

A discussion of the components of operating revenues and the corresponding changes are as follows:

Wharfage, Dockage, and Storage: These revenues are generated from Authority cargo movements and they collectively increased 25% from $ $1,040,000 in 2010 to $1,304,000 in 2011. Overall tonnage handled by our primary break-bulk terminal operator increased by 46,965 tons or 16% to 344,031. This tonnage increase resulted in a $56,000 increase in wharfage and dockage revenues attributable to our primary break-bulk operator. Additionally, throughput at the Cleveland Bulk Terminal facility, leased by a private company, increased by 40% for a total of approximately 3 million in billable tons of iron ore and limestone. This increased wharfage revenues at the CBT facility by $205,000 over the previous year. The facility supplies raw materials to a local steel plant, which also indicates increasing post-recession demand, though slightly below historical averages. The Authority also received additional storage revenues in 2011 from the increased tonnage, accounting for the remainder of the increase in these revenues.

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

Financing Fee Income: Development finance fees increased by $606,000 in 2011 to $1.7 million. Development finance fee income is essentially earned in three ways: (1) closing fees, which are one-time fees charged on Stand Alone, Bond Fund and New Market Tax Credit projects based on the risk profile and structure at the time the bonds are issued; (2) bond service fees, which are ongoing annual fees charged on certain projects with principal outstanding; and (3) application and acceptance fees which are non-refundable monies received by the Authority prior to the issuance of bonds or notes. In 2011, the Authority assisted in issuing bonds for five transactions, most of which were smaller and less complex than previous periods. However, the Authority, through its Cooperative Agreement with the Northeast Ohio Development Fund LLC, received $878,850 in fees related to four transactions that were financed with New Market Tax Credits. This resulted in a $530,000 increase in closing fees in 2011 versus 2010.

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

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

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

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

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

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

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

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

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

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

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

Changes in other operating expenses during 2011 are detailed below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2011

The Authority's operations increased its net assets by $4.0 million in 2011. Key elements of these changes are summarized below:

	2010	2009	Change Amount	Change %
Operating revenues:				
Wharfage, dockage, and storage	$ 1,040,031	$ 471,015	$ 569,016	120.8%
Property lease and rentals	1,678,523	1,707,715	(29,192)	(1.7%)
Financing fee income	1,136,479	1,377,519	(241,040)	(17.5%)
Foreign trade zone fees	117,500	137,500	(20,000)	(14.5%)
Dredge disposal fees	80,381	162,419	(82,038)	(50.5%)
Parking revenues and other	417,773	282,691	135,082	47.8%
Total operating revenues	4,470,687	4,138,859	331,828	8.0%
Operating expenses:				
Salaries and benefits	1,840,476	3,321,180	(1,480,704)	(44.6%)
Professional services	1,134,344	1,578,848	(444,504)	(28.2%)
Facilities lease and maintenance	958,730	830,962	127,768	15.4%
Marketing and communications	255,498	259,075	(3,577)	(1.4%)
Depreciation expense	1,172,153	1,234,451	(62,298)	(5.0%)
Office expense	359,984	384,776	(24,792)	(6.4%)
Other expense	218,275	271,180	(52,905)	(19.5%)
Total operating expenses	5,939,460	7,880,472	(1,941,012)	(24.6%)
Operating loss	(1,468,773)	(3,741,613)	2,272,840	60.7%
Nonoperating revenues (expenses):				
Property tax receipts	3,251,997	3,286,413	(34,416)	(1.0%)
Nonoperating grant revenue – State	-	5,000,000	(5,000,000)	(100.0%)
Nonoperating grant revenue – other	2,560,333	227,700	2,332,633	1024.4%
Income from investments	461,542	465,923	(4,381)	(0.9%)
Interest expense	(785,399)	(812,997)	27,598	(3.4%)
Nonoperating grant disbursements – State	-	(5,000,000)	5,000,000	(100.0%)
Gain on disposal of fixed assets	(5,735)	205,860	(211,595)	(102.8%)
Total nonoperating revenues – net	5,482,738	3,372,899	2,109,839	62.6%
Change in net assets	4,013,965	(368,714)	4,382,679	1,188.6%
Net assets – beginning of year, restated	43,926,515	44,295,229	(368,714)	(0.8%)
Net assets – end of year	$ 47,940,480	$ 43,926,515	$ 4,013,965	9.1%

***Operating Revenues**:* Collectively, total operating revenues increased by nearly $332,000, up from $4.1 million in 2009. The amount of cargo handled by the Authority increased substantially in 2010 compared to 2009, when the Authority operated in an extremely challenging economic environment, as did most public and private sector enterprises. The Authority's maritime business is correlated with local steel consumption, which deteriorated greatly in 2009 and rebounded in 2010. The increase in tonnages were offset by reduced base rentals from the Authority's various operating agreements, which are re-negotiated each year. Additionally, financing fee income decreased, mainly due to a decrease in administrative fees as a result of six bond redemptions that took place in 2010.

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 121% from $471,000 in 2009 to approximately $1,040,000 in 2010. Overall tonnage handled by our primary break-bulk terminal operator increased by 130,516 tons or 78% to 297,066. This increase resulted in a $191,000 increase in wharfage and dockage revenues attributable to our primary break-bulk operator. The increase indicates significant gains over 2009 due to the economic recovery, but is still below recent historical averages. Additionally, throughput at the Cleveland Bulk Terminal facility, leased by a private company, increased by 171% for a total of approximately 2.1 million in billable tons of iron ore and limestone. This increased wharfage revenues at the CBT facility by $373,000 over the previous year. The facility supplies raw materials to a local steel plant, which also indicates increasing post-recession demand, though slightly below historical averages. The additional $5,000 increase came from additional security and storage fees.

***Property Lease and Rentals**:* Property lease and rentals declined by approximately $29,000 or 2.0% in 2010, primarily due to the re-negotiation of the two annual Operating Agreements. The Operating Agreement entered into in March of 2010 for Dock 20 contained a 25% reduction in base rental payments compared to the previous year. This resulted in a $36,000 decline in revenues. Additionally, the Operating Agreement with the Authority's primary terminal operator was restructured, and included a lower base rental. This resulted in a $15,000 decline, but was offset by higher revenues from the tonnage-based portion of the agreement. The increase in tonnage resulted in an additional $10,000 in income in comparison to 2009. Additionally, bad debt expense decreased by $11,000 in 2010, which resulted in a net increase in revenues. All other leases remained consistent with previous periods.

Financing Fee Income: Development finance fees decreased by $241,000 in 2010 to $1.1 million. 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 2010, the Authority assisted in financing two large transactions (Flats East Bank Project and Independence Research Park), resulting in $405,000 in closing fees, which was a $72,000 decrease compared to 2009. An additional $170,000 in closing fees resulted from five smaller projects.

Approximately $544,000 in financing fee income related to existing projects and the administrative fees associated with them, which was a $134,000 decrease from 2009. The decrease related to the redemption of bonds issued for six projects totaling $123,000 in annual administrative fees. Additionally, the continued reduction in principal on outstanding projects, which is offset by fee income generated from new transactions, reduces annual administrative fees. Finally, the Authority received $35,000 less in application and acceptance fees in 2010, mainly due to a $50,000 acceptance fee that was collected for the Flats East Bank project in 2009, which closed in 2010.

Foreign Trade Zone Income: Foreign Trade Zone fees declined by $20,000 in 2010 to $117,500. The decline in Foreign Trade Zone enrollment continues as a result of changes to the State of Ohio tax code. The tax code change eliminated a tax on inventory, providing less of an incentive for a company to participate in the FTZ program. The Authority had two participants decline to participate in the program, resulting in $30,000 less revenue compared to 2009. The decrease was offset by a $10,000 increase in de-activation fees charged by the Authority when a company ceases to be part of the foreign trade zone.

Dredge Disposal Fees: In 2008, the Authority began to enter into dredge disposal agreements with organizations that have a need to store privately dredged material in Dike Disposal Site 12, which is controlled by the Authority and is on the north side of Burke Lakefront Airport, which is controlled by the Authority. Total private dredge disposal needs dropped from 23,200 cubic yards in 2009 to 11,500 cubic yards in 2010, resulting in an $82,000 decline in revenue.

Parking Revenues and Other: Parking and other revenues increased by $135,000 or 48% compared to 2009. The Authority's parking revenues relate only to revenues that can be utilized by the Authority and are not associated with the CAM or the City of Cleveland Agreements concerning NCH. The current parking agreement with the Cleveland Browns for the Authority to provide a certain number of spots on the date of home football games is largely fixed and resulted in $225,000 in revenue in 2010, which is consistent with previous periods. Additional parking, either owned or leased by the Authority, is variable and is affected by the number of special events held near the Authority docks, as well as attendance at Cleveland Browns home games. The variable portion of the parking revenues increased by $42,000 in 2010 when compared to 2009, largely as a result of the "Tall Ships" festival that was held on the lakefront in July of 2010. Other income increased by $93,500 in 2010. The increase includes the return of a $47,000 loan commitment fee from the State of Ohio and an additional $30,000 in rental revenue for the sub-lease of Authority office space to a third party. Lastly, the Authority received approximately $16,000 in additional fees for crane rental related to special project cargo in 2010.

Operating Expenses: Operating expenses decreased by approximately $1,940,000 (25.0%) in 2010 compared to 2009. The most significant operating expenses of the Authority are salary and benefit costs, which decreased by 45% or $1,481,000. The Authority underwent significant changes in the fourth quarter of 2009, as the President and CEO resigned and four positions were eliminated. The Authority eliminated two additional positions in 2010 and had another three senior-level positions unfilled for the majority of 2010. Also, in December of 2009, the Authority appointed an interim President and CEO, who received a compensation of $1 until a permanent President and CEO was appointed in June of 2010. Staffing levels at the Authority were at their lowest levels in over five years and one-third less than they were during the second quarter of 2009. Because of the position eliminations, the vacant senior-level positions, and the $1 service of the interim President and CEO, total salaries were reduced by $1,245,000 in 2010 compared to 2009.

Additional salary and benefit costs, all of which are directly tied to the number of employees, declined significantly. OPERS contributions decreased by $128,000, Medicare and health-care benefit expenses decreased by $106,000 and workers compensation costs were down by $20,000 compared to 2009. Unemployment costs increased by $22,000, due to position eliminations.

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

The decrease in these operating expenses during 2010 is detailed below:

- Professional services decreased by $444,500 or 28.0% as compared to 2009. The Authority underwent major changes in 2010 and re-evaluated numerous initiatives by the previous administration, some of which were either scaled back or abandoned in 2010. In 2009, there was a $500,000 expenditure relating to the completion of a master plan which assessed the redevelopment and potential market for alternative uses of existing Authority docks, should the maritime facilities be relocated to an alternative location. Additionally, the Authority spent approximately $179,000 in planning and engineering costs to evaluate moving Authority facilities to an alternative location. Other than a $20,000 re-evaluation of certain port location sites in 2010, the Authority realized a $659,000 savings from ceasing work on relocating the Authority docks and planning for future uses. The Authority spent an additional $46,000 in 2009 planning for an "international trade district," a planned industrial area that would be adjacent to the yet-to-be relocated maritime docks. Planning for this activity also ceased in 2010 and no funds were expended. There were other significant decreases in 2010, as the Authority spent $42,000 in 2009 to have all property surveyed, $41,000 on temporary labor, and $39,000 on a study involving the instrument landing system at Burke Lakefront Airport. No funds were spent on these initiatives in 2010. Due to the change in direction and aggressive expense management, legal expenses were reduced by $36,000, government relation expenses were reduced by $23,000, and an additional $17,000 in miscellaneous expenses were eliminated.

  These decreases were offset by an $84,000 fee for the engagement of an executive search firm, which resulted in the hire of the Authority's permanent President and CEO in June of 2010. Additionally, the Authority entered into an agreement with a professional services firm for a variety of services to assist in planning for the Authority's future which will culminate in the development of a comprehensive strategic business plan. The scope of the contract includes providing current market analysis, assessing competitive market positions, identifying potential market opportunities, developing cargo projections, developing operating profiles, identifying alternatives for terminal development, financial evaluation, estimating economic impact, and advising on dredging issues. Approximately $315,000 was expended during 2010, on this work, for which completion of the final report is expected in the third quarter of 2011. There was an additional $25,000 expense for the Authority to receive a rating from Standard & Poor's on its Common Bond Fund Program, as Fitch Ratings withdrew their coverage of Ohio ports in 2010. Finally, the Authority spent $23,000 on a consultant to revive discussions with Port Stanley regarding a cross-lake ferry service. Insurance related costs increased by $16,000, as the Authority purchased terrorism insurance and updated the replacement value of the facilities. Miscellaneous bank and letter of credit fees increase by approximately $3,000 in 2010.

- Facilities lease and maintenance expense increased by $128,000 from 2009 levels. The 2009 decrease was due largely to the scaling back of expenditures that took place in 2009 to offset losses due to the weakened economic environment. Repairs and maintenance costs increased by approximately $93,000 from 2009. This included approximately $32,000 for an emergency crane rental that was required to handle cargo due to an unplanned heavy-lift crane repair. An additional $16,000 was expended to prepare the grounds and docks for a festival, entitled "Tall Ships" held during July of 2010. The remaining $45,000 was primarily deferred maintenance from 2009, which was performed in 2010. Bid expenses and utility costs increased $40,000 due to increased energy rates and additional utility costs at one of the Authority's warehouse which is no longer being utilized by the Terminal Operator.

- Marketing and communication expenses decreased by $3,600 to $255,500 in 2010 as compared to 2009. In 2009, this category of expenses was notably low, as discretionary expenses were limited due to the slowdown of the global economy. Due to transition of staff, including the President and CEO, as well as organizational shift in strategy, marketing and communication expenses were again limited in 2010. The Authority decreased expenditures such as communications services, travel and business development by a total of $42,000. These decreases were offset by $29,000 more in advertising costs in 2010, as the Authority co-sponsored a festival entitled "Tall Ships" in 2010 for $50,000. Finally, an additional $10,000 was invested in marketing support for the Authority's Foreign Trade Zone program.

- Office expenses decreased by $25,000 to $360,000 in 2010. The most significant reason for the decrease was a $15,000 reduction in the common area maintenance fee calculation by Authority's landlord at One Cleveland Center. Other decreases, for items such as office supplies, equipment, phone, and parking, were attributable to a reduced number of employees on staff for 2010.

- Other expenses decreased by $53,000 to $218,000 in 2010. The decrease is made up of several factors. First, several industry memberships were either not renewed or reduced in 2010, yielding a decrease of approximately $20,000 in this category. Second, the Authority paid a commitment fee of $32,000 to the Ohio Department of Development for a Logistics and Distribution Stimulus Loan for a rail improvement project. The 2010 commitment fee was $15,000 less than the 2009 fee, which was for a project that was later abandoned. Meeting expenses decreased by approximately $13,000 due to a reduction in the number of Authority board and committee meetings. Finally, employee related expenses, such as travel and professional development decreased by $5,000, primarily due to the reduction in staffing.

Nonoperating Revenues (Expenses): Net nonoperating revenues increased by $2.1 million in 2010, largely due to funds received from the Ohio Manufacturers' Association. The OMA funds and additional changes were:

- ***Property tax receipts***: The largest portion of nonoperating revenues results from the Authority's .13 mill property tax levy. This amount remained relatively consistent with its 2010 levels as the millage relating to this levy did not change and property values and collection rates remained consistent.

- ***Nonoperating grant revenue – State***: In May of 2007, the Authority was awarded a $5,000,000 grant from the State of Ohio to assist in investments being made for the NASA Plum Brook Space Power Facility in Erie County, Ohio. In 2009, these funds were received by the Authority and disbursed to NASA to reimburse them for the costs incurred in developing the technical center. No grant funds were received by the Authority in 2010.

- ***Nonoperating grant revenue – other***: Nonoperating grant revenue increase by approximately $2.3 million to $2.6 million in 2010. FirstEnergy, under an agreement reached with the Ohio Manufacturers' Association, awarded the Authority a $2.5 million grant. The grant was awarded to support the Authority's financing effort and funds received are being invested in the Common Bond Fund Program's system of reserves. In 2008, the Authority was awarded a $450,000 grant from the Cleveland Foundation for "Transformative Investment Initiatives." In June of 2010, a request for reallocation of use was approved and the grant was reduced to a total of $327,700. In 2010, the $77,000 expended was recognized as revenue, which was $151,000 less than the amount recognized in 2009. The remaining $23,000 was deferred until 2011.

- ***Income from investments***: Investment income decreased by $4,000 in 2010 compared to 2009. The global recession depressed interest rates to historic lows and the Authority earned very little interest on its cash balances. Additionally, investments owned by the Authority with call provisions were all exercised and reinvested at significantly lower interest rates. Interest rates did not improve in 2010 and the Authority's investment options are limited.

- ***Interest expense***: The $28,000 decrease is primarily a result of the continued reduction of principal of the Authority's existing, fixed-rate, direct debt obligations. This resulted in a $31,000 decrease in interest expense in 2010 when compared to 2009. Interest expense from the bonds securing the CBT facility, which are variable-rate demand bonds, increased by $3,000 due to slightly higher interest rates and swap fees as a result of the financial crisis.

- ***Loss/gain on disposal of fixed assets:*** In 2009 one of the Authority's warehouses (Warehouse A) was damaged from high winds. Approximately 25% of the roof needed to be replaced and was covered under the Authority's property insurance coverage. After accounting for the receipt of the insurance proceeds and writing-off a portion of the roof that was replaced, a $206,000 gain was recognized. In 2010, the Authority recognized a $6,000 loss associated with the disposal of inoperable machinery and equipment.

Net Assets

The following chart details the Authority's net assets at December 31, 2011:

	2011	2010	2009
Total	$ 49,778,051	$ 47,940,480	$ 43,926,515

Total net assets increased by $1,837,571 (or 3.8%) in 2011. In 2011, maritime revenues continued to rebound due to the economic recovery. Financing fee revenue increased primarily because New Market Tax Credit transactions, which are not expected to occur at the same levels in the future. Additionally, the Authority aggressively pursued leasing opportunities at the former Myers University facility and also purchased an office building. Both transactions resulted in increased operating revenues.

Even with the significant increase in revenues, operating expenses were held to similar levels, even with the increase in salary and benefit costs. Both salary and benefit costs, as well as professional services were at levels well below historical norms. The result was continued improvement in the Port's operating loss, which was only $676,000 in 2011, compared to $1,469,000 in 2010 and $3,742,000 in 2009.

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

The Authority showed a significant improvement in fiscal results in 2011, as the organization benefited from the major changes that took place across the organization in 2009 and 2010, as well as the economic recovery. The Board of Directors adopted a Strategic Action Plan in 2011, which will give the organization comprehensive direction for the next several years. There is clear direction for the Authority not to rely on property taxes for operational purposes and further that they should instead be directed to capital projects that benefit the entire region. Finally, the staffing at the Port has been stabilized after a couple years of wide variations in employment.

A large portion of the cost savings seen in 2010 and 2011 are permanent and should produce more predictable financial results in the future. However, even though the global economic recession is officially over, cargo levels for both bulk and break-bulk materials are not expected to improve significantly in 2012 and are still expected to be well below historical norms. Additionally, even with substantial restructuring to tenant leases and operating agreements in recent years, the Authority faces significant pricing pressure from customers, especially those who have agreements which must be renewed annually. Maritime revenues are expected to be slightly higher than their 2011 levels. The Authority is actively engaged in cargo attraction efforts in order to grow and diversify the maritime business.

The Authority's Development Finance Operation was stabilized in 2010 and enjoyed a successful 2011. In 2010, the Authority was able to renew a $9 million letter of credit which supports the Common Bond Fund and received a new investment grade rating from Standard & Poor's after the Fund's rating from Fitch was withdrawn. Financing revenues from bonds tend to depend on the number of large development projects in the region in which Port Authority financing can add value.

Revenues are expected to decline significantly in 2012, mainly because of the $878,850 in New Market Tax Credit fees that were received in 2011 will not occur in the future. Other operating revenues are expected to decline slightly in 2012.

The Authority's property tax revenues continue to provide a stable source of capital for the organization and help reduce the volatility experienced in both the maritime and development finance industry. Tax receipts are expected to remain at similar levels. The Authority's .13 mill levy is based on 1999 property values and is more immune to real estate price declines than if it was based on more current valuations. The Authority is currently evaluating the use of tax levy dollars and could seek additional funds in November of 2012.

Expenses, mainly salaries and benefits should see smaller increases over their 2011 levels, but are expected to be well below 2009 levels. Fully staffed, the organization expects to have the fewest number of employees since 2004.

The only major change in operating expenses is expected to be early stage investments in professional services to assist the community in solving critical infrastructure challenges as it relates to dredging and disposing of material from the Cuyahoga River, stabilizing a portion of an unstable hillside and working on the continued environmental clean-up of the River. The Authority expects to make major investments in these initiatives in 2012 in order to inform the community of the cost of maintaining and improving this critical piece of infrastructure.

Additional other-operating expenses should be consistent with 2011 levels, although the additional staff and new strategic direction may require some increases.

The Authority is actively pursuing additional funds from other sources, which has the potential to increase nonoperating revenues, which contributed to the improved financial results for 2011. Additional funds are not budgeted or relied on, but are being aggressively pursued. The Authority has undertaken a robust capital plan and is implementing it in 2012.

In summary, 2012 is expected to be similar to 2011, with major progress made in acquiring solutions for infrastructure challenges involving the Cuyahoga River.

Contacting the Authority's Finance Department

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

Cleveland-Cuyahoga County Port Authority

Statement of Net Assets

December 31, 2011 and 2010

	2011	2010
Assets:		
Current assets:		
Cash and investments	$ 10,862,602	$ 11,390,828
Accounts receivable	357,821	477,690
Interest receivable	15,046	29,551
Prepaid expenses	198,096	157,903
Due from Chancellor University	50,000	250,000
Property taxes receivable	3,100,000	3,300,000
Capital grant receivable	163,573	-
ODOD loan receivable	173,748	-
Total current assets	14,920,886	15,605,972
Non-current assets:		
Capital assets:		
Construction in progress	734,618	21,600
Land and land improvements	18,735,094	18,624,127
Buildings, infrastructures, and leasehold improvements	38,485,762	36,017,507
Equipment	845,564	810,018
Total	58,801,038	55,473,252
Less: accumulated depreciation	(16,597,348)	(15,391,824)
Net book value of capital assets	42,203,690	40,081,428
Restricted and other assets:		
Restricted cash and investments	8,131,495	7,161,355
Deferred outflow of resources	924,401	862,049
Grant receivable - OMA	-	833,333
Operating lease receivable	205,179	356,608
Debt issuance costs	303,438	337,029
Unamortized lease costs	98,217	-
Due from Chancellor University	150,000	250,000
Other	59,029	50,875
Total restricted and other assets	9,871,759	9,851,249
Total assets	66,996,335	65,538,649

(continued)

Cleveland-Cuyahoga County Port Authority

Statement of Net Assets (continued)

December 31, 2011 and 2010

	2011	2010
Liabilities:		
Current liabilities:		
Accounts payable	$ 668,517	$ 322,613
Accrued wages and benefits	130,869	129,859
Deferred income	3,103,000	3,360,173
Current portion of bonds and loans to be repaid by the Authority:		
Cleveland Bulk Terminal Project	155,000	145,000
Port Capital Improvements (1999A Bonds)	295,000	275,000
Essroc (1997A Bonds)	100,000	100,000
State of Ohio 166 Loan	-	55,499
ODOD Logistics Loan	363,622	-
Total current liabilities	4,816,008	4,388,144
Current liabilities payable from restricted assets:		
Accounts payable	778,815	711,958
Accrued interest payable	67,375	69,864
Total current liabilities payable from restricted assets	846,190	781,822
Other liabilities – including amounts relating to restricted assets:		
Accrued rent	173,147	244,797
Deferred income	711,823	839,619
Derivative instrument	924,401	862,049
Long-term bonds and loans, net of current portion:		
Cleveland Bulk Terminal Project	4,680,000	4,835,000
Port Capital Improvements (1999A Bonds)	2,340,241	2,634,065
Essroc (1997A Bonds)	2,726,474	2,821,566
State of Ohio 166 Loan	-	191,107
Total other liabilities	11,556,086	12,428,203
Total liabilities	17,218,284	17,598,169
Net assets:		
Invested in capital assets, net of related debt	31,543,353	29,024,191
Restricted for other purposes	7,216,198	7,117,759
Unrestricted	11,018,500	11,798,530
Total net assets	$ 49,778,051	$ 47,940,480

See Accompanying Notes to the Basic Financial Statements

Cleveland-Cuyahoga County Port Authority

Statement of Revenues, Expenses, and Changes in Net Assets

For the Years Ended December 31, 2011 and 2010

	2011	2010
Operating revenues:		
Wharfage, dockage, and storage	$ 1,303,717	$ 1,040,031
Property lease and rentals	1,964,703	1,678,523
Financing fee income	1,742,146	1,136,479
Foreign trade zone fees	80,000	117,500
Dredge disposal fees	-	80,381
Parking revenues	268,227	314,397
Other	98,090	103,376
Total operating revenues	5,456,883	4,470,687
Operating expenses:		
Salaries and benefits	2,304,544	1,840,476
Professional services	877,280	1,134,344
Facilities lease and maintenance	988,733	958,730
Marketing and communications	166,128	255,498
Depreciation expense	1,252,652	1,172,153
Office expense	382,868	359,984
Other expense	160,228	218,275
Total operating expenses	6,132,433	5,939,460
Operating loss	(675,550)	(1,468,773)
Nonoperating revenues (expenses):		
Property tax receipts	3,119,015	3,251,997
Nonoperating grant revenue	23,000	2,560,333
Income from investments	298,181	461,542
Interest expense	(733,069)	(785,399)
Capital grant	177,990	-
Loss on disposal of fixed assets	(371,996)	(5,735)
Total nonoperating revenues (expenses)	2,513,121	5,482,738
Change in net assets	1,837,571	4,013,965
Net assets – beginning of year	47,940,480	43,926,515
Net assets – end of year	$ 49,778,051	$ 47,940,480

See Accompanying Notes to the Basic Financial Statements

Cleveland-Cuyahoga County Port Authority

Statement of Fiduciary Net Assets
Fiduciary Funds (in thousands)

For the Years Ended December 31, 2011 and 2010

	2011	2010
Operating activities:		
Receipts from customers	$ 5,892,266	$ 4,778,610
Payments to suppliers for goods and services	(2,870,996)	(3,112,087)
Payments to employees	(1,700,233)	(1,573,212)
Payments of employee benefits	(679,918)	(554,857)
Net cash provided by (used in) operating activities	641,119	(461,546)
Noncapital financing activities:		
Net proceeds from property tax collections	3,119,015	3,251,997
Cash received from sale of Myers University (*)	-	161,437
Grant money received	833,333	1,702,699
Net cash provided by noncapital financing activities	3,952,348	5,116,133
Capital and related financing activities:		
Cash received from Chancellor transaction (*)	250,000	250,000
Cash received from Chancellor note receivable (*)	50,000	-
Cash received from ODOD	189,874	-
Cash received from Cuyahoga County	14,417	-
Proceeds from the sale of capital assets	841,907	-
Principal paid on debt	(766,606)	(2,798,326)
Interest paid on debt	(702,637)	(748,845)
Acquisition and construction of capital assets	(4,347,844)	(167,412)
Net cash used in capital and related financing activities	(4,470,889)	(3,464,583)
Investing activities:		
Purchase of investment securities	(23,292,039)	(28,763,251)
Proceeds from sale and maturity of investment securities	21,953,635	31,255,331
Interest on investments	331,536	474,119
Net cash (used in) provided by investing activities	(1,006,868)	2,966,199
Net (decrease) increase in cash and cash equivalents	(884,290)	4,156,203
Cash and cash equivalents – beginning of year	11,750,727	7,594,524
Cash and cash equivalents – end of year	$ 10,866,437	$ 11,750,727

(continued)

* Relates to Myers University and Chancellor University transactions, see Notes 14 and 15.

Cleveland-Cuyahoga County Port Authority

Statement of Fiduciary Net Assets
Fiduciary Funds (in thousands)

For the Years Ended December 31, 2011 and 2010

	2011	2010
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	$ (675,550)	$ (1,468,773)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,252,652	1,172,153
Changes in assets and liabilities:		
Accounts receivable	119,869	(32,208)
Operating lease receivables	151,429	26,591
Lease receivable – Great Lakes Towing	(110,489)	-
Prepaid expenses and other assets	(48,244)	26,660
Unamortized lease costs	(98,217)	-
Accounts payable	215,421	98,160
Deferred income and other	(161,969)	(96,436)
Accrued wages and benefits	1,010	(215,425)
Other liabilities	(4,793)	27,732
Net cash provided by (used in) operating activities	$ 641,119	$ (461,546)
Reconciliation cash and investments reported on the Statement of Net Assets to cash and cash equivalents reported on the Statement of Cash Flows:		
Statement of Net Assets cash and investment amounts:		
Included in current assets	$ 10,862,602	$ 11,390,828
Included in restricted and other assets	8,131,495	7,161,355
Total	18,994,097	18,552,183
Investments included in the balances above that are not cash equivalents	(8,127,660)	(6,801,456)
Cash and cash equivalents reported in the Statement of Cash Flows	$ 10,866,437	$ 11,750,727
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	$ (6,084)	$ (6,334)
Amortization of bond issuance costs on debt issues classified as interest expense	$ (33,591)	$ (34,008)
Disposal/write-off of capital assets	$ 21,600	$ -
Increase in capital assets due to accounts payable	$ 152,083	$ -
Increase in ODOD Logistics Loan due to ODOD Loan receivable	$ 173,748	$ -
Acquisition of Chancellor building and land due to debt forgiveness	$ -	$ (1,500,000)

See Accompanying Notes to the Basic Financial Statements

Cleveland-Cuyahoga County Port Authority

Statement of Fiduciary Net Assets
Fiduciary Funds (in thousands)

For the Years Ended December 31, 2011 and 2010

	2011	2010
Assets:		
Cash and cash equivalents	$ 90,831	$ 118,364
Notes and loans receivable	666,704	587,130
Financing lease receivable	50,805	42,024
Capital assets, net of accumulated depreciation	306,402	190,586
Total assets	$ 1,114,742	$ 938,104
Liabilities:		
Revenue bonds and notes payable	$ 1,114,742	$ 938,104

See Accompanying Notes to the Basic Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

The Board of Directors (the "Board") is the governing body of the Authority. The Board consists of nine members each of whom shall serve for a term of four years, of which six are appointed by the Mayor of the City of Cleveland, with advice and consent of the Cleveland City Council and three are appointed by the County Executive, subject to confirmation by the Cuyahoga County Council. A new form of government was adopted January 1, 2011 for Cuyahoga County, replacing a three member Board of County Commissioners, which previously appointed members to the Board.

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

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

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

Note 1: Summary of Significant Accounting Policies (continued)

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 statement 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 that are readily convertible to cash and have a maturity of less than 30 days.

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

Note 1: Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (continued)

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net 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 other purposes, none of which is restricted by enabling legislation. The Authority applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available.

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

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

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

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

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. Neither occurred in 2010 and 2011.

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 2011, the Authority implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 59, *Financial Instruments Omnibus.*

GASB Statement No. 54 provides guidance on accounting and financial reporting requirements for fund balance information. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this statement did not result in any change to the financial statements.

Comparative Data/Reclassifications – Certain reclassifications have been made to the 2010 financial statements in order to conform to the 2011 presentation.

Subsequent Events – In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through June 7, 2012, the date the financial statements were available to be issued.

Note 2: Deposits and Investments

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

Note 2: Deposits and Investments (continued)

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. The Authority has no deposit policy for custodial risk beyond the requirements of state statute. At December 31, 2011 the carrying amounts of the Authority's deposits were $8,202,162 and the related bank balances were $8,206,930, of which $250,500 was covered by federal depository insurance and $7,956,430 was uninsured and collateralized with securities held by the pledging institutions trust department, not in the Authority's name. At December 31, 2010 the carrying amounts of the Authority's deposits were $9,920,573 and the related bank balances were $10,162,424 of which $252,748 was covered by federal depository insurance and $9,909,676 was uninsured and collateralized with securities held by the pledging institutions trust department, not in the Authority's name.

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

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

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policies limit its investment portfolio to maturities of five years or less, which is in accordance with Ohio law. All of the Authority's investments at December 31, 2011 and 2010 have effective maturity dates of less than five years.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policies authorize investment obligations of the U.S. Treasury, U.S. agencies and instrumentalities, interest bearing demand or time deposits, State Treasury Asset Reserve of Ohio ("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.

Note 2: Deposits and Investments (continued)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Authority's investment policies provide that investments be diversified to reduce the risk of loss from over-concentration in a single issuer, specifying that no more than 50% of the Authority's total investment portfolio will be invested in a single security type, with the exception of obligations of the U.S. Treasury and STAROhio. Approximately $4.4 million of the Authority's total investment balance is invested in a Guaranteed Investment Contract (GIC) until 2027. 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, 2011:

Investment Type	Fair Value	Rating *	Less than 1 year	1 to 5 Years	Percentage of Investments
Money market fund	$ 2,664,275	AAA	$ 2,664,275	$ -	24.69%
Certificates of deposit	1,501,345	N/A	-	1,501,345	13.91
Federal Home Loan Bank obligations	415,624	AAA	-	415,624	3.85
Federal National Mortgage Association obligations	745,737	AAA	-	745,737	6.91
Guaranteed Investment Contract	4,355,537	N/A	-	4,355,537	40.36
Federal Home Loan Mortgage Corporation Obligations	799,328	AAA	-	799,328	7.41
Federal Farm Credit Bank obligations	310,089	AAA	-	310,089	2.87
Total	$ 10,791,935		$ 2,664,275	$ 8,127,660	100%

*Moody's Investor Service

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

The following table presents fair value, length of maturity and the credit ratings of the Authority's investments at December 31, 2010:

Investment Type	Fair Value	Rating	Less than 1 year	1 to 5 Years	Percentage of Investments
Money market fund	$ 1,830,154	AAA	$ 1,830,154	$ -	21.20%
Federal Home Loan Bank obligations	677,049	AAA	-	677,049	7.84
Federal National Mortgage Association obligations	744,577	AAA	-	744,577	8.63
Guaranteed Investment Contract	4,365,519	N/A	-	4,365,519	50.58
Federal Farm Credit Bank obligations	1,014,311	AAA	-	1,014,311	11.75
Total	$ 8,631,610		$ 1,830,154	$ 6,801,456	100%

Note 2: Deposits and Investments (continued)

Deposits and investments at December 31, 2010 and 2009 relating to the conduit debt were held by trustees and other third parties were approximately $118,364,000 and $136,728,000, respectively.

Note 3: Capital Assets

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

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

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance at January 1, 2010	Additions	Deletions	Balance at December 31, 2010
Capital assets not being depreciated:				
Land and land improvements	$ 18,419,075	$ 205,052	$ -	$ 18,624,127
Construction in progress	-	21,600	-	21,600
Total capital assets not being depreciated	18,419,075	226,652	-	18,645,727
Capital assets being depreciated:				
Buildings, infrastructures, and leasehold improvements	34,589,153	1,436,599	(8,245)	36,017,507
Equipment	827,897	4,161	(22,040)	810,018
Total capital assets being depreciated	35,417,050	1,440,760	(30,285)	36,827,525
Less accumulated depreciation:				
Buildings, infrastructures, and leasehold improvements	13,616,320	1,066,782	(24,550)	14,658,552
Equipment	627,901	105,371	-	733,272
Total accumulated depreciation	14,244,221	1,172,153	(24,550)	15,391,824
Total capital assets being depreciated, net	21,172,829	268,607	(5,735)	21,435,701
Capital assets, net	$ 39,591,904	$ 495,259	$ (5,735)	$ 40,081,428

Note 4: Retirement and Post-employment Benefit Plans

Pension Benefits – The Authority participates in the Ohio Public Employees Retirement System ("OPERS"). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2011, 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.

The Authority's required contributions for pension obligations to the Traditional Pension, Combined and Member Directed Plans (excluding the amount relating to postretirement benefits) for the years ended December 31, 2011, 2010, and 2009 were $128,048, $119,906, and $180,404, respectively; 87.45% has been contributed for 2011 and 100% has been contributed for 2010 and 2009. These amounts include contributions for a single employee who is paid for by the CAM participants at NCH, but is considered a public employee.

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

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health-care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health-care coverage for disability recipients and qualified survivor recipients is available. The health-care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town St., Columbus, OH, 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health-care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health-care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, the Authority contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of the post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health-care benefits provided, by retirees or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Authority's contributions for health care to the Traditional and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were $71,693, $68,554, and $130,446, respectively; 87.45% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

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

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health-care plan.

Note 5: Property Taxes

Property taxes received by the Authority represent a special levy of .13 mills to fund the Authority's operations. The tax is levied against all real and public utility property located in Cuyahoga County. The 2010 levy (collected in 2011) was based upon an assessed valuation of approximately $29.8 billion. The 2009 levy (collected in 2010) was based upon an assessed valuation of approximately $29.6 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 Fiscal Officer at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88% of cost).

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the Authority. Taxes are payable to the County in two equal installments in January and July and, if not paid, become delinquent after December 31. The County Fiscal Officer periodically remits to the Authority its portion of the taxes collected with final settlement in June and December for taxes payable in the first and second halves of the year, respectively.

Note 6: North Coast Harbor

Effective June 1, 1996, the Authority entered into an agreement known as the Common Area Maintenance ("CAM") Agreement with the City of Cleveland ("City"), Rock and Roll Hall of Fame and Museum and the Great Lakes Museum of Science, Environment and Technology ("Great Lakes Museum") pertaining to the City's waterfront area and related facilities known as North Coast Harbor ("NCH"). The purpose of the CAM Agreement is to provide for the ongoing operation, maintenance, insurance and security of the common areas of the NCH. Currently, the CAM participants are the Great Lakes Science Center, the Rock and Roll Hall of Fame and Museum, the Cleveland Browns, the Goodtime III (a passenger touring boat), and the Steamship William G. Mather Museum. Common area maintenance is funded through the contributions of the CAM participants as defined under the CAM Agreement and the cash and investments held pursuant to the CAM Agreement are classified as restricted assets in the accompanying statement of net assets, as well as a corresponding liability. The asset balance in the accounts related to the CAM totaled $84,349 at December 31, 2011.

Note 6: North Coast Harbor (continued)

Additionally, in 2005, the Authority entered into a Cooperative Agreement with the City of Cleveland to allow certain revenues generated from City-owned parking lots to go towards certain expenditures for the benefit of NCH. These expenditures were to be primarily used for holding special events at NCH and for capital repairs. The Cooperative Agreement removed the liability of capital repairs from the CAM participants and was assumed by the City. The funds relating to the Cooperative Agreement are held by the Authority and paid upon written request from the City of Cleveland. Balances in these accounts are classified as restricted assets in the accompanying statement of net assets, as well as a corresponding liability and totaled $694,466 as of December 31, 2011.

In 2011 and 2010, activities related to NCH had no effect on the Authority's income statement, other than a small administrative fee.

See "Note 24: Subsequent Events" footnote for additional information on NCH.

Note 7: Long-Term Obligations

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

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

Changes in the Authority's long-term obligations for the year ended December 31, 2010 are as follows:

	Balance January 1, 2010	Increase	Decrease	Balance December 31, 2010	Due Within One Year
State of Ohio 166 Loan	$ 299,932	$ -	$ (53,326)	$ 246,606	$ 55,499
Cleveland Bulk Terminal Project	5,120,000	-	(140,000)	4,980,000	145,000
Essroc (1997A)	3,006,515	5,051	(90,000)	2,921,566	100,000
Port Improvements (1999A)	3,172,782	1,283	(265,000)	2,909,065	275,000
Note payable	2,250,000	-	(2,250,000)	-	-
Total	$ 13,849,229	$ 6,334	$ (2,798,326)	$ 11,057,237	$ 575,499

See Notes for additional information on the above obligations.

Note 8: Port Improvements (1999A)

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

The bonds outstanding at December 31, 2011 are payable as follows:

Year	Principal	Interest	Total
2012	$ 295,000	$ 138,003	$ 433,003
2013	310,000	121,878	431,878
2014	325,000	105,081	430,081
2015	345,000	87,344	432,344
2016	365,000	68,531	433,531
2017 – 2019	1,000,000	81,969	1,081,969
Total payments	2,640,000	$ 602,806	$ 3,242,806
Unamortized original issue discount	(4,759)		
Total	$ 2,635,241		

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. Approximately five acres were subsequently leased to a private business under an operating lease.

The Authority entered into a Memorandum of Understanding ("MOU") with the City of Cleveland in 2003. The MOU outlined that the vacant 10 acre parcel be conveyed to the City of Cleveland once the lease of certain City-owned docks was extended for an additional 15 years. The conveyance and extension took place in 2005.

Note 9: State of Ohio 166 Loan (continued)

In August of 2010, the Authority agreed to sell the remaining five acres that were under lease to a third party. Gross proceeds from the sale, which closed in May of 2011, were $841,907, and a portion of the proceeds were used to retire the remaining principal outstanding on the State of Ohio 166 loan.

At the time of the sale, the land and associated improvements had a net carrying value of $1,103,414. Additionally, the Authority had a receivable on its balance sheet related to the straight-line accounting of this lease of $110,489 as of the date of the sale. The resulting loss from the sale was $371,996 and was recognized in 2011.

The Authority recorded $27,262 and $72,160 of rental income (on a straight-line basis) under the lease for the years ended December 31, 2011 and 2010. The Authority will no longer receive any additional rental income due to the sale of the property.

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

In 2001, the Authority issued $5,765,000 of Refunding Revenue Bonds, Series 2001, to advance refund the bonds that were issued to acquire the facility. On March 1, 2007, the Authority issued $5,470,000 in Multi-Mode Variable Rate Refunding Revenue Bonds, Series 2007 ("Refunding Bonds") in connection with the Cleveland Bulk Terminal (CBT) project. The proceeds of the bonds were used to refund the Authority's Taxable Variable Rate Refunding Bonds, Series 2001. The Series 2007 Bonds are tax-exempt, whereas the 2001 Bonds were taxable, as those proceeds were to defease bonds issued in 1997 used to acquire the Cleveland Bulk Terminal. The Bonds are secured by an irrevocable direct pay letter of credit, which expires on March 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.

Note 10: Cleveland Bulk Terminal (continued)

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

In addition, Oglebay Norton Company ("ONC"), the parent company of Oglebay Norton Terminals, Inc., entered into a Guaranty Agreement to guarantee the base rent under the Lease which was extended on December 16, 2002. Under the Guaranty Agreement, ONC guaranteed the payments of what was defined as Base Rent and Additional Rent under the Lease. The Lease (and subsequent amendments) also defines Additional Rent, which is a charge inbound ton that is handled at the facility.

In November of 2007, the shareholders' of 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.

Interest Rate Swap – The Refunding Bonds bear interest at a variable rate as determined by a remarketing agent based upon current transactions in comparable securities that enable the agent to remarket the notes at par. The interest rates on the Refunding Bonds were 2.09% and 2.23%, respectively on December 31, 2011 and December 31, 2010. 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.

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

Type	Objective	(000's)	Date	Date	Terms
Pay-fixed Interest Rate Swap	Hedge interest rate risk on Multi-Mode Variable Rate Demand Bonds, Series 2007	$ 4,815	6/5/01	3/2/17	Pay 4.83% Receive 67% of 1-month LIBOR

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

Note 10: Cleveland Bulk Terminal (continued)

Fair Value **–** The fair value of the interest rate swap was developed by a pricing service using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

	Changes in Fair Value		Fair Value at December 31, 2011		
	Classification	Amount	Classification	Amount	Notional
Cash flow hedge:					
Pay-fixed interest rate swap	Deferred outflow	$ (62,352)	Debt	$ (924,401)	$ 4,815,000

The interest rate swap is subject to the following risks:

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

Credit Risk **–** The Authority is exposed to credit risk in the amount of the derivative's fair value. When the fair value of any swap has a positive market value, then the Authority is exposed to the actual risk that the counterparty will not fulfill its obligations. As of December 31, 2011, the Authority had no net exposure to actual credit risk on its hedging derivative as the swap is a liability to the Authority. The counterparty under the swap is Key Bank, NA. As of December 31, 2011, the counterparty had ratings of A3/A-/A- from Moody's, Standard & Poor's and Fitch, respectively. To mitigate the potential for credit risk, if the counterparty's credit qualify falls below BBB- as issued by Fitch Ratings or Standard & Poor's or Baa3 as issued by Moody's, it will collateralize the swap liability to the Authority with securities, consisting of obligations of the US government, mortgage participation certificates of the FHMC or the FNMA, or such other securities as the parties mutually agree to. Collateral would be deposited with a third-party custodian.

Basis Risk **–** The Authority is exposed to basis risk when the variable interest received on a swap is based on a different index than the variable interest rate to be paid on the hedged item. At December 31, 2011, the variable rates on the hedge item and the derivative were not equal, thereby causing basis risk to be realized by the Authority. Because the hedge item rates are set in a tax-exempt market and the receipts on hedge are calculated based on a percentage of a taxable rate, it is expected that basis risk will continue throughout the term of the derivative.

Termination Risk **–** The derivative contract used the International Swap Dealers Association Master Agreement ("Master Agreement"), which includes standard termination events, such as failure to pay and bankruptcy. The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap were terminated, the variable rate bond would no longer carry a synthetic interest rate. In addition, if at the time of the termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Note 10: Cleveland Bulk Terminal (continued)

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

The bonds outstanding at December 31, 2011, 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
2012	$ 155,000	$ 234,468	$ 389,468
2013	160,000	222,535	382,535
2014	170,000	214,768	384,768
2015	180,000	205,858	385,858
2016	185,000	197,471	382,471
2017 – 2021	1,075,000	845,138	1,920,138
2022 – 2026	1,360,000	554,319	1,914,319
2027 – 2031	1,550,000	183,842	1,733,842
Total payments	$ 4,835,000	$ 2,658,398	$ 7,493,398

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
2012	$ 282,783
2013	282,783
2014	282,783
2015	282,783
2016	282,783
2017	60,814
Total	$ 1,474,729

The Authority recorded $378,782 of rental income (on a straight-line basis) under the Lease for the years ended December 31, 2011 and 2010. In addition, the cost and carrying amount of the Authority's property subject to this Lease was $13.8 million and $11.7 million, respectively at December 31, 2011.

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

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

The bonds outstanding at December 31, 2011 are payable as follows:

Year	Principal	Interest	Total
2012	$ 100,000	$ 164,765	$ 264,765
2013	110,000	158,871	268,871
2014	115,000	152,546	267,546
2015	120,000	145,790	265,790
2016	130,000	138,746	268,746
2016 – 2020	775,000	570,186	1,345,186
2021 – 2025	1,025,000	315,665	1,340,665
2026 – 2027	500,000	14,500	514,500
Total payments	2,875,000	$ 1,661,070	$ 4,536,070
Unamortized original issue discount	(48,526)		
Total	$ 2,826,474		

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 $2.1 million, respectively, at December 31, 2011.

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

In March of 2011, the Authority amended the Ground Lease and Operating Agreement with Essroc. Under the terms of the amendment, 3.07 of the total 6.45 acres included in the original Lease will no longer be utilized by Essroc and will be available for alternative uses, effective August 1, 2011. In exchange for removing the acreage from the Lease, Essroc's annual Ground Lease Rental will be reduced by 30%. The Improvement Rental, which pays principal and interest on the 1997A bonds issued by the Authority, remains unchanged. The future minimum rental payments to be received under the Amended Ground Lease and Operating Agreement, which is accounted for as an operating lease, are as follows (assuming no annual CPI increase):

Year	Amount
2012	$ 362,326
2013	365,732
2014	364,886
2015	362,752
2016	365,290
2017 – 2021	1,819,988
2022 – 2026	1,865,982
2027	146,060
Total	$ 5,653,015

The Authority recorded $263,509 of rental income (on a straight-line basis) under the Improvement Rental per the Ground Lease and Operating Agreement for the years ended December 31, 2011 and 2010. The Authority recognized additional rental income attributable to the Land Rental portion of the Ground Lease and Operating Agreement of $120,719 and $136,771 for the years December 31, 2011 and 2010, respectively.

Note 12: Ohio Department of Development Logistics Loan

In December 2010, the Authority authorized the execution of a Term Sheet and Commitment Letter with the Ohio Department of Development ("ODOD") to receive a $3,025,000 Logistics and Distribution Loan (the "Loan") from the State of Ohio for the construction of a rail loop on the Authority's property as well as other improvements. In May of 2011, the Authority executed the final Loan Agreement with ODOD. The final amount of the loan is dependent on the project cost, with the ODOD agreeing to fund 75% of the total project cost, up to a $3,025,000 maximum. The total project cost is expected to exceed $5 million and the entire amount of the Loan is expected be utilized. The Loan is funded on a reimbursement basis as project costs are incurred and the Authority submits to ODOD for reimbursement.

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

Note 12: Ohio Department of Development Logistics Loan (continued)

As of December 31, 2011, project costs totaled $488,536 and the amount advanced on the Loan was $363,622, all of which is expected to be repaid or forgiven in 2012.

The Authority also had a loan receivable due from ODOD of $173,748 for project costs incurred, but not yet reimbursed, as of December 31, 2011.

Note 13: Myers/Chancellor University

At December 31, 2007, one of the issuances through the Common Bond Fund Program was for Myers University, an organization that had negative working capital and had recently been experiencing significant operating losses. The 2004E bonds were issued in December of 2004 in the amount of $5,725,000, with no principal scheduled to be paid until December of 2008, and proceeds were used to acquire and renovate an educational facility located on Chester Avenue in Cleveland, Ohio.

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 a 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.

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

On August 21, 2008, an Asset Purchase Agreement was entered into between Myers University Systems LLC and the Special Master. Part of the consideration was in the form of a $2.25 million Note, which was secured by a Mortgage on the Chester Avenue facility which was financed by the 2004E bonds. As a result of the Asset Purchase Agreement, the Authority prepared a Notice of Call to the holders of the Bonds and filed a Material Event Notice (Bond Call) as a result of the Bonds becoming taxable.

On September 15, 2008, the Bonds were redeemed and paid in full, and the Authority subsequently acquired from the Bond Trustee the Note and Mortgage for $2,250,000 payable on August 21, 2010.

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 and mortgage (through the bond trustee) from the purchaser of the assets of Myers, Myers University Systems LLC, now referred to as "Chancellor University."

Note 13: Myers/Chancellor University (continued)

The Order to Sell also escrowed a portion of the sale proceeds that would be paid to creditors in 18-months if certain conditions were met. The Note received by the Authority was for $2,250,000 ("Due from Chancellor University"), and was scheduled to mature on August 21, 2010. Interest was paid quarterly at the Prime Rate, plus the Applicable Margin (2 percentage points).

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

In exchange for forbearance on the Note, the Authority received $250,000 in cash upon executing the Agreement, an additional $250,000 payable by December 31, 2010 ("Due from Chancellor University" – Current assets), a $250,000 note, with quarterly $12,500 principal payments, payable over 5 years with interest at Prime plus 2% ("Due from Chancellor University" – Restricted and other assets), and free and clear title to the 41,230 square foot Chester Avenue facility originally financed by Authority issued bonds in 2004. The $250,000 payment due on December 31, 2010 was received by the Authority on January 3, 2011.

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

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

Note 14: I Can Schools Lease

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

Year	Amount
2012	$ 185,000
2013	192,000
2014	199,500
2015	210,000
2016	122,500
Total	$ 909,000

Note 14: I Can Schools Lease (continued)

The Authority recorded $82,000 of rental income (on a straight-line basis) under the Lease for the year ended December 31, 2011. In addition, the cost and carrying amount of the Authority's property subject to this Lease was $1.8 million and $1.7 million, respectively at December 31, 2011.

Note 15: 1100 West 9th Street

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

Year	Amount
2012	$ 272,816
2013	223,680
2014	152,508
2015	116,394
2016	116,394
2017-2021	230,793
Total	$ 1,112,585

The Authority recorded $98,456 of rental income under the various leases for the year ended December 31, 2011. In addition, the cost and carrying amount of the Authority's property subject to this Lease was $3.1 million.

Pursuant to the terms of one of the tenant's leases, the Port Authority sent a notice of termination effective March 31, 2013 for one floor of the office building, which the Port Authority plans on occupying in late 2013.

Note 16: Other Leases

Authority as Lessee

City of Cleveland

The Authority leases various docks from the City of Cleveland (the "City"). On August 15, 2004, the Authority returned Dock 32 to the City and, in October 2004, the lease agreement was amended to reduce the Authority's annual rental payments from $500,000 to $400,000 through the expiration of the lease in December 2028. Under the first amended lease, the City has the right to remove Dock 30, and a portion of Dock 28 from the lease upon five years written notice, along with a development plan for the docks to be removed and approved by City Council and the City. The removal 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.

Note 16: Other Leases (continued)

In August of 2005, the Authority transferred certain undeveloped property it owned on the Old River in return for the City's entering into a Second Amendment of Lease by which the lease term of Docks 24 and 26 and a portion of Dock 28 (known as 28A), also owned by the City, and were extended to 2043.

If any of these docks were returned to the City, the annual rental payments required under the lease would be reduced based on the number of square feet eliminated from the lease. Also, the Lease Term for the remainder of Dock 28 and Dock 30 was extended to December 31, 2028 subject to the five year call provision discussed above. The maximum reduction in the annual lease payments would aggregate $150,000 if both of these docks were returned to the City. Rental expense under the operating lease with the City was $400,000 for the years ended December 31, 2011 and 2010.

See "Note 24: Subsequent Events" for updated information on certain potential changes involving agreements with the City of Cleveland.

Office Lease

The Authority has leased office space at One Cleveland Center since January 2000. In January of 2009, the Board of Directors of the Authority authorized the extension of a lease with Optima One Cleveland Center. The lease extension expanded the space leased by the Authority by 4,320 square feet to a total of 15,047 square feet. The term of the lease was extended an additional five years until January 31, 2014. The Authority received 12 months of free rent on the original 10,727 square feet, beginning in February of 2009, and received 12 months of free rent on the additional 4,320 of expansion space, beginning in July of 2009. Future minimum rentals to be paid by the Authority under the lease are $330,000 in 2012, $338,000 in 2013 and $28,000 in 2014. Rental expense, recognized on a straight-line basis, related to the Authority's lease at One Cleveland Center totaled $251,000 for the years ended December 31, 2011 and 2010.

In February of 2010, the Authority agreed to sublease 4,320 square feet of office space to a third party, beginning in March 2010 until October 31, 2012. At the option of the tenant, the lease can be renewed until January 31, 2014. The tenant received six months of free rent on the 4,320 square feet as well as free rent on 1,620 square feet for the following six months. Future minimum rentals to be received by the Authority under the sublease are $44,820 for 2012. Rental income, recognized on a straight-line basis, related to the Authority's sub-lease totaled $39,646 in 2011 and $29,735 in 2010.

Authority as Lessor

General Cargo Docks (24-30)

Effective April 1, 2010, the Authority entered into several Lease Agreements for use of land, docks and warehouses owned by the Authority or leased from the City of Cleveland to a single Terminal Operator to handle general cargo operations at the Port of Cleveland.

Note 16: Other Leases (continued)

The Agreement, effective April 1, 2010 through March 31, 2011, has a base rental of $400,000 per year and a Tonnage Assessment Schedule with the following rates: $0.125 per ton on the first 100,000 tons; $0.25 per ton on tons between 100,001 and 200,000 and $0.75 per ton above 200,001 tons. If certain tonnage levels are reached under the terms of the Agreement, bonus payments would be received by the Authority. In March of 2011, the Authority and Terminal Operator entered into a new Agreement under similar terms and conditions as the 2010 Agreement, but eliminated the additional payments and reduced tonnage rates above 200,001 to $0.725 per ton from $0.75 per ton. In March of 2012, the Port Authority entered into a new Agreement from April 1, 2012 through March 31, 2013 on essentially the same economic terms as the prior Agreement.

The Authority recognized $400,000 and $420,000 in base rental income from the Lease Agreements for the years ended December 31, 2011 and 2010, respectively. The Authority also recognized $142,304 in 2011 and $135,048 in 2010 in income associated with the Tonnage Assessment Schedule.

In total, the Authority recognized $542,304 and $555,048, respectively, in rental income from property leased or subleased to the Terminal Operator for the years ended December 31, 2011 and 2010. The future fixed rental the Authority is scheduled to receive under the most recent Lease Agreements, via the Master Fixed Rental and Tonnage Assessment Schedule, total $100,000, all of which are due in 2012.

Dock 20

Effective April 1, 2010, the Authority entered into an Operating Agreement for approximately eight acres of property commonly referred to as Dock 20 directly north of property leased by Essroc. The term of the Agreement was for one-year, with no renewal options and had a base rental of $180,000.

In March of 2011, the Authority entered into an Operating Agreement for Dock 20 under the same financial terms and conditions as the 2010 Agreement. The future fixed rentals the Authority is scheduled to receive under the Operating Agreement total $45,000 in 2012.

The Authority recorded $180,000 and $192,118 in rental income from the Dock 20 Operating Agreement in 2011 and 2010, respectively.

In March 2012, the Authority entered into an Operating Agreement for Dock 20 for another one-year term. Due to the construction of additional rail on Dock 20, approximately 2.2 acres of property previously utilized was not included in the Operating Agreement. The base rental for the remaining property totals $125,000 annually.

Dock 22

In December of 2010, the Board of Directors authorized the use of property immediately east of Dock 20, commonly referred to as Dock 22. The Operating Agreement requires monthly rental payments of $3,500 for a portion of the property and for $5,000 per month on the northern section of Dock 22. The Authority agreed to extend the Agreement for the both sections of Dock 22 on two different occasions in 2011, with a final termination date of March 31, 2012. The Authority recognized $78,666 in rental income from property leased under this Agreement in 2011. The future fixed rental the Authority is scheduled to receive under the Operating Agreement total $10,500 in 2012.

Note 16: Other Leases (continued)

Parking

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

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

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

In 2011, the Authority recognized $268,227 in parking revenues, $200,000 of which related to the MOA.

Note 17: Risk Management

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

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

Note 18: Ohio Manufacturers' Association Grant

In January of 2010, FirstEnergy Corporation, through its Ohio utilities subsidiaries – Ohio Edison, Cleveland Electric Illuminating Company and Toledo Edison (the Companies) – agreed to provide $7.5 million over three years to support economic development and job retention projects under an agreement reached with The Ohio Manufacturers' Association ("OMA"). The agreement is related to the Companies' commitment to support economic development and jobs as part of their Electric Security Plan.

Note 18: Ohio Manufacturers' Association Grant (continued)

Under a Memorandum of Understanding ("MOU") between three Ohio port authorities, the OMA, Ohio Edison, Cleveland Electric Illuminating Company and Toledo Edison, the Companies agreed to provide approximately $2.5 million, less administrative expenses, to each of three Ohio port authorities to support their financing efforts, including the Cleveland-Cuyahoga County Port Authority. The money was invested into the Authority's Common Bond Fund Program's system of reserves. The initial investment of $816,666 was deposited with the Bond Fund Trustee in January of 2010 and a second investment of $833,333 was received in July of 2010. The final payment of $833,333 was received in 2011. The $2.5 million received under the MOU is shown as "Restricted cash and investments" on the Authority's balance sheet as of December 31, 2011.

The Authority also recognized approximately $2.5 million in nonoperating grant revenue in 2010 as a result of the MOU. Investment income earned on amounts deposited under the MOU are paid semi-annually to the OMA.

Note 19: Capital Grant Activity

In February, 2011 the Authority was awarded $188,750 through a competitive grant process from the Cuyahoga County, Ohio Department of Justice Affairs, acting as a fiduciary agent for the Department of Homeland Security FEMA Grants Program Directorate. The grant funds 75% of the total costs of certain security enhancements up to a total of $251,750. As of December 31, 2011, project costs totaled $238,236, of which $14,417 had been reimbursed. As of December 31, 2011, the Authority also had a capital grant receivable of $163,573 for project costs incurred, but not yet reimbursed.

Additionally, in July, 2011 the U.S. Environmental Protection Agency awarded the Authority a Great Lakes Restoration Initiative Grant for $425,160 to develop and deploy a floating debris management vessel system to capture and remove floating debris in North Coast Harbor and the Cuyahoga River. The grant is expected to fund 100% of the costs of the debris harvester vessels designed for this purpose. No activity occurred during 2011. Design work commenced in January, 2012 and the debris harvester is expected to be operational during the 3rd quarter of 2012.

Note 20: 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.

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

Note 20: No-Commitment Debt (continued)

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 $6.6 million (Program Development Fund, Program Reserve Fund and the OMA funds) in restricted cash and investments are also shown on the Authority's Statement of Net Assets, which primarily represents the Authority's initial investment in the Program and associated interest earnings and funds received from OMA. In the event of a default, any utilization of either the Program Development Fund or the Program Reserve Fund would result in a charge to the Authority's earnings.

Additionally, in 2004, the Authority's Board of Directors established an Auxiliary Reserve which could be utilized in the event of a default. As of December 31, 2011, the Reserve had a balance of approximately $348,000, 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 that governs the Common Bond Fund Program.

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

The primary reserve deposits, which totaled $10.3 million at December 31, 2011, consist of cash, government obligations, acceptable letters of credit or other instruments allowed under the Indenture. A trustee holds these funds during the term the bonds are outstanding, with investment income earned on the Primary Reserve Fund amounts returned to the borrowers at their discretion. The balance in the Primary Reserve Fund established for each debt issuance is utilized to fund the final principal payment when the related debt issuance is completely repaid. In addition to the primary reserves, a Program Reserve and Program Development Fund are maintained to collateralize all of the obligations outstanding under the Program.

The Program Reserve and Program Development funds, including funds received from OMA, at December 31, 2011 were composed of a $6.6 million cash reserve and a $9 million irrevocable, nonrecourse letter of credit from a financial institution, which expires on March 1, 2020. In March of 2012, the term of the nonrecourse letter of credit was extended to March 1, 2022.

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.

Note 20: No-Commitment Debt (continued)

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

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

The Authority acts as an agent for the Common Bond Fund Program and certain 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 $67,565,000 (excluding the 1997A and 1999A bonds that are obligations of the Authority) and Conduit Financing Obligations were $1,047,177,433 as of December 31, 2011. The aggregate amount of outstanding debt for the Common Bond Fund Program was $70,965,000 (excluding the 1997A and 1999A bonds that are obligations of the Authority) and the Conduit Financing Obligations were $867,139,083 as of December 31, 2010.

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

Note 21: New Market Tax Credit Program

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

NEODF may utilize the credits provided it complies with terms and conditions of the Cooperative Agreement and the New Market Tax Credit Program. The Authority has no obligation for compliance under the New Market Tax Credit Program, but receives certain fees and other monies from investments made by NEODF and related organizations under the program. The Authority did not recognize any fees under the program for 2010 and 2009, from tax credit investments made by NEODF and related subsidiary LLC’s. Under the terms of the Cooperative Agreement, the Authority is to receive additional funds upon the conclusion of the various transactions undertaken by NEODF, for those transactions that are not in default and for which no compliance deficiencies exist.

Note 21: New Market Tax Credit Program (continued)

As a result of the two transactions undertaken by NEODF, the Authority could receive $573,660 in 2012 and $697,500 in 2014, plus interest, should the conditions described above be met.

The Authority has not booked a receivable on the balance sheet for these amounts, due to the uncertainty of the underlying transactions and compliance issues.

In 2009, NEODF received an additional allocation of New Market Tax Credits. On June 29, 2009, NEODF and the Community Development Financial Institutions Fund entered into an allocation agreement to evidence this new allocation of $30 million.

In February of 2011, NEODF was notified that it had received an additional $18 million allocation of New Market Tax Credits.

Throughout 2011, NEODF deployed $43 million of its $48 million new market tax credit allocation on qualified projects. As a result of the projects, the Authority received and recognized $878,850 in financing fee income through its relationship with NEODF, per the Cooperative Agreement.

Note 22: Contingencies

The Authority, in the normal course of its activities, is involved in various claims and pending litigation. In the opinion of Authority management, the disposition of these other matters is not expected to have a material adverse effect on the financial position of the Authority.

Note 23: City of Garfield Heights / CityView Center Project

In 2004, the Authority issued $8.85 million in development revenue bonds through the Common Bond Fund Program to fund certain infrastructure improvements in connection with the CityView Center retail development in Garfield Heights, Ohio. The bonds were to be repaid from payments in lieu of taxes ("PILOTS") from the increase in value on the property from the retail development and also through Special Assessments which can be levied if PILOTS are not sufficient for debt service.

In February of 2009, the largest secured creditor of CityView Center, LLC filed an action for the Appointment of Receiver against CityView. The project has run into economic difficulties due to environmental issues and concerns, and the loss of its largest retail tenant, as well as other tenants.

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

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

Note 23: City of Garfield Heights / CityView Center Project (continued)

In 2011, the case was reassigned and the plaintiff in the case filed an amended complaint in December 2011 which included a claim for foreclosure on the property. The Authority filed a motion to intervene in the action to protect its interest in the property through the security for the PILOTS and special assessments. The motion to intervene was granted.

Note 24: Subsequent Events

***City of Cleveland Ordinances* –** In March of 2012, the City of Cleveland passed certain ordinances which, if authorized by the Authority, will impact on the organization going forward.

The most significant Ordinance authorized a Third Amendment to the Lease between the City of Cleveland and the Port Authority (see Note 16 “Other Leases – Authority as Lessee – City of Cleveland”). The legislation proposed to terminate the Authority’s leasehold interests in a portion of Dock 28 (“28B”) and Dock 30. It also removed the requirement to notify the Authority with 5-years advanced notice to vacate the premises.

The remaining property covered under the Lease (Docks 24, 26 and the remaining portion of Dock 28 (“28A”)) was extended for an additional 15 years until 2058. The annual rental payment for the remaining docks is $250,000, but can be abated if the Authority performs certain duties. The ordinance also authorized the City to enter into agreements which would assign certain navigation, harbor and maritime duties and enforcement responsibilities to the Authority (“Harbor Agreement”). So long as these duties were being performed, the Authority would receive an annual abatement of rental payments due on the remaining docks totaling $250,000.

Another ordinance passed by the City would affect the Authority’s role in managing activities at North Coast Harbor (see Note 6: “North Coast Harbor”). The legislation authorized an amendment to the Common Area Maintenance Agreement, which would remove the Authority from having any further management or fiscal responsibility.

The amended Lease, Harbor Agreement and Common Area Maintenance Agreement have yet to be executed by either party as of the date of these financial statements.

ODOT Euclid Facility Project – In April of 2012, the Authority agreed to enter into a Purchase Agreement and Easement Agreement with the Ohio Department of Transportation (“ODOT”) to finance and construct a maintenance garage in Euclid, Ohio. Upon completion, ODOT will purchase the facility from the Authority under the terms outlined in the Purchase Agreement. The Authority will be reimbursed for its costs, plus a development fee of 10% of the design-build construction contract or $500,000, whichever is greater.

Neither the Purchase or Easement Agreement has been executed by either party as of the date of these financial statements.

Note 24: Subsequent Events (continued)

Cleveland Christian Hom**e** – In 2002, the Authority issued $5,130,000 in development revenue bonds through the Port of Cleveland Bond Fund. Proceeds from the issuance were loaned to Cleveland Christian Home, Incorporated ("CCH") and were used to pay for a portion of the costs of the acquisition, construction, renovation, improvement, furnishing and equipment of four buildings within the City of Cleveland.

On May 15, 2012, there was an unscheduled draw on two reserve funds for the purpose of paying the May 15, 2012 principal and interest payment on the Bonds in the amount of $220,205 (of which $110,000 was for principal payment). Such payment of principal and interest on the Bonds was timely made. Notice of the draws was filed with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access system.

After the payment, the outstanding principal balance on the Bonds is $3,520,000 and the remaining balance in the Primary Reserve for the Bonds is approximately $370,000.

The unscheduled draws were necessary because CCH failed to make timely payments to the Trustee under a Loan Agreement and Note securing the Bonds. CCH attributes the failure to make its loan payments to delays in receipt of payments and reimbursements from a significant vendor under contract with CCH. The Bonds are secured by a Mortgage on the real property owned by CCH.

Cleveland-Cuyahoga County Port Authority

Common Bond Funds

December 31, 2011

The following are the approximate balances held and the principal amount of outstanding Common Fund Bonds as of December 31, 2011:

SERIES	Contracting Party	Original Bond Amount	Outstanding Principal Balance	Required Primary Reserve Balance	Final Maturity
1997A	Essroc /Port Authority (1)	$ 3,795,000	$ 2,875,000	$ 366,641	05/15/2027
1998A	Jergens, Inc.	5,720,000	2,595,000	572,000	05/15/2018
1998B	NOACA	3,345,000	1,535,000	324,472	05/15/2018
1999A	Port Authority (1)	5,230,000	2,640,000	520,385	05/15/2019
1999B	Universal Heat Treating, Inc.	1,480,000	330,000	148,000	11/15/2014
2001A	Council for Economic Opportunities in Greater Cleveland	4,440,000	1,840,000	444,000	05/15/2016
2001B	Cleveland Bottle & Supply Co. (4)	1,500,000	-	-	11/15/2021
2002A	Community Assessment and Treatment Services, Inc.	2,090,000	1,455,000	209,000	05/15/2022
2002C	Cleveland Christian Home, Inc.	5,130,000	3,630,000	513,000	05/15/2022
2003A	Heidtman Steel Products	4,250,000	880,000	425,000	05/15/2013
2004A	Luigino's, Inc.	5,000,000	3,155,000	500,000	05/15/2019
2004B	City of Cleveland	2,965,000	760,000	296,500	05/15/2027
2004C	Tru-Fab Technology, Inc.	1,060,000	810,000	106,000	11/15/2023
2004D	City of Garfield Heights	8,850,000	7,475,000	885,000	05/15/2023
2005A	Goodyear Tire & Rubber Co.	4,125,000	1,715,000	412,500	05/15/2014
2005B	Fairmount Montessori Associates	3,375,000	2,840,000	337,500	05/15/2025
2005C	Avery Dennison Corp.	6,000,000	6,000,000	600,000	11/15/2015
2005D	Columbia National Group, Inc.	6,020,000	4,185,000	602,000	05/15/2020
2006A	Cavaliers Practice Facility	9,500,000	8,320,000	950,000	05/15/2026
2008A	Brush Wellman, Inc.	5,155,000	4,720,000	515,500	05/15/2023
2009A	Eaton World Headquarters	2,000,000	2,000,000	200,000	11/15/2020
2010A	City of Cleveland - Forest Bay Tower	2,520,000	2,520,000	252,000	05/15/2034
2010B	Flats East Development	8,800,000	8,800,000	880,000	05/15/2040
2011A	UC Marriott	2,000,000	2,000,000	200,000	11/15/2045
Total		$104,350,000	$ 73,080,000	$ 10,259,498	

Summary of Reserves:	
Primary Reserve Funds	$ 10,259,498
Program Development Fund (2,3)	122,567
Program Reserve (3)	3,990,392
Program Reserve – Ohio Manufacturers Association	2,483,333
Program Reserve LOC	9,000,000
Total Reserve Funds	$ 25,855,789
Total Reserves/Outstanding Bonds	35.38%

(1) Assets and liabilities associated with these issuances are reflected on the 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 Statement of Net Assets.
(4) The 2001B Bonds were defeased on 01/03/2011.

Cleveland-Cuyahoga County Port Authority

Non-Bond Fund Issuances (continued)

For the Year Ended December 31, 2011

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, 2011:

	Non-Bond Fund Debt Issuances	Year	Type of Debt Issued	Original Issuance	Principal Outstanding
1	Applied Industrial Technologies	1996	Revenue Bonds	$ 18,835,000	$ 9,965,690
2	University Square	2001	Revenue Bonds (Special Assessment)	40,600,000	35,210,000
3	Carnegie/96th Research Building LLC	2003	Revenue Bonds	32,000,000	30,100,000
4	OSF Properties	2004	Taxable Development Revenue Bonds	16,000,000	4,435,511
5	City of Brecksville	2004	Tax-Exempt Revenue Bonds	2,195,000	900,000
6	RITA (2)	2004	Development Revenue Bonds	20,990,000	15,020,000
7	Marine Mechanical	2004	Taxable Economic Development Lease Revenue Bond	8,470,000	5,055,000
8	Playhouse Square Foundation	2004	Variable Rate Cultural Facility Revenue Bonds	18,000,000	9,550,000
9	Euclid Avenue Housing Corp.	2005	Student Housing Facility Revenue Bonds	34,385,000	31,545,000
10	Avery Dennison Corp.	2005	Taxable Development Lease Revenue Bonds	39,785,000	33,030,000
11	Cleveland Museum of Art	2005	Cultural Facility Revenue Bonds	90,000,000	90,000,000
12	Judson	2005	Development Revenue Refunding Bonds	31,500,000	28,110,000
13	Park Synagogue	2006	Multi-Mode Variable Rate Revenue Bonds	9,995,000	9,995,000
14	St. Clarence-GEAC, LLC Project	2006	Senior Housing Revenue Bonds	17,120,000	16,625,000
15	Carnegie/89th Garage and Service Center, LLC	2007	Revenue Bonds	156,920,000	150,120,000
16	SPC Buildings 1 & 3, LLC	2007	Revenue Bonds	34,590,000	33,215,000
17	Science Park Cleveland, LLC	2007	Taxable Convertible Revenue Bonds	45,700,000	43,425,000
18	Laurel School	2008	Variable Rate Educational Facility Revenue Bonds	16,000,000	16,000,000
19	Euclid Avenue Housing	2008	Variable Rate Demand Revenue Bonds	14,500,000	14,500,000
20	Veterans Development Office/Parking	2009	Revenue Bonds	115,000,000	115,000,000
21	Nehst Creations, LLC (1)	2010	Revenue Bonds	5,200,000	-
22	Eaton World Headquarters	2009	Capital Lease Bonds	62,033,973	62,033,973
23	Cleveland Museum of Art	2010	Cultural Facility Revenue Bonds	70,430,000	70,430,000
24	Independence Research Park - Cleveland Clinic	2010	Development Revenue Refunding Bonds	46,000,000	46,000,000
25	Hospice of Western Reserve, Inc.	2010	Refunding Bonds	12,659,754	12,659,754
26	Oriana Services, Inc.	2010	Tax-Exempt Revenue Refunding Bonds	2,505,000	2,055,000
27	City of Cleveland - Flats East Bank	2010	City Appropriation Bonds	11,000,000	11,000,000
28	City of Cleveland - Flats East Bank	2011	City Mortgage Bonds	33,727,501	33,727,501
29	Medical Center Company	2011	Revenue Bonds	77,470,000	77,470,000
30	St. Johns Medical	2011	Revenue Bonds	40,000,000	40,000,000
			Total	$1,128,811,228	$1,047,177,433

(1) Nehst bonds were fully redeemed June 1, 2011

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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 business-type activities and the aggregate remaining fund information of the Cleveland-Cuyahoga County Port Authority (the "Authority") as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 7, 2012, wherein we noted that the Authority adopted *Governmental Accounting Standards Board Statement Nos*. *54* and *59*, as disclosed in Note 1. 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

Management of the Authority is responsible for establishing and maintaining effective 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 opinions 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 management, the Board of Directors, others within in the entity, 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 7, 2012

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
AUGUST 28, 2012

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